THIS PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this prospectus, you should consult a stockbroker, other licensed corporation, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Yangtzekiang Garment Manufacturing Company Limited 長江製衣廠有限公司 (the "Company"), you should at once hand this prospectus and the accompanying provisional allotment letter and form of application for excess Rights Shares to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

A copy of this prospectus, together with copies of the other documents specified in the paragraph headed "Documents delivered to the Registrar of Companies" in Appendix III to this prospectus, have been registered by the Registrar of Companies in Hong Kong as required by Section 38D of the Companies Ordinance in Hong Kong. The Registrar of Companies in Hong Kong takes no responsibility as to the contents of any of these documents. The Prospectus Documents will not be registered under the applicable securities legislation of any jurisdiction other than Hong Kong. Copies of this prospectus are sent to the Excluded Shareholders for their information only. The PAL and EAF will not be sent to the Excluded Shareholders.

Subject to the granting of listing of, and permission to deal in, the Rights Shares on the Stock Exchange, as well as compliance with the stock admission requirements of Hong Kong Securities Clearing Company Limited ("HKSCC"), the Rights Shares in both their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Rights Shares, or such other dates as determined by HKSCC. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Dealings in the shares of the Company may be settled through CCASS and you should consult your stockbroker, other licensed corporation, bank manager, solicitor, professional accountant or other professional adviser for details of those settlement arrangements and how such arrangements may affect your rights and interests.

長 江 製 衣 廠 有 限 公 司

YANGTZEKIANG GARMENT MANUFACTURING COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 294)

RIGHTS ISSUE OF 70,122,896 RIGHTS SHARES
AT HK$1.8 PER RIGHTS SHARE
ON THE BASIS OF ONE RIGHTS SHARE FOR EVERY TWO SHARES HELD
PAYABLE IN FULL ON ACCEPTANCE

Financial adviser to the Company

SOMERLEY LIMITED

Underwriter

Chan Family Investment Corporation Limited

The latest time for acceptance/application and payment for the Rights Shares is 4:00 p.m. on Thursday, 7th October, 2004. The procedures for acceptance or transfer of the Rights Shares is set out on pages 14 to 15 of this prospectus.

Shareholders should note that if any time prior to the Latest Time for Termination, which is 4:00 p.m. on the second business day after the last business day on which payment and acceptance of the Rights Shares can be made under the Rights Issue, (a) there develops, occurs, exists or comes into force any events whereby in the reasonable opinion of CFICL, the success of the Rights Issue or the business or financial condition or prospects of the Group would, might be or is likely to be adversely affected or which makes it inadvisable or inexpedient to proceed with the Rights Issue, including: (i) the introduction of any new law or regulation or any change in existing laws or regulations (or any change in the judicial interpretation thereof) whether in Hong Kong or elsewhere; or (ii) any change or deterioration (whether or not permanent) in local, national or international, economic, financial, political or military conditions or any event beyond the control of the Company (including, without limitation, acts of government, strikes, wars, acts of violence, acts of terrorism, sabotage, raids, attacks, explosion, flooding, civil commotion, terrorist attack, acts of God or accident); or (iii) any change or deterioration (whether or not permanent) in local, national or international securities market conditions; or (iv) without prejudice to sub-paragraphs (ii) and (iii) above, the imposition of any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange due to exceptional financial or political circumstances or otherwise; or (v) any local, national or international outbreak or escalation of hostilities, insurrection or armed conflict; or (vi) any suspension in the trading of Shares on the Stock Exchange for a continuous period of five business days (save and except for any temporary suspension of dealing for a period not exceeding ten consecutive business days pending the Announcement or any other public announcement by the Company as may be required by the Stock Exchange and/or the SFC); or (vii) a change or development involving a prospective change in taxation or exchange control in Hong Kong or elsewhere which will or may materially and adversely affect the Group or the present or prospective shareholders of the Company in their capacity as such; or (b) there comes to the notice of CFICL or CFICL shall have reasonable cause to believe that any of the undertakings or other obligations expressed to be assumed by or imposed on the Company under the Underwriting Agreement have not been complied with in any respect; or (c) there comes to the notice of CFICL or CFICL shall have reasonable cause to believe that any of the representations or warranties given by the Company under the Underwriting Agreement was untrue or inaccurate in any respect which adversely affect the success of the Rights Issue, then in any such case CFICL may by notice in writing to the Company at any time up to the Latest Time for Termination rescind the Underwriting Agreement. In the event that the Underwriting Agreement shall have been terminated, the Rights Issue will not proceed.

It should be noted that the Shares have been dealt in on an ex-rights basis as from Monday, 13th September, 2004 and the Rights Shares in their nil-paid form will be dealt in from Thursday, 23rd September, 2004 to Monday, 4th October, 2004 (both days inclusive), and that dealings in such Shares will take place whilst the conditions to which the Rights Issue is subject remain unfulfilled. Any Shareholder or other person dealing in the Shares up to the date on which all conditions to which the Rights Issue is subject are fulfilled (which is expected to be 4:00 p.m. on Monday, 11th October, 2004) will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed. Any Shareholder or other person contemplating selling or purchasing Shares during such period who is in any doubt about his or her position is advised to consult his or her professional adviser.

21st September, 2004

Shareholders should note that if any time prior to the Latest Time for Termination, which is 4:00 p.m. on the second business day after the last business day on which payment and acceptance of the Rights Shares can be made under the Rights Issue,

(a) there develops, occurs, exists or comes into force any events whereby in the reasonable opinion of CFICL, the success of the Rights Issue or the business or financial condition or prospects of the Group would, might be or is likely to be adversely affected or which makes it inadvisable or inexpedient to proceed with the Rights Issue, including:

(i) the introduction of any new law or regulation or any change in existing laws or regulations (or any change in the judicial interpretation thereof) whether in Hong Kong or elsewhere; or

(ii) any change or deterioration (whether or not permanent) in local, national or international, economic, financial, political or military conditions or any event beyond the control of the Company (including, without limitation, acts of government, strikes, wars, acts of violence, acts of terrorism, sabotage, raids, attacks, explosion, flooding, civil commotion, terrorist attack, acts of God or accident); or

(iii) any change or deterioration (whether or not permanent) in local, national or international securities market conditions; or

(iv) without prejudice to sub-paragraphs (ii) and (iii) above, the imposition of any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange due to exceptional financial or political circumstances or otherwise; or

(v) any local, national or international outbreak or escalation of hostilities, insurrection or armed conflict; or

(vi) any suspension in the trading of Shares on the Stock Exchange for a continuous period of five business days (save and except for any temporary suspension of dealing for a period not exceeding ten consecutive business days pending the Announcement or any other public announcement by the Company as may be required by the Stock Exchange and/or the SFC); or

(vii) a change or development involving a prospective change in taxation or exchange control in Hong Kong or elsewhere which will or may materially and adversely affect the Group or the present or prospective shareholders of the Company in their capacity as such; or

(b) there comes to the notice of CFICL or CFICL shall have reasonable cause to believe that any of the undertakings or other obligations expressed to be assumed by or imposed on the Company under the Underwriting Agreement have not been complied with in any respect; or

(c) there comes to the notice of CFICL or CFICL shall have reasonable cause to believe that any of the representations or warranties given by the Company under the Underwriting Agreement was untrue or inaccurate in any respect which adversely affect the success of the Rights Issue,

then in any such case CFICL may by notice in writing to the Company at any time up to the Latest Time for Termination rescind the Underwriting Agreement.

It should be noted that the Shares have been dealt in on an ex-rights basis as from Monday, 13th September, 2004 and the Rights Shares in their nil-paid form will be dealt in from Thursday, 23rd September, 2004 to Monday, 4th October, 2004 (both days inclusive), and that dealings in such Shares will take place whilst the conditions to which the Rights Issue is subject remain unfulfilled. Any Shareholder or other person dealing in the Shares up to the date on which all conditions to which the Rights Issue is subject are fulfilled (which is expected to be 4:00 p.m. on Monday, 11th October, 2004) will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed. Any Shareholder or other person contemplating selling or purchasing Shares during such period who is in any doubt about his or her position is advised to consult his or her professional adviser.

CONTENTS

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

"AGM"	the annual general meeting of the Company held on Monday, 20th September, 2004
"Announcement"	the announcement of the Company dated 30th August, 2004 in relation to, among others, the Rights Issue and the Capital Increase
"associates"	has the meaning ascribed to it under the Listing Rules
"Board"	board of Directors
"business day"	a day (other than a Saturday or Sunday) on which commercial banks in Hong Kong are open for business
"BVI"	British Virgin Islands
"Capital Increase"	the increase in the authorised share capital of the Company from HK$100,000,000 to HK$200,000,000 by the creation of an additional 200,000,000 Shares, which was approved at the EGM on 20th September, 2004
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CFICL"	Chan Family Investment Corporation Limited, a company beneficially owned by the Chan Family and the sole underwriter of the Rights Issue
"CFICL Group"	CFICL and its three wholly-owned subsidiaries, namely, Tai Wah Investment Co. Ltd., Wai Wing Investments Corporation and Yangtzekiang Investment Co. Ltd.
"Chan Directors"	Chan Sui Kau, Chan Wing Fui Peter, Chan Wing Kee, Chan Wing To, Chan Suk Man, Chan Wing Sun Samuel, Chan Wing Chak David and Chan Suk Ling Shirley
"Chan Family"	includes Chan Directors and their associates
"Company"	Yangtzekiang Garment Manufacturing Company Limited 長江製衣廠有限公司, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange
"Companies Ordinance"	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
"Directors"	directors of the Company
"EAF"	excess application form for additional Rights Shares proposed to be issued to the Qualifying Shareholders
"EGM"	the extraordinary general meeting of the Company held on Monday, 20th September, 2004 at which a resolution was duly passed to approve the Capital Increase
"E.U."	European Union
"Excluded Shareholders"	those Overseas Shareholders whom the Directors, after making relevant enquiry, consider their exclusion from the Rights Issue to be necessary or expedient on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place
"Executive"	the Executive Director of the Corporate Finance Division of the SFC and any delegate of the Executive Director

"Group"	the Company and its subsidiaries
"Hearty"	Hearty Development Limited, a company incorporated in the BVI which is indirectly owned by certain members of the Chan Family as described in note (iii) to the paragraph headed "Interests of Directors and Chief Executive" under the section headed "Disclosure of Interests" in Appendix III to this prospectus
"HKSAR"	Hong Kong Special Administrative Region of the P.R.C.
"HKSCC"	Hong Kong Securities Clearing Company Limited
"Independent Shareholders"	Shareholders other than the Chan Family
"Joycome"	Joycome Limited, a company incorporated in the BVI which is indirectly owned by certain members of the Chan Family as described in note (ii) to the paragraph headed "Interests of Directors and Chief Executive" under the section headed "Disclosure of Interests" in Appendix III to this prospectus
"Last Trading Day"	27th August, 2004, the last day on which the Shares were traded on the Stock Exchange prior to the release of the Announcement
"Latest Practicable Date"	17th September, 2004, being the latest practicable date for ascertaining certain information for inclusion in this prospectus
"Latest Time for Termination"	4:00 p.m. on the second business day after the last business day on which payment and acceptance of the Rights Shares can be made under the Rights Issue
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Nil-paid Acquisition Agreement"	a sale and purchase agreement dated 27th August, 2004 entered into between (i) CFICL as the purchaser; and (ii) Joycome and Hearty as the vendors in relation to the acquisition by CFICL of the nil-paid Rights Shares to be provisionally allotted to Joycome and Hearty pursuant to the Rights Issue
"Overseas Shareholders"	Shareholders whose addresses on the register of members of the Company are outside Hong Kong on the Record Date
"PAL"	the renounceable provisional allotment letter representing the Rights Shares proposed to be issued to the Qualifying Shareholders
"P.R.C."	the People's Republic of China
"Prospectus Documents"	this prospectus and the PAL and EAF sent to the Qualifying Shareholders in relation to the Rights Issue
"Qualifying Shareholders"	Shareholders on the register of members of the Company on the Record Date other than the Excluded Shareholders
"Record Date"	20th September, 2004, being the date by reference to which entitlements under the Rights Issue have been determined
"Registrar"	Computershare Hong Kong Investor Services Limited, the Company's share registrar in Hong Kong
"Rights Issue"	the issue of the Rights Shares to Qualifying Shareholders on the terms set out in the Prospectus Documents
"Rights Share(s)"	the new Share(s) to be issued to Qualifying Shareholders pursuant to the Rights Issue
"SFC"	Securities and Futures Commission of Hong Kong
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

"Shares"	ordinary shares of HK$0.50 each in the capital of the Company
"Shareholders"	holders of the Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscription Price"	the subscription price of HK$1.8 per Rights Share pursuant to the Rights Issue
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers
"Undertaking"	the undertaking dated 27th August, 2004 entered into by members of the Chan Family in favour of the Company and CFICL in connection with certain undertakings given by the Chan Family relating to the Rights Issue
"Underwriting Agreement"	the underwriting agreement dated 27th August, 2004 entered into between the Company and CFICL in relation to the Rights Issue
"Underwritten Shares"	31,952,096 Rights Shares, being the total number of Rights Shares to be issued pursuant to the Rights Issue less those Rights Shares subject to the Undertaking
"U.S."	United States of America
"Waiver"	a waiver from the Executive pursuant to Note 6 to Rule 26.1 of the Takeovers Code in respect of the obligation of the CFICL Group to make a mandatory general offer for all the Shares not already owned by them which would otherwise arise as a result of the Rights Issue
"HK$"	Hong Kong dollar

	2004
Record Date	Monday, 20th September
AGM	2:30 p.m. on Monday, 20th September
EGM	3:00 p.m. on Monday, 20th September (or as soon thereafter as the AGM has concluded or been adjourned)
Despatch of Prospectus Documents	Tuesday, 21st September
First day of dealings in nil-paid Rights Shares	Thursday, 23rd September
Latest time for splitting nil-paid Rights Shares	4:00 p.m. on Monday, 27th September
Last day of dealings in nil-paid Rights Shares	Monday, 4th October
Latest time for acceptance of Rights Shares and payment	4:00 p.m. on Thursday, 7th October
Rights Issue becomes unconditional	4:00 p.m. on Monday, 11th October
Announcement of the results of the Rights Issue to be published	Tuesday, 12th October
Refund cheques for wholly and partially unsuccessful excess applications to be posted	Tuesday, 12th October
Share certificates for Rights Shares to be posted on or before	Tuesday, 12th October

Note: Dealings in the fully-paid Rights Shares will commence as soon as the relevant Shareholders receive the share certificates for the Rights Shares.

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*

21st September, 2004

To the Qualifying Shareholders and,
for information only, the Excluded Shareholders

Dear Sir or Madam,

**RIGHTS ISSUE OF 70,122,896 RIGHTS SHARES
AT HK$1.8 PER RIGHTS SHARE
ON THE BASIS OF ONE RIGHTS SHARE FOR EVERY TWO SHARES HELD
PAYABLE IN FULL ON ACCEPTANCE**

INTRODUCTION

The Directors announced on 30th August, 2004 that the Company proposes to raise approximately HK$126.2 million, before expenses, by way of the Rights Issue of 70,122,896 Rights Shares at a price of HK$1.8 per Rights Share. Qualifying Shareholders will be offered one Rights Share for every two Shares held on the Record Date. The Rights Issue is not available to the Excluded Shareholders.

At the EGM, the Capital Increase was approved.

This prospectus sets out further information regarding the Rights Issue, including information on dealing, transfer and acceptance, and financial and other information in respect of the Group.

RIGHTS ISSUE

1. TERMS

Issue statistics:

Basis of Rights Issue	–	one Rights Share for every two existing Shares held on the Record Date
Existing issued share capital	–	140,245,792 Shares
Number of Rights Shares	–	70,122,896 Rights Shares
Enlarged issued share capital upon completion of the Rights Issue	–	210,368,688 Shares
Subscription Price	–	HK$1.8 for each Rights Share

As at the Latest Practicable Date, the Company has no outstanding convertible securities, options or warrants in issue which confer any right to subscribe for Shares.

Qualifying Shareholders:

The Company has sent PALs and EAFs to the Qualifying Shareholders only. The register of members of the Company was closed from Wednesday, 15th September, 2004 to Monday, 20th September, 2004, both days inclusive. No transfer of Shares was registered during this period.

Fractional entitlements:

Fractional entitlements to the Rights Shares will not be issued but will be aggregated and sold for the benefit of the Company.

Subscription Price:

HK$1.8 per Rights Share, payable in full when a Qualifying Shareholder accepts the provisional allotment of Rights Shares or applies for excess Rights Shares or when a transferee of nil-paid Rights Shares applies for the relevant Rights Shares.

The Subscription Price represents:

(i) a discount of approximately 18.2% to the closing price of HK$2.20 per Share as quoted on the Stock Exchange on the Last Trading Day;

(ii) a discount of approximately 18.3% to the average closing price of approximately HK$2.2025 per Share as quoted on the Stock Exchange for the ten trading days ended on the Last Trading Day;

(iii) a discount of approximately 12.9% to the theoretical ex-rights price of approximately HK$2.0667 per Share based on the closing price of HK$2.20 per Share as quoted on the Stock Exchange on the Last Trading Day;

(iv) a discount of approximately 9.5% to the closing price of HK$1.99 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and

(v) a discount of approximately 39.0% to the net asset value per Share of HK$2.95 based on the audited consolidated net asset value of the Group as at 31st March, 2004.

The Subscription Price was agreed based on arm's length negotiations between the Company and CFICL with reference to the market price of the Shares prior to the Last Trading Day.

Basis of provisional allotment:

One Rights Share in nil-paid form for every two existing Shares held by a Qualifying Shareholder on the Record Date.

Status of the Rights Shares:

When issued and fully paid, the Rights Shares will rank pari passu in all respects with the then existing Shares in issue. Holders of the fully-paid Rights Shares will be entitled to receive all future dividends and distributions which may be declared, made or paid after the date of allotment and issue of the Rights Shares in their fully-paid form.

Share certificates:

Subject to the fulfillment of the conditions of the Rights Issue, share certificates for all fully-paid Rights Shares are expected to be posted on or before Tuesday, 12th October, 2004.

Rights of Overseas Shareholders:

If at the close of business on the Record Date, a Shareholder's address on the Company's register of members is in a place outside Hong Kong, that Shareholder may not be eligible to take part in the Rights Issue. Documents to be issued in connection with the Rights Issue will not be registered under the applicable securities legislation of any jurisdictions other than Hong Kong.

Based on the register of members of the Company as at the Latest Practicable Date, there were Shareholders with registered addresses outside Hong Kong including Australia, Bermuda, Canada, the Channel Islands (Jersey), Malaysia, New Zealand, the P.R.C., Singapore, United Kingdom and the U.S.. The Company has made enquiry regarding the feasibility of extending the Rights Issue to the Shareholders with registered addresses in these countries and whether this would contravene the applicable securities legislation of the relevant overseas places or the requirements of the relevant regulatory body or stock exchange. The Directors, after making such enquiry, are of the opinion that it is expedient not to make available the Rights Issue to Shareholders whose registered addresses are in Canada, Malaysia, the P.R.C. and the U.S. as the costs involved to ensure compliance with the relevant law outweigh the possible benefits to the relevant Shareholders and the Company. Accordingly, Shareholders whose registered addresses are in Canada, Malaysia, the P.R.C. and the U.S. will be Excluded Shareholders and the Rights Issue will not be extended to these Shareholders. This prospectus has been sent to the Excluded Shareholders for their information only. No PALs or EAFs have been sent to the Excluded Shareholders. Shareholders whose registered addresses are in Australia, Bermuda, the Channel Islands (Jersey), New Zealand, Singapore and United Kingdom are included as Qualifying Shareholders and the Rights Issue will be extended to these Shareholders.

Arrangements will be made for the Rights Shares which would have otherwise been provisionally allotted to the Excluded Shareholders to be sold in the market in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence on the Stock Exchange and in any event before the last date for acceptance of Rights Shares and payment, if a premium (net of expenses) can be obtained. The proceeds of each sale, less expenses and stamp duty, of HK$100 or more will be paid to the relevant Excluded Shareholders in Hong Kong dollars. The Company will retain individual amounts of less than HK$100 for the benefit of the Company.

Application for excess Rights Shares:

Qualifying Shareholders may apply for any unsold entitlements of the Excluded Shareholders and any Rights Shares provisionally allotted but not accepted by the Qualifying Shareholders or otherwise subscribed for by transferees of nil-paid Rights Shares. Application can be made by completing the EAF and lodging the same with remittance for the excess Rights Shares. The Directors will allocate the excess Rights Shares at their discretion and on a fair and equitable basis and will give preference to topping up odd lots to whole board lots.

Application for listing:

The Company has applied to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in both nil-paid and fully-paid forms.

Dealings in the Rights Shares in their nil-paid and fully-paid forms will be subject to the payment of stamp duty in Hong Kong.

2. UNDERWRITING AGREEMENT

Date:	27th August, 2004
Underwriter:	CFICL
Number of Rights Shares underwritten:	31,952,096 Rights Shares
Commission:	2.0% of the aggregate Subscription Price for the Underwritten Shares, which is expected to be approximately HK$1.15 million

As at the Latest Practicable Date, CFICL was interested in 11,160,920 Shares representing approximately 7.95% of the existing issued share capital of the Company. Together with an aggregate of 6,374,748 Shares held by CFICL's wholly-owned subsidiaries, the CFICL Group was interested in an aggregate of 17,535,668 Shares representing approximately 12.50% of the existing issued share capital of the Company. CFICL is beneficially and wholly owned by the Chan Family and it does not underwrite issue of securities in its ordinary course of business.

Undertaking from members of the Chan Family:

As at the Latest Practicable Date, the Chan Family was beneficially interested in an aggregate of 76,341,600 Shares representing approximately 54.43% of the existing issued share capital of the Company. The shareholding structure of the Company is set out in the paragraph headed "Shareholding structure and Takeovers Code implications" below.

As at the Latest Practicable Date, the CFICL Group was interested in an aggregate of 17,535,668 Shares representing approximately 12.50% of the existing issued share capital of the Company. Pursuant to the Undertaking, the CFICL Group has undertaken to take up a total of 8,767,834 Rights Shares which will be provisionally allotted to the CFICL Group under the Rights Issue. The CFICL Group has also undertaken that it will not apply for any excess Rights Shares. CFICL has further undertaken not to sell, transfer or otherwise dispose of its beneficial interest in the Shares until after completion of the Rights Issue.

As at the Latest Practicable Date, Joycome and Hearty, both indirectly wholly owned by certain members of the Chan Family, were interested in 34,595,908 Shares (representing approximately 24.67% of the existing issued share capital of the Company) and 1,574,480 Shares (representing approximately 1.12% of the existing issued share capital of the Company) respectively.

Pursuant to the Nil-paid Acquisition Agreement, both Joycome and Hearty have agreed to dispose of all their interests in the Rights Shares in the nil-paid form to CFICL at the closing price of the nil-paid Rights Shares on the first day when there is trading in the nil-paid Rights Shares (or if there is no trading during the whole trading period, HK$100 for all nil-paid Rights Shares held by Joycome and Hearty). CFICL has undertaken to subscribe for the Rights Shares acquired under the Nil-paid Acquisition Agreement. Accordingly, in addition to the Rights Shares that will be provisionally allotted to it, CFICL will also take up the 18,085,194 Rights Shares to be provisionally allotted to Joycome and Hearty (or their nominees). Completion of the Nil-paid Acquisition Agreement is conditional on, among others, the Underwriting Agreement becoming unconditional.

As at the Latest Practicable Date, members of the Chan Family other than the CFICL Group, Joycome and Hearty were together interested in the balance of an aggregate 22,635,544 Shares representing approximately 16.14% of the existing issued share capital of the Company. Pursuant to the Undertaking, such relevant members of the Chan Family have also undertaken to take up a total of 11,317,772 Rights Shares which will be provisionally allotted to them under the Rights Issue. Each member of the Chan Family who is a party to the Undertaking has undertaken that he/she/it will not apply for any excess Rights Shares.

Underwriting:

CFICL will act as the underwriter of the Rights Issue to subscribe, or procure subscribers for, the Underwritten Shares, being the total number of Rights Shares less those Rights Shares subject to the Undertaking of 31,952,096 Rights Shares. Accordingly, the Rights Issue is fully underwritten.

In the event that all the Rights Shares underwritten by CFICL are taken up by it, the CFICL Group will be interested in an aggregate of 76,340,792 Shares, representing approximately 36.29% of the enlarged Shares in issue upon completion of the Rights Issue. The Chan Family will then be interested in an aggregate of 146,464,496 Shares, representing approximately 69.62% of the enlarged Shares in issue upon completion of the Rights Issue.

Termination of the Underwriting Agreement:

If any time prior to the Latest Time for Termination, which is 4:00 p.m. on the second business day after the last business day on which payment and acceptance of the Rights Shares can be made under the Rights Issue,

(a) there develops, occurs, exists or comes into force any events whereby in the reasonable opinion of CFICL, the success of the Rights Issue or the business or financial condition or prospects of the Group would, might be or is likely to be adversely affected or which makes it inadvisable or inexpedient to proceed with the Rights Issue, including:

(i) the introduction of any new law or regulation or any change in existing laws or regulations (or any change in the judicial interpretation thereof) whether in Hong Kong or elsewhere; or

(ii) any change or deterioration (whether or not permanent) in local, national or international, economic, financial, political or military conditions or any event beyond the control of the Company (including, without limitation, acts of government, strikes, wars, acts of violence, acts of terrorism, sabotage, raids, attacks, explosion, flooding, civil commotion, terrorist attack, acts of God or accident); or

(iii) any change or deterioration (whether or not permanent) in local, national or international securities market conditions; or

(iv) without prejudice to sub-paragraphs (ii) and (iii) above, the imposition of any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange due to exceptional financial or political circumstances or otherwise; or

(v) any local, national or international outbreak or escalation of hostilities, insurrection or armed conflict; or

(vi) any suspension in the trading of Shares on the Stock Exchange for a continuous period of five business days (save and except for any temporary suspension of dealing for a period not exceeding ten consecutive business days pending the Announcement or any other public announcement by the Company as may be required by the Stock Exchange and/or the SFC); or

(vii) a change or development involving a prospective change in taxation or exchange control in Hong Kong or elsewhere which will or may materially and adversely affect the Group or the present or prospective shareholders of the Company in their capacity as such; or

(b) there comes to the notice of CFICL or CFICL shall have reasonable cause to believe that any of the undertakings or other obligations expressed to be assumed by or imposed on the Company under the Underwriting Agreement have not been complied with in any respect; or

(c) there comes to the notice of CFICL or CFICL shall have reasonable cause to believe that any of the representations or warranties given by the Company under the Underwriting Agreement was untrue or inaccurate in any respect which adversely affect the success of the Rights Issue,

then in any such case CFICL may by notice in writing to the Company at any time up to the Latest Time for Termination rescind the Underwriting Agreement.

If CFICL terminates the Underwriting Agreement, the Rights Issue will not proceed.

3. CONDITIONS

The obligations of CFICL under the Underwriting Agreement are conditional upon, inter alia, the following conditions being fulfilled:–

(a) the passing by Shareholders of the ordinary resolution at the EGM to approve the Capital Increase;

(b) the issue by the Stock Exchange of a certificate of authorisation of registration in respect of, and the registration of one duly signed copy of, each of the Prospectus Documents (and all other documents required by Section 38D of the Companies Ordinance to be attached thereto) by the Registrar of Companies in Hong Kong prior to the despatch of the Prospectus Documents;

(c) the Listing Committee of the Stock Exchange granting or agreeing to grant the listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms (subject only to allotment and despatch of the appropriate documents of title) on or prior to the date on which the Prospectus Documents will be despatched and such grant or agreement to grant not being withdrawn prior to the allotment and issue of the Rights Shares;

(d) the Executive granting the Waiver; and

(e) the Chan Family (other than CFICL) having complied in all respects with their respective obligations under the Undertaking.

The Underwriting Agreement is not conditional on the Nil-paid Acquisition Agreement. As at the Latest Practicable Date, conditions (a) and (b) have been fulfilled. On 27th August, 2004, the Executive granted the Waiver and accordingly, condition (d) above has also been fulfilled. Further details of the Waiver are set out in the paragraph headed "Shareholding structure and Takeovers Code implications" below.

If any of the above conditions are not fulfilled or waived by CFICL on or before the Latest Time for Termination (or such later date (not later than 30 days after the date on which the Prospectus Documents are posted) and time as CFICL and the Company may agree in writing), or the Underwriting Agreement has been terminated in accordance with the terms thereof, the Rights Issue will not proceed. In such circumstances, the obligations of the Company and CFICL as underwriter shall terminate, and neither party shall have any claim against the other party save for any antecedent breach of its obligation under the Underwriting Agreement. If the Underwriting Agreement is terminated by CFICL in accordance with the terms thereof, the Company shall on demand reimburse to CFICL its expenses incurred in connection with the Rights Issue.

4. SHAREHOLDING STRUCTURE AND TAKEOVERS CODE IMPLICATIONS

Set out below is the shareholding of the Company showing the existing shareholding structure and the shareholding structure after completion of the Nil-paid Acquisition Agreement and completion of the Rights Issue assuming different levels of acceptance of the Rights Shares by the Independent Shareholders:

	Shareholding as at the Latest Practicable Date		Shareholding upon completion of the Nil-paid Acquisition Agreement and the Rights Issue assuming subscription by Independent Shareholders of Rights Shares			
			0% (Note i)		*100% (Note ii)*	
	Shares	*(%)*	*Shares*	*(%)*	*Shares*	*(%)*
CFICL Group	17,535,668	12.50	76,340,792	36.29	44,388,696	21.10
Joycome	34,595,908	24.67	34,595,908	16.44	34,595,908	16.44
Hearty	1,574,480	1.12	1,574,480	0.75	1,574,480	0.75
Other members of the Chan Family	22,635,544	16.14	33,953,316	16.14	33,953,316	16.14
Subtotal for Chan Family	76,341,600	54.43	146,464,496	69.62	114,512,400	54.43
Public	63,904,192	45.57	63,904,192	30.38	95,856,288	45.57
Total	140,245,792	100.00	210,368,688	100.00	210,368,688	100.00

Notes:

(i) Assuming that none of the Rights Shares is taken up by Independent Shareholders and that all Underwritten Shares are entirely taken up by CFICL.

(ii) Assuming that the entire Underwritten Shares are taken up by the Independent Shareholders.

As at the Latest Practicable Date, the CFICL Group was interested in 17,535,668 Shares, representing approximately 12.50% of the issued Shares. Pursuant to the Undertaking, the CFICL Group has undertaken to accept in full the 8,767,834 Rights Shares to be provisionally allotted to it. Pursuant to the Nil-paid Acquisition Agreement, CFICL will also take up the 18,085,194 Rights Shares to be provisionally allocated to Joycome and Hearty. In addition to the above, in the event that CFICL is required to take up 18,721,911 or more Rights Shares underwritten by it, the shareholding of the CFICL Group in the Company will reach 63,110,607 Shares or more (depending on the number of Underwritten Shares taken up by CFICL), representing 30% or more of the enlarged issued share capital of the Company of 210,368,688 Shares on the basis of the existing issued share capital of the Company. In such circumstances, an obligation of the CFICL Group to make a mandatory general offer for all the Shares other than those already owned by it and its concert parties will arise under Rule 26.1 of the Takeovers Code. The Chan Family is a close family group and has been in control of and holding more than 50% of the voting rights of the Company before the Nil-paid Acquisition Agreement and the Rights Issue. After completion of the Nil-paid Acquisition Agreement and completion of the Rights Issue, the Chan Family will continue to be in control of and holding more than 50% of the voting rights of the Company. An application was made on 23rd August, 2004 by CFICL to the Executive for the grant of the Waiver. The Executive granted the Waiver on 27th August, 2004 thereby waiving any obligation on the CFICL Group to make a general offer which might arise as a result of the Nil-paid Acquisition Agreement and the Rights Issue.

5. INFORMATION ON THE GROUP

The Group is principally engaged in the manufacturing and sale of garment products and textiles and the provision of processing services.

For each of the two years ended 31st March, 2003 and 2004, the Group recorded audited turnover of approximately HK$1,238.4 million and HK$1,493.5 million respectively. For each of the two years ended 31st March, 2003 and 2004, the Group recorded audited net profit (after taxation and minority interests) of approximately HK$33.1 million and HK$69.1 million respectively. As at 31st March, 2004, the audited consolidated net assets of the Group were approximately HK$414.4 million.

6. REASONS FOR THE RIGHTS ISSUE AND USE OF PROCEEDS

The Group has two spinning and weaving mills in Wuxi, the P.R.C., both of which have recorded satisfactory results for the year ended 31st March, 2004. The Group believes that more garment factories will be opened in China to take advantage of the quota-free access to the U.S. and the E.U. from 2005 onwards and the demand for yarns and fabrics will therefore increase. Accordingly, the Group has stated in its 2003/04 annual report that it will have further plans to expand its textile plants in Wuxi.

As at 31st March, 2004, the audited cash and bank balances (including pledged deposits of HK$3.7 million) of the Group were approximately HK$63 million. As at 31st March, 2004, the audited bank borrowings of the Group were approximately HK$588 million, of which approximately HK$313 million was short term while approximately HK$275 million was long term. The gearing ratio (calculated by dividing total bank borrowings net of cash and bank balances by shareholders' equity) of the Group as at 31st March, 2004 was approximately 127%.

Given the recent improved equity market conditions, the Board considers that it is in the interest of the Company to raise equity capital to (i) finance the possible expansion in the textile business in Wuxi; (ii) strengthen the Group's financial position, in particular, reduce its gearing ratio; and (iii) enlarge its capital base, on the terms of the Rights Issue set out herein which the Board considers fair and reasonable to the Shareholders.

The net proceeds of approximately HK$123.2 million raised from the Rights Issue (after deducting expenses including underwriting commission, professional fees, printing charges and sundry expenses) are expected to be used as to (i) approximately HK$50.0 million for the possible expansion of the textile business in Wuxi; (ii) approximately HK$50.0 million for repayment of borrowings of the Group; and (iii) the balance of approximately HK$23.2 million for general working capital purposes.

The Company has not conducted any other fund raising activities in the past 12 months.

BUSINESS REVIEW AND PROSPECTS OF THE GROUP

Business Review

Garment business

The Group carries on its woven clothing business under the name of Yangtzekiang Garment Mfg. Co., Ltd. and its knitted clothing business under the name of Hong Kong Knitters Ltd.. The Group's products include men's and women's shirts, trousers, shorts, polo shirts, T-shirts and fleeces. The Group's head office and sales and management office in Hong Kong control the Group's garment trading business as well as its production facilities in the P.R.C., Macau, Malaysia, Myanmar, Bangladesh, Sri Lanka, Cambodia and Lesotho in Africa.

Exquisite Knitters (Guangzhou) Ltd. in Panyu, the P.R.C. operates a factory engaging in knitting, dyeing and finishing of fabrics as well as the manufacturing of high quality mercerized knitted garments.

Whampoa Garment Mfg. (Guangzhou) Co., Ltd., which is also situated in Panyu, the P.R.C., was set up in November 2002 and is principally engaged in the manufacture and sale of high quality men's and ladies' woven shirts to non-quota regulated markets. After 2005 when quota requirements for export to the U.S. and E.U. have been abolished, the garment products manufactured by this factory will be exported to the U.S. and E.U..

The Group has two factories located in high manufacturing cost areas: (i) Macau – Tac Cheong Lda; and (ii) Malaysia – Yangtzekiang Industries Sdn. Bhd. Operation of these two factories have been drastically trimmed down and as a result the Group has reduced the losses sustained by these factories over the last few years.

During the financial year ended 31st March, 2004, the Group sold its interest in Yangtzekiang Industries (Myanmar) Ltd. which operates a factory in Myanmar to its local management. The Group has entered into a subcontracting agreement with Yangtzekiang Industries (Myanmar) Ltd., pursuant to which Yangtzekiang Industries (Myanmar) Ltd. will continue to manufacture garments for the Group.

Bangladesh remains an important area for the Group in woven shirts production. The Group has entered into production agreements with over a dozen factories in that area. The Group has over 30 staff in its Bangladesh office overseeing the production of these factories and the Group's products are mainly for the European market. However, after 2005 when the quota requirement will cease to apply, the Group may see a shift of the sources of the orders to the P.R.C..

Hongkong Knitters Lanka (PVT) Ltd. in Sri Lanka continued to be not profitable in the year ended 31st March, 2004. The Group shall review whether this factory will have the potential to be profitable after 2005 when the Group will no longer need to pay for quota in the open market.

The Group's factory in Cambodia – YGM (Cambodia) Ltd. started production in year 2000 manufacturing woven bottoms as well as polo shirts. This factory has not been profitable since commencement of its production. However, there was a turn around into profit in the financial year ended 31st March, 2004. The production lines now have a high utilization rate and its productivity has increased significantly due to improved management and lack of labour disputes which often happened in the past. If the Cambodian Government successfully obtains duty free access into the U.S. and E.U., the Group may expect more opportunities for growth in Cambodia.

H.K. International Knitters (Proprietary) Ltd. in Lesotho Africa was set up in September 2002. It enjoys a quota free status for garment export to the U.S. and import duty concessions granted by the U.S. Government to Lesotho. This preferential treatment, which was initially due to expire in the financial year ended 31st March, 2004, was further extended by the U.S. Government till 2007. However, due to the drop in productivity and the appreciation of South African currency (Rand), the Group suffered losses from this operation for the financial year ended 31st March, 2004. The Group will continue to monitor the performance of this subsidiary.

Other business

The Group has two spinning and weaving mills in Wuxi, the P.R.C.. Wuxi Changxin Textile Co., Ltd. had recorded satisfactory results in the year ended 31st March, 2004, while Wuxi YGM Textiles Co., Ltd. of which the Group owns 70% also produced good profit during its first year of operation and until 31st March, 2004. The Group anticipates further expansion in textiles in Wuxi as the Group believes many factories will be set up in the light of the quota free access to the U.S. and E.U.. However, the Group expects that profits for the current year will reduce because the increase in demand in raw materials resulted from increase in number of manufacturers in the P.R.C. will likely push up the cost of raw materials.

Qinghai Changqing Aluminium Corporation in Qinghai, the P.R.C. which is an aluminium smelter has seen another profitable year in respect of year ended 31st March, 2004 despite the Group's earlier concern about the power shortage and high raw material costs. However, as stated in the 2003/2004 annual report of the Company, the Group does expect such factors to negatively impact on its result for the current year.

Yangtzekiang S.A. recorded profits for the year ended 31st March, 2004 while the general market in France was not buoyant. The Group benefited from the continuous strengthening of the Euro exchange rate. However, its newly acquired men's underwear brand JIL suffered losses due to lower than expected sales and very heavy overhead expenses. The Group plans to drastically cut down the expenses for this year to contain the losses of JIL. The Group's main customers for Yangtzekiang S.A. are hyper markets in France. In the past two years, the Group has obtained licences for many well known brands such as NAFNAF and Daniel Hechter. The Group hopes this will increase sales and profits in the future.

W. Haking Enterprises Ltd. had put a new electrical razor product to production. With the increase in production, the Group expects satisfactory results in the coming financial year.

Prospects

As stated in the 2003/2004 annual report of the Company, in the coming year of 2005 when most of the world will enjoy quota free access for garments to the U.S. and E.U., the Group expects to see a substantial increase in manufacturing facilities driving prices down further. Intense competition would be expected. Facing this unprecedented challenge, the Group intends to:

1. make sure all production plants of the Group in the P.R.C. and around the world remain competitive;

2. concentrate on expanding its manufacturing facilities, forming joint ventures with other factories and expanding the garment trading business of the Group by selling products of these joint ventures;

3. adopt further plans to expand the textile plants in Wuxi as the Group believes more garment factories will be opened in the P.R.C. to take advantage of the quota free access to the U.S. and E.U. resulting in more demand for yarns and fabrics;

4. seek opportunities to market its business in both the U.S. and E.U.; and

5. continue to invest in non-garment related business such as the aluminium smelter in Qinghai, the P.R.C. and W. Haking Enterprises Ltd..

LISTING AND DEALINGS

An application has been made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms. It is expected that dealings in the Rights Shares in their nil-paid form will commence on Thursday, 23rd September, 2004 and will end on Monday, 4th October, 2004 (both days inclusive). No shares of the Company are listed or dealt in on any other stock exchange and no application has been made or is currently proposed to be made for the Shares to be listed or dealt in on any other stock exchange.

Subject to the granting of the listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms on the Stock Exchange, the Rights Shares in their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares in their nil-paid and fully-paid forms on the Stock Exchange or such other dates as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

The Rights Shares in their nil-paid form and fully-paid form will both be traded in board lots of 1,000 Shares. Dealings in the nil-paid and fully-paid Rights Shares will be subject to payment of stamp duty in Hong Kong.

Existing Shares have been dealt in on an ex-rights basis as from Monday, 13th September, 2004. If any of the conditions to which the Rights Issue is subject are not fulfilled or waived by CFICL on or before the Latest Time for Termination (or such later date (not later than 30 days after the date on which the Prospectus Documents are posted) and time as CFICL and the Company may agree in writing), or the Underwriting Agreement has been terminated in accordance with the terms thereof, the Rights Issue will not proceed.

Any Shareholder or other person contemplating selling or purchasing Shares from 13th September, 2004 to 11th October, 2004 (both days inclusive) and/or Rights Shares in their nil-paid forms (which are expected to be traded on the Stock Exchange from 23rd September, 2004 to 4th October, 2004, both days inclusive) is advised to exercise caution when dealing in the Shares. Those who are in any doubt about his/her position are recommended to consult his/her own professional adviser.

Qualifying Shareholders are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of holding, disposing of or dealing in the Rights Shares. It is emphasised that none of the Company, the Directors or any other parties involved in the Rights Issue accepts responsibility for any tax effects or liabilities of holders of the Rights Shares resulting from the purchase, holding, disposal of, or dealing in the Rights Shares (in their nil-paid and/or fully-paid forms).

PROCEDURE FOR ACCEPTANCE AND TRANSFER

A PAL is enclosed with this prospectus which entitles you to subscribe for the number of Rights Shares shown thereon. If you wish to accept all the Rights Shares provisionally allotted to you as specified in the enclosed PAL, you must lodge the PAL in accordance with the instructions printed thereon, together with a remittance for the full amount payable on acceptance, with the Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong by no later than 4:00 p.m. on Thursday, 7th October, 2004. All remittances must be made in Hong Kong dollars and cheques or cashier's orders must be drawn on a bank account in Hong Kong and made payable to "Yangtzekiang Garment Manufacturing Company Limited – PAL" and crossed "Account Payee Only".

It should be noted that unless the PAL, duly completed, together with the appropriate remittance has been lodged with the Registrar by 4:00 p.m. on Thursday, 7th October, 2004, whether by the original allottee or any person in whose favour the rights have been validly transferred, that provisional allotment and all rights thereunder will be deemed to have been declined and will be cancelled.

If you wish to accept only part of your provisional allotment or transfer part of your rights to subscribe for the Rights Shares provisionally allotted to you under the PAL or to transfer your rights to more than one person, the entire PAL must be surrendered by no later than 4:00 p.m. on Monday, 27th September, 2004 to the Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, who will cancel the original PAL and issue new PALs in the denominations required.

All cheques or cashier's orders will be presented for payment following receipt and all interest earned on such monies will be retained for the benefit of the Company. Any PAL in respect of which the accompanying cheque or cashier's order is dishonoured on first presentation is liable to be rejected, and in that event the provisional allotment and all rights thereunder will be deemed to have been declined and will be cancelled.

If CFICL exercises its right to terminate its obligations under the Underwriting Agreement before the Latest Time for Termination and/or if any of the conditions under the Underwriting Agreement are not fulfilled, the monies received in respect of acceptances of the Rights Shares will be returned to the Qualifying Shareholders or such other persons to whom the Rights Shares in their nil-paid form shall have been validly transferred without interest, by means of cheques crossed "Account Payee Only" despatched by ordinary post to their registered address and in the case of joint applicants to the registered address of the applicant whose name first appears on the register of members or the transfer form at the risk of such Qualifying Shareholders or such other persons on or about Tuesday, 12th October, 2004.

APPLICATION FOR EXCESS RIGHTS SHARES

If you wish to apply for any Rights Shares in addition to your provisional allotment, you must complete and sign the enclosed EAF in accordance with the instructions printed thereon and lodge it, together with a separate remittance for the amount payable on application in respect of the excess Rights Shares applied for, with the Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong by no later than 4:00 p.m. on Thursday, 7th October, 2004. All remittances must be made in Hong Kong dollars and cheques or cashier's orders must be drawn on a bank account in Hong Kong and made payable to "Yangtzekiang Garment Manufacturing Company Limited – EAF" and crossed "Account Payee Only". The Registrar will notify you of any allotment of excess Rights Shares made to you on or before Tuesday, 12th October, 2004. The Directors will allocate the excess Rights Shares among the Qualifying Shareholders who have validly applied for excess Rights Shares at their sole discretion, as far as practicable pro rata to the number of excess Rights Shares applied for, on a fair and equitable basis and preference will be given to application to round up odd lot holdings to whole board lots.

If no excess Rights Shares are allotted to you, the amount tendered on application is expected to be returned to you in full without interest on or before Tuesday, 12th October, 2004. If the number of excess Rights Shares allotted to you is less than that applied for, the surplus application monies are also expected to be returned to you without interest on or before Tuesday, 12th October, 2004.

All cheques or cashier's orders will be presented for payment following receipt and all interest earned on such monies will be retained for the benefit of the Company. Any EAF in respect of which the accompanying cheque or cashier's order is dishonoured on first presentation is liable to be rejected.

The EAF is for use only by the person(s) to whom it is addressed and is not transferable. All documents, including cheques or cashier's orders for amounts due, will be sent at the risk of the persons entitled thereto to their registered addresses by the Registrar.

If CFICL exercises its right to terminate its obligations under the Underwriting Agreement before the Latest Time for Termination and/or if any of the conditions under the Underwriting Agreement are not fulfilled, the monies received in respect of applications for excess Rights Shares will be returned to the applicants by means of cheques crossed "Account Payee Only" despatched by ordinary post to their registered address and in the case of joint applicants to the registered address of the applicant whose name first appears on the register of members or the transfer form at the risk of such applicants on or about Tuesday, 12th October, 2004.

OVERSEAS SHAREHOLDERS

Documents to be issued in connection with the Rights Issue will not be registered under the applicable securities legislation of any jurisdictions other than Hong Kong. Accordingly, no person receiving a copy of the PAL or the EAF in any jurisdiction outside Hong Kong may treat it as an offer or invitation to apply for Rights Shares, unless in the relevant jurisdiction such an offer or invitation could lawfully be made without compliance with any registration or other legal and regulatory requirements. Subject as referred to below, it is the responsibility of any person outside Hong Kong wishing to make an application for the Rights Shares to satisfy himself/herself as to the observance of the laws and regulations of the relevant jurisdiction, including the obtaining of any government or other consents, and to pay any taxes and duties required to be paid in such jurisdiction in connection therewith. No application for Rights Shares will be accepted from any person whose registered address is in Canada, Malaysia, the P.R.C. and the U.S.. The Company reserves the right to refuse to accept any application for Rights Shares where it believes that doing so would violate the applicable securities or other laws or regulations of the territory of residence of the applicant.

Nothing in this prospectus, nor anything communicated to holders or potential holders of Shares by the Company is intended to constitute or should be construed as advice on the merits of the purchase of or subscription for the Shares or the exercise of any rights attached thereto for the purposes of the Financial Services (Jersey) Law 1998, as amended.

CERTIFICATES FOR SHARES

It is expected that certificates for the fully-paid Rights Shares will be sent by ordinary post to those entitled thereto at their own risk to their registered addresses on or before Tuesday, 12th October, 2004.

GENERAL

Your attention is drawn to the appendices to this prospectus.

By order of the Board
Yangtzekiang Garment Manufacturing Company Limited
Chan Sui Kau
Chairman

1. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date and following of the Capital Increase and Rights Issue, were as follows:

(i) As at the Latest Practicable Date:

Authorised:		*HK$*
200,000,000	Shares	100,000,000
Issued and fully paid:		
140,245,792	Shares	70,122,896

(ii) Upon Capital Increase becoming effective and completion of Rights Issue:

Authorised:		*HK$*
400,000,000	Shares	200,000,000
Issued and fully paid:		
140,245,792	Shares	70,122,896
70,122,896	Rights Shares to be issued	35,061,448
210,368,688		105,184,344

All the Shares in issue and to be issued rank and will rank pari passu in all respects with each other including as regards to dividends, voting and return of capital.

The Company has not issued any Shares since 31st March, 2004 and up to the Latest Practicable Date.

As at the Latest Practicable Date, the Company had no share options or other convertible securities outstanding.

No share or loan capital of any members of the Group has been put under option or agreed conditionally or unconditionally to be put under option and no warrant or conversion right affecting the Shares has been issued or granted or agreed conditionally, or unconditionally to be issued or granted.

No share or loan capital of the Company has been issued or is proposed to be issued for cash or otherwise and no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any such capital.

The shares of the Company are listed on the Stock Exchange. No part of the shares of the Company is listed or dealt in, nor is listing or permission to deal in the shares of the Company being or proposed to be sought, on any other stock exchange.

2. THREE YEAR SUMMARY

The following information has been extracted from the audited consolidated financial statements of the Group for each of the three years ended 31st March, 2004.

Consolidated income statement

	2004	**2003** (restated) *(note)*	**2002**
	HK$'000	*HK$'000*	*HK$'000*
Turnover	1,493,488	1,238,363	1,159,929
Cost of sales	(1,177,771)	(1,039,303)	(984,681)
	315,717	199,060	175,248
Other revenue	10,598	14,081	9,884
Other net income	26,609	26,260	16,343
Selling and distribution expenses	(121,609)	(92,726)	(38,459)
Administrative expenses	(120,081)	(88,987)	(106,197)
Other operating expenses	(40,701)	(28,937)	(18,502)
Profit from operations	70,533	28,751	38,317
Finance costs	(26,206)	(15,213)	(17,346)
	44,327	13,538	20,971
Share of profits less losses of associates	49,466	33,887	20,950
Profit from ordinary activities before taxation	93,793	47,425	41,921
Income tax	(20,323)	(9,237)	(10,520)
Profit from ordinary activities after taxation	73,470	38,188	31,401
Minority interests	(4,385)	(5,111)	(3,810)
Profit attributable to shareholders	69,085	33,077	27,591
Dividends attributable to the year:			
Interim dividend declared during the year	1,402	2,805	2,805
Final dividend proposed after the balance sheet date	12,622	11,220	11,220
	14,024	14,025	14,025
Earnings per share			
Basic	$0.49	$0.24	$0.20

Consolidated balance sheet

	2004	**2003**	**2002**
		(restated)	
		(note)	
	HK$'000	*HK$'000*	*HK$'000*
Assets and liabilities			
Fixed assets	620,254	259,543	232,797
Construction in progress	18,508	341,607	2,401
Intangible assets	3,479	–	–
Goodwill	(2,117)	4,875	9,351
Interest in associates	248,263	219,322	201,930
Loans receivable	7,917	–	–
Investments	4,326	3,926	4,322
Net current (liabilities)/assets	(156,539)	(331,551)	20,611
Total assets less current liabilities	744,091	497,722	471,412
Non-current liabilities	(295,079)	(111,704)	(99,691)
Minority interests	(34,651)	(33,850)	(17,627)
	414,361	352,168	354,094
Share capital	70,123	70,123	70,123
Reserves	344,238	282,045	283,971
	414,361	352,168	354,094

Note:

Hong Kong Statement of Standard Accounting Practice No. 12 (revised) "Income taxes" was first effective for accounting periods beginning on or after 1st April, 2003. Figures for the year 2003 have been restated. However, it is not practical to restate the figures for the year 2002 for comparison purposes.

3. AUDITED CONSOLIDATED FINANCIAL STATEMENTS

The following is a summary of the audited consolidated income statement of the Group for the two years ended 31st March, 2004, the audited consolidated balance sheet of the Group as at 31st March, 2004 and 2003, the audited balance sheet of the Company as at 31st March, 2004 and 2003, the audited consolidated statement of changes in equity of the Group for the two years ended 31st March, 2004 and the audited consolidated cash flow statement of the Group for the two years ended 31st March, 2004, together with accompanying notes extracted from the 2003/2004 annual report of the Company:

CONSOLIDATED INCOME STATEMENT
For the year ended 31st March, 2004
(Expressed in Hong Kong dollars)

	Note	**2004** $'000	**2003** (restated) $'000
Turnover	*2*	1,493,488	1,238,363
Cost of sales		(1,177,771)	(1,039,303)
		315,717	199,060
Other revenue	*3*	10,598	14,081
Other net income	*3*	26,609	26,260
Selling and distribution expenses		(121,609)	(92,726)
Administrative expenses		(120,081)	(88,987)
Other operating expenses		(40,701)	(28,937)
Profit from operations		70,533	28,751
Finance costs	*4(a)*	(26,206)	(15,213)
		44,327	13,538
Share of profits less losses of associates		49,466	33,887
Profit from ordinary activities before taxation	*4*	93,793	47,425
Income tax	*5(a)*	(20,323)	(9,237)
Profit from ordinary activities after taxation		73,470	38,188
Minority interests		(4,385)	(5,111)
Profit attributable to shareholders	*8*	69,085	33,077
Dividends attributable to the year:	*9*		
Interim dividend declared during the year		1,402	2,805
Final dividend proposed after the balance sheet date		12,622	11,220
		14,024	14,025
Earnings per share			
Basic	*10*	$0.49	$0.24

CONSOLIDATED BALANCE SHEET
At 31st March, 2004
(Expressed in Hong Kong dollars)

		2004		2003 (restated)	
	Note	*$'000*	*$'000*	*$'000*	*$'000*
Non-current assets					
Fixed assets	*14(a)*		620,254		259,543
Construction in progress	*15*		18,508		341,607
Intangible assets	*16*		3,479		–
Goodwill	*17*		(2,117)		4,875
Interest in associates	*19*		248,263		219,322
Permanent quota	*20*		–		–
Loans receivable	*21*		7,917		–
Non-trading securities	*22*		1,453		1,053
Other investments	*23*		2,873		2,873
			900,630		829,273
Current assets					
Loans receivable	*21*	1,693		–	
Inventories	*24*	159,821		96,332	
Trade and other receivables	*25*	258,250		249,472	
Tax recoverable	*31(a)*	2,143		2,145	
Pledged deposits	*26*	3,733		141	
Cash and cash equivalents	*27*	59,528		44,541	
		485,168		392,631	
Current liabilities					
Trade and other payables	*28*	323,964		391,309	
Bank loans and overdrafts	*29*	312,948		327,676	
Tax payable	*31(a)*	4,795		5,197	
		641,707		724,182	
Net current liabilities	*32*		(156,539)		(331,551)
Total assets less current liabilities			744,091		497,722
Non-current liabilities					
Bank loans	*30*	275,364		91,733	
Provision for long service payments	*33*	8,948		9,027	
Deferred tax liabilities	*31(b)*	10,767		10,944	
			295,079		111,704
			449,012		386,018
Minority interests			34,651		33,850
NET ASSETS			414,361		352,168
CAPITAL AND RESERVES					
Share capital	*34*		70,123		70,123
Reserves	*35(a)*		344,238		282,045
			414,361		352,168

BALANCE SHEET
At 31st March, 2004
(Expressed in Hong Kong dollars)

		2004		2003 (restated)	
	Note	*$'000*	*$'000*	*$'000*	*$'000*
Non-current assets					
Fixed assets	*14(b)*		104,586		109,870
Interest in subsidiaries	*18*		301,472		227,254
Interest in associates	*19*		22,365		22,211
Permanent quota	*20*		–		–
Loans receivable	*21*		7,917		–
Non-trading securities	*22*		1,453		1,053
Other investments	*23*		2,384		2,384
			440,177		362,772
Current assets					
Loans receivable	*21*	1,693		–	
Inventories	*24*	17,751		9,743	
Trade and other receivables	*25*	141,221		179,391	
Cash and cash equivalents	*27*	26,981		9,621	
		187,646		198,755	
Current liabilities					
Trade and other payables	*28*	100,956		85,484	
Bank loans and overdrafts	*29*	79,818		118,092	
Tax payable	*31(a)*	1,447		526	
		182,221		204,102	
Net current assets/(liabilities)			5,425		(5,347)
Total assets less current liabilities			445,602		357,425
Non-current liabilities					
Bank loans	*30*	37,500		27,000	
Provision for long service payments	*33*	4,872		5,063	
Deferred tax liabilities	*31(b)*	10,535		10,703	
			52,907		42,766
NET ASSETS			392,695		314,659
CAPITAL AND RESERVES					
Share capital	*34*		70,123		70,123
Reserves	*35(b)*		322,572		244,536
			392,695		314,659

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31st March, 2004
(Expressed in Hong Kong dollars)

	Note	2004 $'000	2003 (restated) $'000
Shareholders' equity at 1st April			
– as previously reported		361,761	354,094
– prior year adjustment arising from change in accounting policy for deferred tax	11	(9,593)	(9,864)
Shareholders' equity at 1st April as restated		352,168	344,230
Surplus/(deficit) on revaluation of:			
– investment properties, net of deferred tax	35(a)	558	(1,662)
– investments in securities	35(a)	400	(39)
Impairment loss on land and buildings, net of deferred tax	35(a)	–	(1,373)
Share of associate's revaluation surplus on investment properties	35(a)	973	157
Share of associates' other reserves	35(a)	697	–
Share of associates' exchange reserve	35(a)	1,186	(1,987)
Exchange differences on translation of the financial statements of foreign entities	35(a)	2,038	679
Net gains/(losses) not recognised in the income statement		5,852	(4,225)
Net profit for the year:			
– as previously reported			33,079
– prior year adjustment arising from change in accounting policy for deferred tax			(2)
Net profit for the year (2003 as restated)	35(a)	69,085	33,077
Dividends approved during the year	9	(12,622)	(14,025)
Reserves transferred to the income statement on:	35(a)		
– disposal of subsidiaries		(122)	(662)
– deconsolidation of subsidiaries in liquidation		–	(6,227)
		(122)	(6,889)
Shareholders' equity at 31st March		414,361	352,168

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31st March, 2004
(Expressed in Hong Kong dollars)

	Note	2004 $'000	2003 (restated) $'000
Operating activities			
Profit from ordinary activities before taxation		93,793	47,425
Adjustments for:			
– Share of profits less losses of associates		(49,466)	(33,887)
– Depreciation		56,486	28,808
– (Gain)/loss on disposal of subsidiary		(672)	712
– Gain on deconsolidation of subsidiaries in liquidation		–	(6,082)
– (Gain)/loss on disposal of fixed assets		(792)	521
– Net realised losses on disposal of non-trading securities		–	190
– Amortisation of positive goodwill		3,852	2,338
– Amortisation of negative goodwill		(1,772)	(494)
– Amortisation of intangible assets		1,753	–
– Amortisation of borrowing costs		333	333
– Interest expenses		26,206	15,213
– Interest income		(264)	(195)
– Dividend income from unlisted equity securities		(388)	(350)
– Tax refund of an associate upon reinvestment of dividend income		(2,595)	–
– Foreign exchange gain		(1,457)	(2,546)
Operating profit before changes in working capital		125,017	51,986
Increase in inventories		(61,916)	(10,427)
Decrease/(increase) in debtors, deposits and prepayments		5,528	(42,138)
Increase in bills receivable		(31,287)	(17,239)
(Increase)/decrease in amounts due from related companies		(1,459)	5,642
Decrease/(increase) in amounts due from associates		22,837	(2,527)
Increase/(decrease) in creditors and accrued charges		36,515	(17,367)
(Decrease)/increase in bills payable		(11,691)	48,256
(Decrease)/increase in amounts due to related companies		(192)	40
(Decrease)/increase in amounts due to associates		(13,257)	16,804
(Decrease)/increase in long service payments		(79)	2,901
Cash generated from operations		70,016	35,931
Tax paid			
– Hong Kong profits tax (paid)/refunded		(7,414)	785
– Overseas tax paid		(1,359)	(3,010)
Net cash from operating activities		61,243	33,706

	Note	2004 $'000	2003 (restated) $'000
Investing activities			
Payments for purchase of fixed assets		(21,864)	(71,818)
Proceeds from sales of fixed assets		2,181	2,413
Payments for construction in progress		(110,587)	(304,536)
Payments for purchase of intangible assets		(5,232)	–
Placement of pledged deposits		(3,592)	(141)
Proceeds from sales of non-trading securities		–	167
Interest received		264	195
Dividends received from associates		33,682	23,230
Dividend received from unlisted equity securities		388	350
Tax refund of an associate upon reinvestment of dividend income		5,775	–
Net cash outflow from acquisition of minority interest	*(a)*	(5,000)	–
Net cash inflow from acquisition of a subsidiary	*(b)*	824	6,204
Payment for capital contribution and additional investment in associates		(8,507)	–
Net cash (outflow)/inflow from disposal of subsidiaries	*(c)*	(272)	2,638
Net cash used in investing activities		(111,940)	(341,298)
Financing activities			
Repayment to associate for construction in progress		(83,824)	–
Advance from associate for construction in progress		18,905	74,332
Repayment of bank loans		(278,106)	(187,215)
New bank loans		429,233	418,431
Repayment of trust receipt loans		(207,421)	(193,686)
New trust receipt loans		213,375	211,691
Capital contribution from minority shareholders		11,207	13,239
Proceed of government grants		–	22,446
Interest paid		(26,478)	(15,798)
Dividends paid		(12,622)	(14,025)
Net cash from financing activities		64,269	329,415
Net increase in cash and cash equivalents		13,572	21,823
Cash and cash equivalents at 1st April		44,541	22,718
Effect of foreign exchange rates changes		793	–
Cash and cash equivalents at 31st March	27	58,906	44,541

NOTES ON THE CONSOLIDATED CASH FLOW STATEMENT

(a) Acquisition of minority interest

On 13th May, 2003, the group increased its equity interest in Whampoa Textile Limited to 100% by acquiring the remaining 25% from the minority shareholders with a consideration of $5,000,000.

	$'000
Minority interest acquired	14,733
Negative goodwill	(10,033)
Interest in associate as at 13th May, 2003	300
Total purchase price paid	5,000
Net cash outflow in respect of the acquisition of minority interest	5,000

(b) Acquisition of a subsidiary

On 13th May, 2003, the Group also increased its equity interest in Hongkong Knitters Lanka (PVT) Limited to 100% by acquiring an additional 50% equity interest with a consideration of $1.

	$'000
Net assets acquired:	
Fixed assets	10,496
Inventories	1,573
Trade debtors, deposits and prepayments	14,863
Cash and cash equivalents	824
Trade creditors and accrued charges	(5,262)
Amount due to an associate	(22,259)
Short term bank loans	(11,822)
	(11,587)
Positive goodwill arising on consolidation	5,538
Interest in associate as at 13th May, 2003	6,049
Total purchase price paid	–
Net cash inflow in respect of the acquisition of a subsidiary:	
Cash and cash equivalents	824

(c) Disposal of subsidiaries

At 30th March, 2004, the Group disposed of 100% equity interest in Yangtzekiang (Myanmar) Limited, Yangtzekiang Industries (Myanmar) Limited and Victoria Harbor Limited for a consideration of $9,610,000 (note 21).

	$'000
Net assets disposed of:	
Fixed assets	12,306
Trade debtors, deposits and prepayments	404
Cash and cash equivalents	272
Trade creditors and accrued charges	(3,044)
Tax payable	(1,000)
	8,938
Gain on disposal of subsidiaries	672
Disposal proceeds	9,610
Net cash outflow from disposal of subsidiaries	272

NOTES ON THE FINANCIAL STATEMENTS
For the year ended 31st March, 2004
(Expressed in Hong Kong dollars)

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (which includes all applicable Statements of Standard Accounting Practice and Interpretations) issued by the Hong Kong Society of Accountants, accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

(b) Basis of preparation of the financial statements

The measurement basis used in the preparation of the financial statements is historical cost modified by the revaluation of investment properties and land and buildings, and the marking to market of certain investments in securities as explained in the accounting policies set out below.

(c) Subsidiaries and controlled enterprises

A subsidiary, in accordance with the Hong Kong Companies Ordinance, is a company in which the Group, directly or indirectly, holds more than half of the issued share capital, or controls more than half the voting power, or controls the composition of the board of directors. Subsidiaries are considered to be controlled if the Company has the power, directly or indirectly, to govern the financial and operating policies, so as to obtain benefits from their activities.

An investment in a controlled subsidiary is consolidated into the consolidated financial statements, unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions which significantly impair its ability to transfer funds to the Group, in which case, it is stated in the consolidated balance sheet at fair value with changes in fair value recognised in the same manner as for non-trading securities.

Intra-group balances and transactions, and any unrealised profits arising from intra-group transactions, are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Minority interests at the balance sheet date, being the portion of the net assets of subsidiaries attributable to equity interests that are not owned by the Company, whether directly or indirectly through subsidiaries, are presented in the consolidated balance sheet separately from liabilities and the shareholders' equity. Minority interests in the results of the Group for the year are also separately presented in the consolidated income statement.

Where losses attributable to the minority exceed the minority interest in the net assets of a subsidiary, the excess, and any further losses attributable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make good the losses. All subsequent profits of the subsidiary are allocated to the Group until the minority's share of losses previously absorbed by the Group has been recovered.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses (see note 1(m)), unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions which significantly impair its ability to transfer funds to the Company, in which case, it is stated at fair value with changes in fair value recognised in the same manner as for non-trading securities.

(d) Associates

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(d) Associates *(continued)*

An investment in an associate is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the associate's net assets, unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions that significantly impair its ability to transfer funds to the investor, in which case it is stated at fair value with changes in fair value recognised in the same manner as for non-trading securities. The consolidated income statement reflects the Group's share of the post-acquisition results of the associates for the year, including any amortisation of positive or negative goodwill charged or credited during the year in accordance with note 1(e). Where the Group's share of losses exceeds the carrying amount of the associate, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred obligations in respect of the associate. Where the associate has a financial year end other than 31st March, its latest audited financial statements made up to 31st December are used for equity accounting purposes.

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associate, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in the income statement.

In the Company's balance sheet, an investment in an associate is stated at cost less impairment losses (see note 1(m)), unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions that significantly impair its ability to transfer funds to the investor, in which case, it is stated at fair value with changes in fair value recognised in the same manner as for non-trading securities.

(e) Goodwill

Positive goodwill arising on consolidation represents the excess of the cost of the acquisition over the Group's share of the fair value of the identifiable assets and liabilities acquired. In respect of controlled subsidiaries:

– for acquisitions before 1st April, 2001, positive goodwill is eliminated against reserves and is reduced by impairment losses (see note 1(m)); and

– for acquisitions on or after 1st April, 2001, positive goodwill is amortised to the consolidated income statement on a straight-line basis over its estimated useful life. Positive goodwill is stated in the consolidated balance sheet at cost less accumulated amortisation and impairment losses (see note 1(m)).

In respect of acquisitions of associates, positive goodwill is amortised to the consolidated income statement on a straight-line basis over its estimated useful life. The cost of positive goodwill less accumulated amortisation and impairment losses (see note 1(m)) is included in the carrying amount of the interest in associates.

Negative goodwill arising on acquisitions of controlled subsidiaries and associates represents the excess of the Group's share of the fair value of the identifiable assets and liabilities acquired over the cost of the acquisition.

To the extent that negative goodwill relates to an expectation of future losses and expenses that are identified in the plan of acquisition and can be measured reliably, but which have not yet been recognised, it is recognised in the consolidated income statement when the future losses and expenses are recognised. Any remaining negative goodwill, but not exceeding the fair values of the non-monetary assets acquired, is recognised in the consolidated income statement over the weighted average useful life of those non-monetary assets that are depreciable/amortisable. Negative goodwill in excess of the fair values of the non-monetary assets acquired is recognised immediately in the consolidated income statement.

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(e) Goodwill *(continued)*

In respect of any negative goodwill not yet recognised in the consolidated income statement:

– for controlled subsidiaries, such negative goodwill is shown in the consolidated balance sheet as a deduction from assets in the same balance sheet classification as positive goodwill; and

– for associates, such negative goodwill is included in the carrying amount of the interest in associates.

On disposal of a controlled subsidiary or an associate during the year, any attributable amount of purchased goodwill which has previously been dealt with as a movement on Group reserves is included in the calculation of the profit or loss on disposal.

(f) Non-trading securities

The Group's and the Company's policies for investments in non-trading securities other than investments in subsidiaries and associates are as follows:

(i) Non-trading securities are stated in the balance sheet at fair value. Changes in fair value are recognised in the investment revaluation reserve until the security is sold, collected, or otherwise disposed of, or until there is objective evidence that the security is impaired, at which time the relevant cumulative gain or loss is transferred from the investment revaluation reserve to the income statement.

(ii) Transfers from the investment revaluation reserve to the income statement as a result of impairments are reversed when the circumstances and events that led to the impairment cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

(iii) Profits or losses on disposal of investments in securities are determined as the difference between the estimated net disposal proceeds and the carrying amount of the investments and are accounted for in the income statement as they arise. The profit or loss includes any amount previously held in the investment revaluation reserve in respect of that security.

(g) Other investments

Other investments represent club debentures and are stated in the balance sheet at cost less provisions for diminution in value as determined by the directors.

(h) Fixed assets

(i) Fixed assets are carried in the balance sheets on the following bases:

– investment properties with an unexpired lease term of more than 20 years are stated in the balance sheet at their open market value which is assessed annually by external qualified valuers;

– land and buildings held for own use are stated in the balance sheet at cost or valuation less accumulated depreciation (see note 1(k)) and impairment losses (see note 1(m)).

In preparing these financial statements, advantage has been taken of the transitional provisions set out in paragraph 80 of the Statement of Standard Accounting Practice 17 "Property, plant and equipment" issued by the Hong Kong Society of Accountants, with the effect that land and buildings have not been revalued to fair value at the balance sheet date. Such properties are stated at their carrying value and will not be revalued in future years; and

– plant, machinery and other fixed assets are stated in the balance sheet at cost less accumulated depreciation (see note 1(k)) and impairment losses (see note 1(m)).

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(h) Fixed assets *(continued)*

(ii) Changes arising on the revaluation of investment properties and land and buildings held for own use are generally dealt with in reserves. The only exceptions are as follows:

– when a deficit arises on revaluation, it will be charged to the income statement, if and to the extent that it exceeds the amount held in the reserve in respect of that same asset, or solely in the case of investment properties, the portfolio of investment properties, immediately prior to the revaluation; and

– when a surplus arises on revaluation, it will be credited to the income statement, if and to the extent that a deficit on revaluation in respect of that same asset, or solely in the case of investment properties, the portfolio of investment properties, had previously been charged to the income statement.

(iii) Subsequent expenditure relating to a fixed asset that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the enterprise. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

(iv) Gains or losses arising from the retirement or disposal of a fixed asset are determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset and are recognised in the income statement on the date of retirement or disposal. On disposal of an investment property, the related portion of surpluses or deficits previously taken to the investment properties revaluation reserve is also transferred to the income statement for the year. For all other fixed assets, any related revaluation surplus is transferred from the revaluation reserve to retained profits.

(i) Construction in progress

Construction in progress is stated at cost, including interest capitalised if appropriate, less provision as is considered necessary by the directors.

(j) Intangible assets (other than goodwill)

(i) Intangible assets that are acquired by the Group are stated in the balance sheet at cost less accumulated amortisation (see note 1(k)) and impairment losses (see note 1(m)).

(ii) Subsequent expenditure on an intangible asset after its purchase or its completion is recognised as an expense when it is incurred unless it is probable that this expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standard of performance and this expenditure can be measured and attributed to the asset reliably. If these conditions are met, the subsequent expenditure is added to the cost of the intangible asset.

(k) Amortisation and depreciation

(i) No depreciation is provided on investment properties with an unexpired lease term of over 20 years or on freehold land.

(ii) Depreciation is calculated to write off the cost or valuation of other fixed assets over their estimated useful lives as follows:

– leasehold land is depreciated on a straight-line basis over the remaining term of the lease;

– land use rights are included under land and buildings and are amortised on a straight-line basis over a period of 50 years;

– buildings are depreciated on a straight-line basis over their estimated useful lives of 10 to 40 years; and

1. **SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

(k) Amortisation and depreciation *(continued)*

– other fixed assets are depreciated on a straight-line basis over the estimated useful lives as follows:

Plant and machinery
2.5% to 25% per annum

Other fixed assets
20% to 30% per annum

(iii) Amortisation of intangible asset is charged to the income statement on a straight-line basis over its estimated useful lives of 3 years.

(l) Leased assets

Leases of assets under which the lessor has not transferred all the risks and benefits of ownership are classified as operating leases.

(i) Assets held for use in operating leases

Where the Group leases out assets under operating leases, the assets are included in the balance sheet according to their nature and, where applicable, are depreciated in accordance with the Group's depreciation policies, as set out in note 1(k) above. Impairment losses are accounted for in accordance with the accounting policy as set out in note 1(m). Revenue arising from operating leases is recognised in accordance with the Group's revenue recognition policies, as set out in note 1(n)(ii) below.

(ii) Operating lease charges

Where the Group has the use of assets under operating leases, payments made under the leases are charged to the income statement in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in the income statement as an integral part of the aggregate net lease payments made. Contingent rentals are charged to the income statement in the accounting period in which they are incurred.

(m) Impairment of assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

– fixed assets (other than properties carried at revalued amounts);

– investments in subsidiaries and associates (except for those accounted for at fair value under notes 1(c) and (d));

– positive goodwill (whether taken initially to reserves or recognised as an asset); and

– intangible assets.

If any such indication exists, the asset's recoverable amount is estimated. For goodwill that is amortised over 20 years from initial recognition, the recoverable amount is estimated at each balance sheet date. An impairment loss is recognised in the income statement whenever the carrying amount of such an asset (including positive goodwill taken directly to reserves) exceeds its recoverable amount.

1. **SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

(m) Impairment of assets *(continued)*

(i) Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

(ii) Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is reversed only if the loss was caused by a specific external event of an exceptional nature that is not expected to recur, and the increase in recoverable amount relates clearly to the reversal of the effect of that specific event.

A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognised.

(n) Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the income statement as follows:

(i) Sale of goods

Revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added or other sales taxes and is after deduction of any trade discounts.

(ii) Rental income from operating leases

Rental income receivable under operating leases is recognised in the income statement in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives granted are recognised in the income statement as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(iii) Dividends

Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established. This is taken to be, for interim dividends, when the directors of the investee companies declare such dividends and for final dividends, when the shareholders of the investee companies at the general meeting approve the dividends proposed by the directors.

Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(iv) Interest income

Interest income from bank deposits is accrued on a time-apportioned basis by reference to the principal outstanding and the rate applicable.

1. **SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

(n) Revenue recognition *(continued)*

(v) Government grants

Government grants are recognised in the balance sheet initially as deferred income when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in the income statement on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are recognised in the income statement as revenue on a systematic basis over the useful life of the asset.

(o) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred directly in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(p) Quota

Cost of acquisition of permanent quota is amortised on a straight-line basis over a period of three to five years.

Income and expenses on temporary transfers of quota are dealt with in the income statement as they arise.

(q) Income tax

(i) Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in the income statement except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

(ii) Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

(iii) Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities and all deferred tax assets, to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

1. **SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

(q) **Income tax** *(continued)*

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, negative goodwill treated as deferred income, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

(iv) Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if, and only if, the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(r) **Translation of foreign currencies**

Foreign currency transactions during the year are translated into Hong Kong dollars at the exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. Foreign currency assets, being equity investments or other long-term non-monetary assets, the holding or the use or the subsequent disposal of which will generate receipts in a foreign currency, hedged by foreign currency borrowings, are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date.

Exchange gains and losses are dealt with in the income statement, except those arising from the translation at closing rates of foreign currency assets hedged by foreign currency borrowings, and the gains and losses on those foreign currency borrowings (to the extent of exchange differences arising on the foreign currency assets), which are taken directly to reserves.

The results of foreign enterprises are translated into Hong Kong dollars at the average exchange rates for the year; balance sheet items are translated into Hong Kong dollars at the rates of exchange ruling at the balance sheet date. The resulting exchange differences are dealt with as a movement in reserves.

On disposal of a foreign enterprise, the cumulative amount of the exchange differences which relate to that foreign enterprise is included in the calculation of the profit or loss on disposal.

1. **SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

(s) Pre-operating costs

Pre-operating costs are written off in the income statement when incurred.

(t) Borrowing costs

Borrowing costs are expensed in the income statement in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(u) Cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

(v) Employee benefits

(i) Salaries, annual bonuses, paid annual leave, leave passage and the cost to the Group of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Contributions to Mandatory Provident Funds as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance and other defined contribution schemes in which the Group participates, are recognised as an expense in the income statement as incurred. Particulars of the retirement schemes in which the Group participates are set out in note 13 on the financial statements.

(iii) Subsidiaries incorporated in the People's Republic of China (the "PRC") participate in retirement schemes operated by the local authorities for employees in the PRC. Contributions to these schemes are charged to the income statement when incurred.

(w) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Company or Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(x) Related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

1. **SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

(y) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting system, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format for the purposes of these financial statements.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include inventories, trade receivables and fixed assets. Segment revenue, expenses, assets, and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets and minority interests.

2. **TURNOVER**

The principal activities of the Company are the manufacture and sale of garments and rental of properties. The principal activities and other particulars of the subsidiaries are set out on page 72. Starting from 1st April, 2003, the principal activities of the Group also include the manufacture and sale of textiles and the provision of processing services.

Turnover represents the sales value of goods supplied to customers, fee income from processing services and rental income from external customers, including associates, and is analysed as follows:

	2004	**2003**
		(restated)
	$'000	*$'000*
Manufacture and sale of garments	1,311,181	1,216,831
Manufacture and sale of textiles	129,574	17,483
Processing services	48,566	–
Property rental	4,167	4,049
	1,493,488	1,238,363

3. OTHER REVENUE AND NET INCOME

	2004	2003
	$'000	*$'000*
Other revenue		
Commission income	–	5,228
Tax refund of an associate upon reinvestment of dividend income	2,595	3,180
Dividend income from unlisted equity securities	388	350
Interest income	264	195
Management fee income	804	804
Sundry income	6,547	4,324
	10,598	14,081
Other net income		
Gain on disposal of quota	15,535	18,565
Gain/(loss) on disposal of subsidiaries	672	(712)
Gain on deconsolidation of subsidiaries in liquidation	–	6,082
Net exchange gain	7,138	3,888
Profit on sale of raw materials	1,185	1,705
Gain on disposal of land	–	247
Gain/(loss) on disposal of other fixed assets	792	(768)
Net claims paid	(1,120)	(5,546)
Net realised losses on disposal of non-trading securities	–	(190)
Others	2,407	2,989
	26,609	26,260

4. PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION

Profit from ordinary activities before taxation is arrived at after charging/(crediting):

	2004	2003
	$'000	*$'000*
(a) Finance costs:		
Interest on bank loans repayable within five years (including bank charges)	28,288	15,798
Less: Borrowing costs capitalised*	(2,082)	(585)
	26,206	15,213

* The borrowing costs have been capitalised at a rate of 4.93% (2003: 4.788%) per annum for construction in progress.

4. PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION *(continued)*

Profit from ordinary activities before taxation is arrived at after charging/(crediting): *(continued)*

	2004	**2003**
	$'000	*$'000*
(b) Staff costs:		
Salaries, wages and other benefits	221,906	187,372
Contributions to defined contribution retirement schemes	3,663	2,311
Provision for long service payments	–	3,210
	225,569	192,893
(c) Other items:		
Amortisation of positive goodwill	3,852	2,338
Amortisation of negative goodwill	(1,772)	(494)
Amortisation of negative goodwill included in share of profits less losses of associates	(8,471)	(7,517)
Amortisation of intangible asset	1,753	–
Auditors' remuneration	1,512	1,536
Cost of inventories*	1,177,771	1,039,303
Depreciation	56,486	28,808
Operating lease charges: minimum lease payments – property rentals	4,294	5,746
Rental receivable from investment properties less direct outgoings of $1,572,000 (2003: $1,257,000)	(2,595)	(2,792)

* Cost of inventories includes $113,529,000 (2003: $101,211,000) relating to staff costs, depreciation expenses and operating lease charges, which amount is also included in the respective total amounts disclosed separately above for each of these type of expenses.

5. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Taxation in the consolidated income statement represents:

	2004	2003
		(restated)
	$'000	*$'000*
Current tax – Provision for Hong Kong Profits Tax		
Tax for the year	9,152	7,675
Over-provision in respect of prior years	(1,394)	(625)
	7,758	7,050
Current tax – Overseas		
Tax for the year	2,397	1,871
Over-provision in respect of prior years	(782)	(1,975)
	1,615	(104)
Deferred tax		
Origination and reversal of temporary differences	(405)	(9)
Effect of increase in tax rate on deferred tax balances at 1st April	209	–
	(196)	(9)
Share of associates' taxation	11,146	2,300
	20,323	9,237

In March 2003, the Hong Kong Government announced an increase in the Profits Tax rate applicable to the Group's operations in Hong Kong from 16% to 17.5%. This increase is taken into account in the preparation of the Group's 2004 financial statements. Accordingly, the provision for Hong Kong Profits Tax for 2004 is calculated at 17.5% (2003: 16%) of the estimated assessable profits for the year. Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2004	2003
		(restated)
	$'000	*$'000*
Profit from ordinary activities before taxation	93,793	47,425
Notional tax on profit before tax, calculated at the rates applicable to profits in the countries concerned	17,505	13,376
Tax effect of non-deductible expenses	925	290
Tax effect of non-taxable revenue	(2,544)	(4,467)
Tax effect of unused tax losses not recognised	10,360	2,725
Effect on opening deferred tax balances resulting from an increase in tax rate during the year	209	–
Over-provision in respect of prior years	(2,176)	(2,600)
Tax effect on waived debts included in capital reserve	762	–
Tax effect of tax exempted entities	(4,718)	(87)
Actual tax expense	20,323	9,237

6. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

	2004	**2003**
	$'000	*$'000*
Fees	370	400
Salaries and other emoluments	6,757	7,597
Discretionary bonuses	7,030	3,005
Retirement scheme contributions	180	180
	14,337	11,182

The remuneration of the directors is within the following bands:

	Number of directors	
	2004	**2003**
$Nil – $1,000,000	6	8
$1,000,001 – $1,500,000	1	–
$1,500,001 – $2,000,000	–	1
$2,000,001 – $2,500,000	1	2
$2,500,001 – $3,000,000	2	–
$3,000,001 – $3,500,000	–	–
$3,500,001 – $4,000,000	–	1
$4,000,001 – $4,500,000	–	–
$4,500,001 – $5,000,000	1	–
	11	12

Included in the directors' fees were fees of $100,000 (2003: $100,000) paid to independent non-executive directors during the year.

7. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, four (2003: four) are directors whose emoluments are disclosed in note 6. The emoluments in respect of the remaining individual are as follows:

	2004	**2003**
	$'000	*$'000*
Salaries and other emoluments	1,078	956
Discretionary bonuses	435	415
Retirement scheme contributions	49	97
	1,562	1,468

8. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The consolidated profit attributable to shareholders includes a profit of $38,448,000 (2003 (restated): $7,210,000) which has been dealt with in the financial statements of the Company.

Reconciliation of the above amount to the Company's profit for the year:

	2004	2003 (restated)
	$'000	*$'000*
Amount of consolidated profit attributable to shareholders dealt with in the Company's financial statements	38,448	7,210
Final dividends from subsidiaries attributable to the profits of the previous financial year, approved and paid during the year	51,252	335
Company's profit for the year (*note 35(b)*)	89,700	7,545

9. DIVIDENDS

(a) Dividends attributable to the year

	2004	2003
	$'000	*$'000*
Interim dividend declared and paid of $0.01 (2003: $0.02) per share	1,402	2,805
Final dividend proposed after the balance sheet date of $0.09 (2003: $0.08) per share	12,622	11,220
	14,024	14,025

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

(b) Dividends attributable to the previous financial year, approved and paid during the year

	2004	2003
	$'000	*$'000*
Final dividend in respect of the previous financial year, approved and paid during the year, of $0.08 (2003: $0.08) per share	11,220	11,220

10. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to shareholders of $69,085,000 (2003 (restated): $33,077,000) and 140,245,792 shares (2003: 140,245,792 shares) in issue during the year.

(b) Diluted earnings per share

There were no dilutive potential ordinary shares in existence during the year ended 31st March, 2004 and therefore diluted earnings per share is not presented.

11. CHANGE IN ACCOUNTING POLICY

In prior years, deferred tax liabilities were provided using the liability method in respect of the taxation effect arising from all material timing differences between the accounting and tax treatment of income and expenditure, which were expected with reasonable probability to crystallise in the foreseeable future. Deferred tax assets were not recognised unless their realisation was assured beyond reasonable doubt. With effect from 1st April, 2003, in order to comply with Statement of Standard Accounting Practice 12 (revised) issued by the Hong Kong Society of Accountants, the Group adopted a new policy for deferred tax as set out in note 1(q). As a result of the adoption of this accounting policy, the Group's profit for the year has been decreased by $2,067,000 (2003: $2,000) and the net assets as at the year end have been decreased by $11,679,000 (2003: $9,593,000).

The new accounting policy has been adopted retrospectively, with the opening balances of retained profits and reserves and the comparative information adjusted for the amounts relating to prior periods as disclosed in the consolidated statement of changes in equity.

12. SEGMENT REPORTING

In prior years, the Group was principally engaged in the manufacturing and sale of garment products. During the year under review, a subsidiary operating in the People's Republic of China ("the PRC"), Wuxi YGM Textile Co., Ltd., which is principally engaged in the manufacturing and sale of textiles, commenced commercial operation. Accordingly, the Group's business now participates in two principal operations classified by the following business segments:

(a) Manufacture and sale of garments

(b) Manufacture and sale of textiles

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because it is more relevant to the Group's internal financial reporting.

In prior years the Group chose geographical segment information as its primary reporting format for segment information. The current year's presentation has been changed such that business segment information has been chosen as the primary reporting format for segment information as the directors consider that this revised presentation better reflects the current operations of the Group.

Geographical segment information has been chosen as the secondary reporting format for the purpose of these financial statements. Where appropriate comparative figures have been restated in the new presentation format.

12. SEGMENT REPORTING *(continued)*

(a) The Group comprises the following main business segments:

Business segments

	Manufacture and sale of garments		Manufacture and sale of textiles		Others		Inter-segment elimination		Unallocated		Consolidated	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003 (restated)
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Revenue from external customers	1,321,610	1,216,831	167,711	17,483	4,167	4,049	–	–	–	–	1,493,488	1,238,363
Inter-segment revenue	–	–	–	17,412	–	–	–	(17,412)	–	–	–	–
Other revenue	5,865	8,917	–	–	1,486	1,439	–	–	3,247	3,725	10,598	14,081
Total revenue	1,327,475	1,225,748	167,711	34,895	5,653	5,488	–	(17,412)	3,247	3,725	1,504,086	1,252,444
Segment result	42,006	23,043	22,795	(432)	2,485	2,415	–	–	3,247	3,725	70,533	28,751
Finance costs	(13,694)	(15,055)	(12,512)	(158)	–	–	–	–	–	–	(26,206)	(15,213)
Share of profits less losses of associates	(4,538)	(7,212)	30,630	21,735	23,374	19,364	–	–	–	–	49,466	33,887
Income tax											(20,323)	(9,237)
Minority interests											(4,385)	(5,111)
Profit attributable to shareholders											69,085	33,077
Depreciation and amortisation for the year	35,203	28,972	23,406	–	1,710	1,680					60,319	30,652

12. SEGMENT REPORTING *(continued)*

	Manufacture and sale of garments		Manufacture and sale of textiles		Others		Inter-segment elimination		Consolidated	
	2004	**2003**	**2004**	**2003**	**2004**	**2003**	**2004**	**2003**	**2004**	**2003** (restated)
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Segment assets	575,232	554,796	506,079	395,265	28,000	27,423	–	–	1,109,311	977,484
Interest in associates	23,881	23,456	58,279	51,278	166,103	144,588	–	–	248,263	219,322
Unallocated assets									28,224	25,098
Total assets									1,385,798	1,221,904
Segment liabilities	521,101	494,124	400,123	325,621	–	–	–	–	921,224	819,745
Unallocated liabilities									15,562	16,141
Total liabilities									936,786	835,886
Capital expenditure incurred during the year	17,221	58,401	82,456	367,028	–	–			99,677	425,429

(b) The Group's business is managed on a worldwide basis, but participates in four principal economic environments.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets and capital expenditure are based on the geographical location of the assets.

Geographical Segments

	Revenue from external customers	
	2004	**2003**
	$'000	*$'000*
– Europe		
United Kingdom	151,784	183,004
Germany	64,318	89,510
France	284,614	203,731
Other European countries	243,954	222,146
– North America	405,684	340,209
– Asia Pacific	336,978	182,905
– Others	6,156	16,858
	1,493,488	1,238,363

12. SEGMENT REPORTING *(continued)*

	Segment assets		Capital expenditure incurred during the year	
	2004	**2003**	**2004**	**2003**
	$'000	*$'000*	*$'000*	*$'000*
– Hong Kong	284,653	228,824	856	3,890
– The People's Republic of China (PRC)	651,204	543,551	87,507	416,050
– South East Asia	48,725	105,246	1,481	1,503
– Europe	117,610	94,539	7,404	1,302
– Others	7,119	5,324	2,429	2,684
	1,109,311	977,484	99,677	425,429

13. RETIREMENT BENEFIT SCHEMES

In Hong Kong, the Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. The MPF Scheme has operated since 1st December, 2000. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group 's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The Group also operated a Mandatory Provident Fund Exempted ORSO retirement benefit scheme for those employees who were eligible to participate in the scheme. This scheme is operated in a way similar to the MPF scheme, except that when an employee leaves the scheme prior to his/her interest in the Group's employee contributions vesting fully, the ongoing contributions payable by the Group are reduced by the relevant amount of forfeited employer's contributions or refunded to the employer. The amount of employer contributions forfeited during the year was immaterial.

The employees of a subsidiary in the People's Republic of China ("the PRC") and Sri Lanka are members of a state-sponsored retirement benefit scheme organised by the local government in the PRC and members of an Approved Provident Fund and Employees' Trust Fund in Sri Lanka, respectively. The subsidiaries are required to contribute, based on a certain percentage of payroll, to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to these retirement benefit schemes is to make the required contributions under the terms of the schemes.

In addition, long service payments are also provided by the Group in accordance with Part VB of the Hong Kong Employment Ordinance based on the employees' service to date and current salary levels for those employees in Hong Kong who have been employed by the Group for at least 5 years. Movements in the provision for long service payments are set out in note 33 on the financial statements.

14. FIXED ASSETS

(a) The Group

	Land and buildings $'000	Investment properties $'000	Plant and machinery $'000	Other fixed assets $'000	Total $'000
Cost or valuation:					
At 1st April, 2003	167,346	27,424	193,997	98,128	486,895
Exchange adjustments	1,471	–	995	1,587	4,053
Transfer from construction in progress *(note 15)*	81,267	–	312,094	2,682	396,043
Additions					
– through acquisition of a subsidiary	14,302	–	11,561	2,311	28,174
– others	–	–	13,930	7,934	21,864
Disposals					
– through disposals of subsidiaries	(6,389)	–	(15,505)	(4,670)	(26,564)
– others	–	–	(5,864)	(1,326)	(7,190)
Surplus on revaluation	–	577	–	–	577
At 31st March, 2004	257,997	28,001	511,208	106,646	903,852
Representing:					
Cost	178,002	–	511,208	106,646	795,856
Valuation – 1988	77,152	–	–	–	77,152
– 1991	2,843	–	–	–	2,843
– 2004	–	28,001	–	–	28,001
	257,997	28,001	511,208	106,646	903,852
Accumulated amortisation and depreciation:					
At 1st April, 2003	46,232	–	112,017	69,103	227,352
Exchange adjustments	875	–	297	969	2,141
Through acquisition of a subsidiary	6,970	–	9,021	1,687	17,678
Charge for the year	6,294	–	41,235	8,957	56,486
Written back on disposals					
– through disposals of subsidiaries	(1,202)	–	(9,288)	(3,768)	(14,258)
– others	–	–	(4,540)	(1,261)	(5,801)
At 31st March, 2004	59,169	–	148,742	75,687	283,598
Net book value:					
At 31st March, 2004	198,828	28,001	362,466	30,959	620,254
At 31st March, 2003	121,114	27,424	81,980	29,025	259,543

14. FIXED ASSETS *(continued)*

(b) The Company

	Land and buildings $'000	Investment properties $'000	Plant and machinery $'000	Other fixed assets $'000	Total $'000
Cost or valuation:					
At 1st April, 2003	86,863	27,424	26,336	50,413	191,036
Additions	–	–	–	225	225
Disposals	–	–	(4,684)	(327)	(5,011)
Surplus on revaluation	–	577	–	–	577
At 31st March, 2004	86,863	28,001	21,652	50,311	186,827
Representing:					
Cost	6,868	–	21,652	50,311	78,831
Valuation – 1988	77,152	–	–	–	77,152
– 1991	2,843	–	–	–	2,843
– 2004	–	28,001	–	–	28,001
	86,863	28,001	21,652	50,311	186,827
Accumulated amortisation and depreciation:					
At 1st April, 2003	20,494	–	23,427	37,245	81,166
Charge for the year	2,014	–	547	3,354	5,915
Written back on disposals	–	–	(4,516)	(324)	(4,840)
At 31st March, 2004	22,508	–	19,458	40,275	82,241
Net book value:					
At 31st March, 2004	64,355	28,001	2,194	10,036	104,586
At 31st March, 2003	66,369	27,424	2,909	13,168	109,870

14. FIXED ASSETS *(continued)*

(c) The analysis of net book value of land and buildings and investment properties at 31st March, 2004 is as follows:

	Land and buildings				Investment properties The Group and The Company	
	The Group		The Company			
	2004	**2003**	**2004**	**2003**	**2004**	**2003**
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Long term leases						
– outside Hong Kong	107,460	27,559	229	229	–	–
Medium term leases						
– in Hong Kong	43,191	44,876	43,191	44,876	28,001	27,424
– outside Hong Kong	27,242	27,415	–	–	–	–
Freehold						
– outside Hong Kong	20,935	21,264	20,935	21,264	–	–
	198,828	121,114	64,355	66,369	28,001	27,424

(d) The net book value of the land and buildings stated at valuation in the balance sheets would have been as follows had the assets been carried at cost less accumulated depreciation:

	The Group		The Company	
	2004	**2003**	**2004**	**2003**
	$'000	*$'000*	*$'000*	*$'000*
Cost	217,079	123,537	43,054	43,054
Accumulated depreciation	(54,941)	(40,327)	(15,389)	(14,589)
	162,138	83,210	27,665	28,465

(e) Details of the Group's and the Company's investment properties, held for use in operating leases which are all held under medium term leases, are as follows:

Location	**Existing use**
22 and 24, Tai Yau Street, San Po Kong, Kowloon.	Warehouse and office

The investment properties of the Group and the Company were valued at 31st March, 2004 by an independent firm of surveyors, Chesterton Petty Limited, on an open market basis. The revaluation surplus of $577,000 has been transferred to the investment properties revaluation reserve (note 35).

15. CONSTRUCTION IN PROGRESS

	The Group	
	2004	**2003**
	$'000	*$'000*
At 1st April	341,607	2,401
Exchange adjustments	363	(5)
Additions	72,581	353,611
Transfer to fixed assets *(note 14(a))*	(396,043)	(14,400)
At 31st March	18,508	341,607

16. INTANGIBLE ASSETS

	The Group
	$'000
Cost:	
Additions and at 31st March, 2004	5,232
Accumulated amortisation:	
Charge for the year and at 31st March, 2004	(1,753)
Net book value:	
At 31st March, 2004	3,479

Intangible assets represent the cost of purchase of the right to brand names from an independent third party. The amortisation charge for the year is included in "other operating expenses" in the consolidated income statement.

17. GOODWILL

	Positive goodwill	Negative goodwill	Positive goodwill carried in reserves
	$'000	*$'000*	*$'000*
Cost:			
At 1st April, 2003	10,390	(2,632)	46,161
Additions through acquisition of subsidiaries	5,538	(10,450)	–
At 31st March, 2004	15,928	(13,082)	46,161
Accumulated amortisation:			
At 1st April, 2003	3,377	(494)	–
Amortisation for the year	3,852	(1,772)	–
At 31st March, 2004	7,229	(2,266)	–
Carrying amount:			
At 31st March, 2004	8,699	(10,816)	46,161
At 31st March, 2003	7,013	(2,138)	46,161

Positive goodwill is amortised to the income statement on a straight line basis over 3 years.

Negative goodwill is recognised as income on a straight line basis over 4 to 8 years. The amortisation of positive and negative goodwill for the year is included in "other operating expenses" in the consolidated income statement.

18. INTEREST IN SUBSIDIARIES

	2004	2003
	$'000	*$'000*
Unlisted investments, at cost	64,122	47,222
Amounts due from subsidiaries	244,452	211,993
	308,574	259,215
Amounts due to subsidiaries	(602)	(3,461)
	307,972	255,754
Less: Impairment losses	(6,500)	(28,500)
	301,472	227,254

Balances with subsidiaries are unsecured, not repayable within one year and are analysed as follows:

	2004	2003
	$'000	*$'000*
Amounts due from subsidiaries:		
Interest free	215,104	187,041
Interest bearing at Hong Kong Prime Rate	29,348	24,952
	244,452	211,993
Amounts due to subsidiaries:		
Interest free	(602)	(3,461)

On 13th May, 2003, the Group increased its interest in Whampoa Textile Limited ("Whampoa") from 75% to 100% by acquiring shares from Chan Family Investment Corporation Limited, an entity connected with the Company, for a cash consideration of $5,000,000. On 13th May, 2003, the Group also increased its interest in Hongkong Knitters Lanka (PVT) Limited ("HKKL") from 50% to 100% by acquisition of the remaining issued share capital of HKKL from Sevenoaks Associates, Inc., an entity connected with the Company, for a cash consideration of $1. After completion of the acquisitions, Whampoa and its subsidiaries and HKKL became wholly-owned subsidiaries of the Group.

On 23rd October, 2003, the Group increased its interest in Yangtzekiang S.A. ("YSA") from 86.92% to 90.19% through an additional allotment of 50,000 shares for a consideration of Euro 800,000 (equivalent to $7,203,000).

On 30th March, 2004, Yangtzekiang (Myanmar) Limited ("YML"), Yangtzekiang Industries (Myanmar) Limited ("YIML") and Victoria Harbor Limited ("VHL"), subsidiaries of the Group, were disposed of to the directors of YIML for a total consideration of US$1,360,000 (equivalent to $10,608,000). The consideration is payable by the purchasers by instalments over 6 years and the related loan bears interest at a rate of 3% per annum. The gain on disposal of these subsidiaries amounted to $672,000 (note 3).

Details of the principal subsidiaries at 31st March, 2004 are set out on page 72.

19. INTEREST IN ASSOCIATES

	The Group		The Company	
	2004	**2003**	**2004**	**2003**
		(restated)		
	$'000	*$'000*	*$'000*	*$'000*
Unlisted investments, at cost	–	–	22,881	27,728
Less: Impairment losses	–	–	(516)	(5,517)
	–	–	22,365	22,211
Share of net assets	282,150	256,908	–	–
Negative goodwill	(33,887)	(37,586)	–	–
	248,263	219,322	22,365	22,211

Negative goodwill is amortised over the remaining weighted average useful life of the identifiable acquired depreciable assets. The calculation of the negative goodwill is based on the Group's share of the fair value of the identifiable assets and liabilities acquired as determined by the directors.

Details of the principal associates at 31st March, 2004 are set out on page 73.

19. INTEREST IN ASSOCIATES *(continued)*

Information on material associates

The financial information of the associates, Qinghai Changqing Aluminium Corporation and Wuxi Changxin Textile Co., Ltd. which are material in the context of the Group's financial statements, as extracted from the audited financial statements of those companies, after making such adjustments considered necessary by the Company's directors in order to comply with the Group's accounting policies, for the year ended 31st March, 2004 are summarised below:

	Qinghai Changqing Aluminium Corporation		Wuxi Changxin Textile Co., Ltd.	
	2004	2003 (restated)	2004	2003 (restated)
	$'000	*$'000*	*$'000*	*$'000*
Income statement *– year ended 31st March*				
Turnover	547,994	436,391	1,009,047	798,534
Cost of sales	(460,748)	(361,477)	(877,296)	(694,628)
	87,246	74,914	131,751	103,906
Other revenue	452	353	10,942	5,546
Other net income	1,333	780	–	–
Distribution expenses	(11,323)	(6,695)	(9,573)	(6,334)
Administrative expenses	(6,945)	(5,145)	(20,292)	(27,266)
Other operating expenses	(15,608)	(20,121)	(3,722)	(2,367)
Profit from operations	55,155	44,086	109,106	73,485
Finance costs	(15,820)	(14,591)	(21,904)	(15,795)
Profit from ordinary activities before taxation	39,335	29,495	87,202	57,690
Income tax	3,532	7,235	(26,520)	(15,654)
Profit from ordinary activities after taxation	42,867	36,730	60,682	42,036
Profit attributable to the Group	15,402	13,197	20,225	14,010
Balance sheet *– 31st March*				
Non-current assets	395,731	403,005	191,799	200,297
Current assets	227,880	191,971	407,001	439,865
Current liabilities	(354,975)	(321,422)	(320,026)	(340,325)
Non-current liabilities	(24,474)	(46,075)	(128,515)	(166,148)
Net assets	244,162	227,479	150,259	133,689
Net assets attributable to the Group	87,727	81,733	50,081	44,559

19. INTEREST IN ASSOCIATES *(continued)*

Information on material associates *(continued)*

The financial information of an associate, W. Haking Enterprises Limited, as extracted from its latest audited financial statements for the year ended 31st December, 2003 is summarised below.

	W. Haking Enterprises Limited	
	2003	**2002**
	$'000	*$'000*
Income statement		
– year ended 31st December		
Turnover	61,730	105,542
Cost of sales	(55,039)	(89,994)
	6,691	15,548
Other revenue	38,242	1,150
Other net income	4,415	13,139
Negative goodwill recognised	–	13,778
Distribution expenses	(714)	(2,687)
Administrative expenses	(20,931)	(39,759)
Other operating expenses	(47,875)	(1,051)
(Loss)/profit from operations	(20,172)	118
Finance costs	(51)	(277)
Loss from ordinary activities before taxation	(20,223)	(159)
Income tax	–	–
Loss for the year	(20,223)	(159)
(Loss)/profit attributable to the Group	(5,865)	1,537
Balance sheet		
– 31st December		
Non-current assets	132,883	213,877
Current assets	144,235	167,433
Current liabilities	(27,363)	(93,109)
Non-current liabilities	(462)	(17,649)
Net assets	249,293	270,552
Net assets attributable to the Group	74,314	71,777

20. PERMANENT QUOTA

	The Group		The Company	
	2004	**2003**	**2004**	**2003**
	$'000	*$'000*	*$'000*	*$'000*
Cost:				
At 1st April and 31st March	13,144	13,144	9,002	9,002
Accumulated amortisation:				
At 1st April and 31st March	13,144	13,144	9,002	9,002
Net book value:				
At 31st March	–	–	–	–

21. LOANS RECEIVABLE

At 31st March, 2004, the loans receivable were repayable as follows:

	The Group and the Company	
	2004	**2003**
	$'000	*$'000*
Within 1 year	1,693	–
After 1 year but within 2 years	1,693	–
After 2 years but within 5 years	6,224	–
	7,917	–
	9,610	–

The loans receivable represent the consideration received from the disposal of subsidiaries (note 38(k)). They are interest bearing at 3% per annum on the principal outstanding.

22. NON-TRADING SECURITIES

	The Group		The Company	
	2004	**2003**	**2004**	**2003**
	$'000	*$'000*	*$'000*	*$'000*
Unlisted equity securities	895	895	895	895
Listed equity securities outside Hong Kong	558	158	558	158
	1,453	1,053	1,453	1,053
Market value of listed equity securities	558	158	558	158

23. OTHER INVESTMENTS

	The Group		The Company	
	2004	**2003**	**2004**	**2003**
	$'000	*$'000*	*$'000*	*$'000*
Club debentures, at cost	2,873	2,873	2,384	2,384

24. INVENTORIES

	The Group		The Company	
	2004	**2003**	**2004**	**2003**
	$'000	*$'000*	*$'000*	*$'000*
Raw materials	54,017	14,240	1,735	1,452
Work in progress	68,150	45,745	15,963	7,210
Finished goods	37,624	21,568	23	1,065
Goods in transit	30	14,779	30	16
	159,821	96,332	17,751	9,743

Amounts included in the Group's and the Company's inventories of $43,912,000 (2003: $12,382,000) and $633,000 (2003: $2,491,000) are stated net of a specific provision of $18,745,000 (2003: $20,935,000) and $3,799,000 (2003: $7,251,000) respectively. In addition, there is a general provision made against the remaining inventories of the Group and the Company of $21,722,000 (2003: $22,011,000) and $1,819,000 (2003: $5,664,000) respectively. These provisions have been made in order to state these inventories at the lower of their cost and estimated net realisable value. The amount of reversal of a write-down of inventories to estimated net realisable value, recognised in the consolidated income statement as a reduction in the amount of inventories recognised as an expense during the year, is $4,195,000 (2003: $2,656,000). This reversal arose due to an increase in the estimated net realisable value of certain garments as a result of a change in consumer preferences.

25. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2004	**2003**	**2004**	**2003**
	$'000	*$'000*	*$'000*	*$'000*
Trade debtors	80,610	96,078	21,178	23,701
Bills receivable	94,265	62,978	32,668	26,198
Deposits, prepayments and other debtors	66,254	41,855	10,397	1,596
Amounts due from related companies	4,976	3,517	270	322
Amounts due from associates	–	26,017	5	846
Amounts due from subsidiaries	–	–	76,703	126,728
Dividends receivable from associates	12,145	19,027	–	–
	258,250	249,472	141,221	179,391

The amounts due from related companies and associates are unsecured, interest-free and repayable on demand.

All of the trade and other receivables are expected to be recovered within one year.

25. TRADE AND OTHER RECEIVABLES *(CONTINUED)*

Included in trade and other receivables are trade debtors and bills receivable (net of provisions for bad and doubtful debts) with the following ageing analysis:

	The Group		The Company	
	2004	**2003**	**2004**	**2003**
	$'000	*$'000*	*$'000*	*$'000*
0 – 60 days	171,852	154,153	52,530	49,415
61 – 90 days	1,156	1,823	806	403
> 90 days	1,867	3,080	510	81
Trade debtors and bills receivable	174,875	159,056	53,846	49,899

The credit terms given to trade debtors vary and are generally based on the financial strengths of individual debtors. In order to effectively manage the credit risks associated with trade debtors, credit evaluation of debtors is performed periodically.

26. PLEDGED DEPOSITS

Pledged deposits as at 31st March, 2004 represents deposits pledged to designated banks for the guarantee of imported processing materials with an aggregate value of $52,844,000. Pledged deposits as at 31st March, 2003 represents deposits pledged to designated banks for the letter of credit facilities granted to the Group amounting to EUR3,267,000 (equivalent to $27,176,000).

27. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2004	**2003**	**2004**	**2003**
	$'000	*$'000*	*$'000*	*$'000*
Deposits with banks	3,505	1,335	–	–
Cash at bank and in hand	56,023	43,206	26,981	9,621
Cash and cash equivalents in the balance sheet	59,528	44,541	26,981	9,621
Bank overdraft *(note 29)*	(622)	–		
Cash and cash equivalents in the consolidated cash flow statement	58,906	44,541		

28. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2004	**2003**	**2004**	**2003**
	$'000	*$'000*	*$'000*	*$'000*
Trade creditors	110,100	95,212	26,627	18,868
Bills payable	46,995	58,686	6,213	11,696
Accrued charges and other creditors	119,520	95,947	51,009	31,997
Payable for construction in progress *(note 32)*	11,069	49,075	–	–
Amounts due to related companies	659	851	590	150
Amounts due to associates	26,208	17,206	2,988	354
Advance from associate for construction in progress *(note 32)*	9,413	74,332	–	–
Amounts due to subsidiaries	–	–	13,529	22,419
	323,964	391,309	100,956	85,484

The amounts and advance due to related companies and associates are unsecured, interest-free and repayable on demand.

All of the trade and other payables are expected to be settled within one year.

Included in trade and other payables are trade creditors and bills payable with the following ageing analysis:

	The Group		The Company	
	2004	**2003**	**2004**	**2003**
	$'000	*$'000*	*$'000*	*$'000*
0 – 60 days	136,010	142,358	30,745	29,655
61 – 90 days	12,778	7,618	919	167
> 90 days	8,307	3,922	1,176	742
Trade creditors and bills payable	157,095	153,898	32,840	30,564

29. BANK LOANS AND OVERDRAFTS

At 31st March, 2004, the bank loans and overdrafts (including trust receipt loans) were repayable as follows:

	The Group		The Company	
	2004	**2003**	**2004**	**2003**
	$'000	*$'000*	*$'000*	*$'000*
Trust receipt loans	55,524	49,570	50,276	43,093
Other bank loans and overdrafts – within 1 year or on demand	257,424	278,106	29,542	74,999
	312,948	327,676	79,818	118,092
Other bank loans				
– after 1 year but within 2 years	102,083	44,500	22,500	27,000
– after 2 years but within 5 years	173,281	47,233	15,000	–
	275,364	91,733	37,500	27,000
	588,312	419,409	117,318	145,092

29. BANK LOANS AND OVERDRAFTS *(continued)*

At 31st March, 2004, the bank loans and overdrafts were secured as follows:

	The Group		The Company	
	2004	**2003**	**2004**	**2003**
	$'000	*$'000*	*$'000*	*$'000*
Bank overdrafts				
– unsecured	622	–	42	–
Bank loans				
– secured	194,443	49,570	–	–
– unsecured	393,247	369,839	117,276	145,092
	588,312	419,409	117,318	145,092

Bank loans amounting to $194,443,000 (2003: $Nil) are secured by machinery and certain land and buildings with an aggregate net book value of $275,758,000 (2003: $Nil).

Unsecured bank loans amounting to $179,789,000 (2003: $187,806,000) and secured bank loans amounting to $54,595,000 as at 31st March, 2004 are guaranteed by an associate, Wuxi Changxin Textile Co., Ltd.

30. NON-CURRENT BANK LOANS

	The Group		The Company	
	2004	**2003**	**2004**	**2003**
	$'000	*$'000*	*$'000*	*$'000*
Bank loans *(note 29)*				
– unsecured	275,364	91,733	37,500	27,000

31. INCOME TAX IN THE BALANCE SHEET

(a) Current taxation in the balance sheet represents:

	The Group		The Company	
	2004	**2003**	**2004**	**2003**
	$'000	*$'000*	*$'000*	*$'000*
Provision for Hong Kong Profits Tax for the year	9,152	7,675	3,397	3,027
Provisional Profits Tax paid	(4,486)	(3,353)	(1,985)	(2,666)
	4,666	4,322	1,412	361
Provision/(tax recoverable) for overseas subsidiaries and branches				
– current year	(2,039)	(1,943)	35	103
– prior year	25	673	–	62
Net tax payable	2,652	3,052	1,447	526
Representing:				
Tax recoverable	(2,143)	(2,145)	–	–
Tax payable	4,795	5,197	1,447	526
	2,652	3,052	1,447	526

31. INCOME TAX IN THE BALANCE SHEET *(continued)*

(b) Deferred tax liabilities recognised:

(i) The Group

The components of deferred tax liabilities recognised in the consolidated balance sheet and the movements during the year are as follows:

	Revaluation of properties *$'000*	Depreciation allowances in excess of the related depreciation *$'000*	Total *$'000*
Deferred tax arising from:			
At 1st April, 2002			
– as previously reported	–	–	–
– prior period adjustments	8,986	2,240	11,226
– as restated	8,986	2,240	11,226
Credited to the consolidated income statement	–	(9)	(9)
Credited to reserves *(note 35(a))*	(273)	–	(273)
At 31st March, 2003 (restated)	8,713	2,231	10,944
At 1st April, 2003			
– as previously reported	–	–	–
– prior period adjustments	8,713	2,231	10,944
– as restated	8,713	2,231	10,944
Credited to the consolidated income statement	–	(196)	(196)
Charged to reserves *(note 35(a))*	19	–	19
At 31st March, 2004	8,732	2,035	10,767

31. **INCOME TAX IN THE BALANCE SHEET** *(continued)*

(b) **Deferred tax liabilities recognised:** *(continued)*

(ii) The Company

The components of deferred taxation recognised in the balance sheet and the movements during the year are as follows:

	Revaluation of properties	**Depreciation allowances in excess of the related depreciation**	**Total**
	$'000	*$'000*	*$'000*
Deferred tax arising from:			
At 1st April, 2002			
– as previously reported	–	–	–
– prior period adjustments	8,986	1,999	10,985
– as restated	8,986	1,999	10,985
Credited to the income statement	–	(9)	(9)
Credited to reserves *(note 35(b))*	(273)	–	(273)
At 31st March, 2003 (restated)	8,713	1,990	10,703
At 1st April, 2003			
– as previously reported	–	–	–
– prior period adjustments	8,713	1,990	10,703
– as restated	8,713	1,990	10,703
Credited to the income statement	–	(187)	(187)
Charged to reserves *(note 35(b))*	19	–	19
At 31st March, 2004	**8,732**	**1,803**	**10,535**

	The Group		**The Company**	
	2004	**2003**	**2004**	**2003**
		(restated)		(restated)
	$'000	*$'000*	*$'000*	*$'000*
Net deferred tax assets recognised on the balance sheet	–	–	–	–
Net deferred tax liabilities recognised on the balance sheet	10,767	10,944	10,535	10,703
	10,767	10,944	10,535	10,703

31. INCOME TAX IN THE BALANCE SHEET *(continued)*

(c) Deferred tax assets not recognised

The Group has not recognised deferred tax assets in respect of tax losses of $19,300,000 attributable to the PRC subsidiaries (2003: $5,000,000) as the directors consider it is not probable that these companies will generate sufficient taxable profits in the foreseeable future to utilise the tax losses. The tax losses expire in 5 years.

32. NET CURRENT LIABILITIES

The following current liabilities were incurred by a subsidiary, Wuxi YGM Textile Co., Ltd.:

	2004	**2003**
	$'000	*$'000*
Payables for construction in progress *(note 28)*	11,069	49,075
Advance from associate for construction in progress *(note 28)*	9,413	74,332
Short-term bank loans	199,226	187,806
	219,708	311,213

The short term bank loans are renewable on a six month basis at the option of the bank. The directors are confident that these bank loans will be renewed upon expiry for the foreseeable future.

33. PROVISION FOR LONG SERVICE PAYMENTS

	The Group		**The Company**	
	2004	**2003**	**2004**	**2003**
	$'000	*$'000*	*$'000*	*$'000*
At 1st April	9,027	6,126	5,063	3,331
Add: Provision for the year	–	3,210	–	1,799
	9,027	9,336	5,063	5,130
Less: Payments during the year	(79)	(309)	(191)	(67)
At 31st March	8,948	9,027	4,872	5,063

34. SHARE CAPITAL

	2004 No. of shares '000	2004 Amount $'000	2003 No. of shares '000	2003 Amount $'000
Authorised:				
Ordinary shares of $0.50 each	200,000	100,000	200,000	100,000
Issued and fully paid:				
At 31st March	140,246	70,123	140,246	70,123

35. RESERVES

(a) The Group

	Share premium $'000	Capital redemption reserve $'000	Exchange reserve $'000	Goodwill arising on consolidation $'000	Investment revaluation reserve $'000	Land and buildings revaluation reserve $'000	Investment properties revaluation reserve $'000	Other reserves $'000	Retained profits $'000	Total $'000
As at 1st April, 2002										
– as previously reported	13,731	481	(9,810)	(45,987)	39	52,921	30,840	2,038	239,718	283,971
– prior period adjustment in respect of deferred tax (note 11)	–	–	–	–	–	(8,913)	(73)	–	(878)	(9,864)
– as restated	13,731	481	(9,810)	(45,987)	39	44,008	30,767	2,038	238,840	274,107
Dividend approved in respect of the previous year (note 9(b))	–	–	–	–	–	–	–	–	(11,220)	(11,220)
Exchange differences on translation of the financial statements of foreign entities	–	–	679	–	–	–	–	–	–	679
Revaluation deficit	–	–	–	–	(39)	–	(1,644)	–	–	(1,683)
Deferred tax (note 31(b))	–	–	–	–	–	291	(18)	–	–	273
Share of associates' revaluation surplus	–	–	–	–	–	–	157	–	–	157
Share of associates' exchange reserve	–	–	(1,987)	–	–	–	–	–	–	(1,987)
Impairment loss	–	–	–	–	–	(1,664)	–	–	–	(1,664)
Disposal of subsidiaries	–	–	(662)	–	–	–	–	–	–	(662)
Deconsolidation of subsidiaries in liquidation	–	–	(6,053)	(174)	–	–	–	–	–	(6,227)
Profit for the year (as restated)	–	–	–	–	–	–	–	–	33,077	33,077
Dividend declared for the year (note 9(a))	–	–	–	–	–	–	–	–	(2,805)	(2,805)
Appropriation to other reserves	–	–	–	–	–	–	–	378	(378)	–
As at 31st March, 2003	13,731	481	(17,833)	(46,161)	–	42,635	29,262	2,416	257,514	282,045

35. RESERVES *(continued)*

(a) The Group *(continued)*

	Share premium *$'000*	Capital redemption reserve *$'000*	Exchange reserve *$'000*	Goodwill arising on consolidation *$'000*	Investment revaluation reserve *$'000*	Land and buildings revaluation reserve *$'000*	Investment properties revaluation reserve *$'000*	Other reserves *$'000*	Retained profits *$'000*	Total *$'000*
As at 1st April, 2003										
– as previously reported	13,731	481	(17,833)	(46,161)	–	51,257	29,353	2,416	258,394	291,638
– prior period adjustment in respect of deferred tax (note 11)	–	–	–	–	–	(8,622)	(91)	–	(880)	(9,593)
– as restated	13,731	481	(17,833)	(46,161)	–	42,635	29,262	2,416	257,514	282,045
Dividend approved in respect of the previous year (note 9(b))	–	–	–	–	–	–	–	–	(11,220)	(11,220)
Exchange differences on translation of the financial statements of foreign entities	–	–	2,038	–	–	–	–	–	–	2,038
Revaluation surplus	–	–	–	–	400	–	577	–	–	977
Deferred tax (note 31(b))	–	–	–	–	–	–	(19)	–	–	(19)
Share of associates' revaluation surplus	–	–	–	–	–	–	973	–	–	973
Share of associates' other reserves	–	–	–	–	–	–	–	697	–	697
Share of associates' exchange reserve	–	–	1,186	–	–	–	–	–	–	1,186
Disposal of subsidiaries	–	–	(122)	–	–	–	–	–	–	(122)
Profit for the year	–	–	–	–	–	–	–	–	69,085	69,085
Dividend declared for the year (note 9(a))	–	–	–	–	–	–	–	–	(1,402)	(1,402)
Appropriation to other reserves	–	–	–	–	–	–	–	1,695	(1,695)	–
As at 31st March, 2004	13,731	481	(14,731)	(46,161)	400	42,635	30,793	4,808	312,282	344,238

Included in the Group's retained profits is a net profit of $21,000 (2003 (restated): loss of $10,765,000) being the Group's share of accumulated profits less losses attributable to the associates.

The application of the share premium account and the capital redemption reserve is governed by Sections 48B and 49H respectively of the Hong Kong Companies Ordinance. The revaluation reserves have been set up and will be dealt with in accordance with the accounting policies adopted for the revaluation of properties.

In accordance with the relevant PRC laws applicable to wholly foreign owned enterprises, a PRC subsidiary is required to make appropriations of at least 10% of its after-tax profit, determined under the relevant PRC accounting regulations to other reserves. Other reserves attributable to the PRC subsidiary can be used to make good losses or may be converted into paid-up capital.

35. RESERVES *(continued)*

(b) The Company

	Share premium $'000	Capital redemption reserve $'000	Investment revaluation reserve $'000	Land and buildings revaluation reserve $'000	Investment properties revaluation reserve $'000	Retained profits $'000	Total $'000
At 1st April, 2002							
– as previously reported	13,731	481	39	52,921	28,298	169,605	265,075
– prior period adjustment in respect of deferred tax (note 11)	–	–	–	(8,913)	(73)	(1,999)	(10,985)
– as restated	13,731	481	39	44,008	28,225	167,606	254,090
Dividends approved in respect of the previous year (note 9(b))	–	–	–	–	–	(11,220)	(11,220)
Impairment loss	–	–	–	(1,664)	–	–	(1,664)
Deferred tax (note 31(b))	–	–	–	291	(18)	–	273
Revaluation deficit	–	–	(39)	–	(1,644)	–	(1,683)
Profit for the year (as restated)	–	–	–	–	–	7,545	7,545
Dividends declared in respect of the current year (note 9(a))	–	–	–	–	–	(2,805)	(2,805)
At 31st March, 2003	13,731	481	–	42,635	26,563	161,126	244,536
At 1st April, 2003							
– as previously reported	13,731	481	–	51,257	26,654	163,116	255,239
– prior period adjustment in respect of deferred tax (note 11)	–	–	–	(8,622)	(91)	(1,990)	(10,703)
– as restated	13,731	481	–	42,635	26,563	161,126	244,536
Dividends approved in respect of the previous year (note 9(b))	–	–	–	–	–	(11,220)	(11,220)
Revaluation surpluses	–	–	400	–	577	–	977
Deferred tax (note 31(b))	–	–	–	–	(19)	–	(19)
Profit for the year	–	–	–	–	–	89,700	89,700
Dividends declared in respect of the current year (note 9(a))	–	–	–	–	–	(1,402)	(1,402)
At 31st March, 2004	13,731	481	400	42,635	27,121	238,204	322,572

The revaluation reserves in respect of investments, investment properties and land and buildings are not available for distribution to shareholders because they do not constitute realised profits within the meaning of section 79B(2) of the Hong Kong Companies Ordinance.

The distributable reserves of the Company as at 31st March, 2004 were $238,204,000 (2003 (restated): $161,126,000).

36. COMMITMENTS

(a) Capital commitments outstanding at 31st March, 2004 not provided for in the financial statements were as follows:

	The Group	
	2004	**2003**
	$'000	*$'000*
Contracted for		
– construction in progress	847	51,337
– fixed assets	–	230
– capital contribution to a subsidiary	3,713	49,095
– capital contribution to an associate	6,630	6,630
	11,190	107,292
Authorised but not contracted for		
– construction in progress	–	8,087
	11,190	115,379

The Group's share of the capital commitments of associates outstanding at 31st March, 2004 were as follows:

	The Group	
	2004	**2003**
	$'000	*$'000*
Authorised but not contracted for	1,010	138
Contracted but not provided for	648	864
	1,658	1,002

(b) At 31st March, 2004, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	The Group	
	2004	**2003**
	$'000	*$'000*
Within 1 year	2,579	722
After 1 year but within 2 years	2,732	527
After 2 years but within 5 years	3,515	351
More than 5 years	8,220	8,221
	17,046	9,821

The Group leases a number of properties and a piece of land under operating leases. The leases run for a period of 4 to 60 years. None of the leases includes contingent rentals.

(c) At 31st March, 2004, the Group and the Company had cancelled the commitments in respect of outstanding foreign exchange forward contracts (2003: $47,981,000), which were non-speculative hedges of the Group's and the Company's foreign currency denominated trade receivables.

37. CONTINGENT LIABILITIES

At 31st March, 2004, there were contingent liabilities in respect of the following:

(a) Bills discounted with banks amounting to approximately $139,925,000 (2003: $148,764,000) for the Group and $67,135,000 (2003: $77,622,000) for the Company.

(b) Guarantees given to banks by the Company to the extent of $49,148,000 (2003: $55,628,000) in respect of banking facilities extended to its subsidiaries and associates.

38. MATERIAL RELATED PARTY TRANSACTIONS

The following material transactions with related parties were, in the opinion of the directors, carried out in the ordinary course of business and on normal commercial terms:

(a) Transactions with and income from YGM Trading Limited and its subsidiaries ("YGMT Group"). (Certain directors of the Company are collectively the controlling shareholders of both the YGMT Group and the Group):

	2004	**2003**
	$'000	*$'000*
Purchases of traded products	2,813	65
Sales of traded products	23,771	10,585
Rental income from properties	3,902	3,904
Management fee income	804	804
Building management fee income	324	324

Purchases and sales of traded products and rental transactions were, in the opinion of the directors, carried out on prices and terms comparable to those offered to or by independent third parties. The management fees were charged for administrative, business strategy, personnel, legal and company secretarial work, accounting and management services provided, which are determined annually between the respective parties after negotiations having regard to the cost of services provided.

	2004	**2003**
	$'000	*$'000*
Amounts due from YGMT Group	1,690	3,242

(b) Transactions with YGM Marketing Pte Limited, which is beneficially owned by certain directors of the Company:

	2004	**2003**
	$'000	*$'000*
Sales of traded products	4,867	5,303

The above transactions were, in the opinion of the directors, carried out on terms comparable to those offered to independent third parties.

	2004	**2003**
	$'000	*$'000*
Amount due from/(to) YGM Marketing Pte Limited	65	(576)

38. MATERIAL RELATED PARTY TRANSACTIONS *(continued)*

(c) Transactions with Wuxi Changxin Textile Co., Ltd., an associate:

	2004	**2003**
	$'000	*$'000*
Purchases of traded products	101,047	15,827
Sales of traded products	7,480	–
Processing income	38,137	–
Subcontracting fee expenses	15,205	12,256
Management and marketing supporting fee paid	–	282

The above transactions were, in the opinion of the directors, carried out on terms comparable to those offered by independent third parties.

	2004	**2003**
	$'000	*$'000*
Amount due to Wuxi Changxin Textile Co., Ltd.	(33,165)	(91,184)
Dividend receivable	99	11,570

(d) Transactions with Hongkong Knitters Lanka (PVT) Limited ("HKKL"), as an associate for the period from 1st April, 2003 to 12th May, 2003:

	Period from 1st April, 2003 to 12th May, 2003	**For the year ended 31st March, 2003**
	$'000	*$'000*
Purchases on behalf and sales of traded products	4	47,416
Commission income	572	3,992
Subcontracting fee expense	2,528	–

During the year ended 31st March, 2003, the Group purchased traded products on behalf of HKKL which were reimbursed to the Group by HKKL at cost. Commission income relates to referral of sales by the Group and was charged at an agreed percentage based on the HKKL's turnover. Subcontracting fee expenses was, in the opinion of the directors, carried out on terms comparable to those offered to independent third parties.

The Company has cancelled a corporate guarantee to a bank in respect of general banking facilities granted by such bank to HKKL (2003: $2,730,000). HKKL was 50% owned by the Company and 50% owned by a company controlled by certain directors of the Company for the period from 1st April, 2003 to 12th May, 2003. The general banking facilities were used for funding HKKL's daily working capital requirements.

	2004	**2003**
	$'000	*$'000*
Amount due from HKKL as an associate	–	25,761

On 13th May, 2003 HKKL became a wholly-owned subsidiary of the Group.

38. MATERIAL RELATED PARTY TRANSACTIONS *(continued)*

(e) Transactions with Yangtzekiang Industries Sdn. Bhd. ("YISB"), an associate:

	2004	**2003**
	$'000	*$'000*
Subcontracting fee expense	–	2,844
Commission income	–	1,033

No subcontracting fee expense was paid and no commission income was received during the year ended 31st March, 2004. During the year ended 31st March, 2003, the subcontracting fee was, in the opinion of the directors, carried out on terms comparable to those offered to independent third parties. Commission income relates to referral of sales by the Group to YISB and was charged at an agreed percentage based on the associate's turnover.

	2004	**2003**
	$'000	*$'000*
Amount due (to)/from YISB	(167)	256

(f) Transactions with Allied Textiles Limited ("Allied Textiles"), an associate:

	2004	**2003**
	$'000	*$'000*
Purchases of traded products	18,338	3,026
Purchases on behalf and sales of traded products	2,027	871

The purchases of traded products were, in the opinion of the directors, carried out on prices and terms comparable to those offered to or by independent third parties. The Group purchased traded products on behalf of Allied Textiles which were reimbursed to the Group by Allied Textiles at cost.

	2004	**2003**
	$'000	*$'000*
Amount due to Allied Textiles	2,290	354

(g) Transactions with Taizhou Changxin Textile (Xinghua) Co., Ltd., an associate:

	2004	**2003**
	$'000	*$'000*
Sales of traded products	2,149	–

The above transactions were, in the opinion of the directors, carried out on terms comparable to those offered to independent third parties.

38. MATERIAL RELATED PARTY TRANSACTIONS *(continued)*

(h) Transactions with non-wholly owned subsidiaries, Whampoa Textile Limited and its subsidiaries ("Whampoa Group"):

	Period from 1st April, 2003 to 12th May, 2003	For the year ended 31st March, 2003
	$'000	*$'000*
Sales of traded products	1,041	17,412
Purchases on behalf and sales of traded products	6,484	111,247
Commission expenses paid	824	4,806
Subcontracting fee income	3,890	5,752
Subcontracting fee paid	155	–
Rental income from properties	624	2,117
Building management fee income	41	120
Management fee income	828	3,960
Interest income	388	3,340
Sales of fixed assets	–	585

Whampoa Group purchased traded products on behalf of other subsidiaries of the Group which were reimbursed to Whampoa Group at cost. Commission expenses relate to referral of sales by Whampoa Group and are charged at an agreed percentage on the Group's turnover.

The above transactions, were in the opinion of the directors, carried out on the terms comparable to those offered to independent third parties. Year end trade balances have been eliminated on consolidation.

On 13th May, 2003, the Group increased its interest in Whampoa Textile Limited to 100% and Whampoa Group became wholly-owned by the Group.

	2004	2003
	$'000	*$'000*
Guarantees given to banks in respect of credit facilities granted to the extent of the Company's proportional equity interest held	49,148	49,148

The Company had issued corporate guarantees for a total amount of $49,148,000 to bankers, to secure general banking facilities granted by such banks to Hong Kong Knitters Limited ("HKK"), a subsidiary of the Whampoa Group. The general banking facilities were used for funding HKK's daily working capital requirements.

(i) The acquisitions of Whampoa Textile Limited ("Whampoa") and Hongkong Knitters Lanka (PVT) Limited ("HKKL"):

The Company had entered into the following agreements ("the Agreements"):

(i) an agreement on 10th February, 2003 and a supplemental agreement thereto on 24th March, 2003 in relation to the acquisition of 25% of the issued share capital of Whampoa from Chan Family Investment Corporation Limited, an entity connected with the Company for the purpose of the Listing Rules, for a cash consideration of $5,000,000; and

38. MATERIAL RELATED PARTY TRANSACTIONS *(continued)*

(ii) an agreement on 10th February, 2003 and a supplemental agreement thereto on 24th March, 2003 in relation to the acquisition of 50% of the issued share capital of HKKL from Sevenoaks Associates, Inc., an entity connected with the Company for the purpose of the Listing Rules, for a cash consideration of $1.

The Agreements were approved by the Independent Shareholders of the Company at the Extraordinary General Meeting on 5th May, 2003 and the acquisitions were completed on 13th May, 2003. After completion of the acquisitions, various existing transactions between the Group, Whampoa Group and HKKL have become transactions between the Company and its wholly-owned subsidiaries or between its wholly-owned subsidiaries and are not subject to disclosure or shareholders' approval requirements under Chapter 14 of the Listing Rules.

(j) Continuing connected transaction with YGMT Group:

The Group sells garment products (such as shirts and knit wear products) from time to time to YGMT Group on an order by order basis for trading purposes. As the Chan Family is the controlling shareholder (as defined in the Listing Rules) of the Companies, the Transactions constitute connected transactions for Yangtzekiang Garment and YGM Trading under the Listing Rules.

The Stock Exchange has granted to the Company waivers from strict compliance with the disclosure and Independent Shareholders' approval requirements under Rules 14.26 of the Listing Rules on each occasion when the transactions occur for a period up to 31st March, 2006.

The aggregate amount of the transactions for each financial year shall not exceed 8% of the latest published audited consolidated net tangible assets of the Group in that financial year.

(k) Disposal of Yangtzekiang Industries (Myanmar) Limited ("Yangtzekiang Myanmar"):

A share purchase agreement was entered into on 30th March, 2004 between the Company as vendor and Mr. Wong Pui Lam, Mr. Wong Chun Yu, Mr. Chee Chong Sin and Ms. Tsang Sau Ngor as purchasers in relation to the entire issued share capital of Yangtzekiang (Myanmar) Limited ("YML"), Yangtzekiang Myanmar and Victoria Harbor Limited ("VHL") and a non-interest bearing loan of approximately US$1,860,000 (approximately $14,500,000) owing by YML and Yangtzekiang Myanmar to the Company as at 30th March, 2004 ("YML Group Loan") for a total cash consideration of US$1,360,000 (approximately HK$10,608,000). The consideration will be payable by instalments over six years (note 21).

YML and VHL were both investment holding companies and wholly-owned subsidiaries of the Company. YML was beneficially interested in the entire issued share capital of Yangtzekiang Myanmar. VHL held 50% of the issued share capital of Yangtzekiang Myanmar on trust for YML. As Mr. Wong Pui Lam is a director of Yangtzekiang Myanmar and Mr. Wong Chun Yu is the son of Mr. Wong Pui Lam, the Disposal constitutes a connected transaction of the Company.

Completion of the Disposal (other than the assignment of YML Group Loan) took place immediately after the signing of the Share Purchase Agreement. Completion of the assignment of the YML Group Loan shall take place at the sixth anniversary of completion upon payment in full of the consideration.

39. SUBSEQUENT EVENTS

(i) Subcontracting transactions with Yangtzekiang Myanmar:

On 8th June, 2004, the Company entered into the Master Subcontracting Agreement with Yangtzekiang Myanmar in relation to subcontracting services. As detailed in note 38(k), the Group disposed of its interests in Yangtzekiang Myanmar on 30th March, 2004. Yangtzekiang Myanmar has been providing subcontracting services to the Company in the past and will continue to provide such services after the disposal. Since Mr. Wong Pui Lam is a director of Yangtzekiang Myanmar, a subsidiary of the Company before the disposal, Mr. Wong Pui Lam remains a connected person of the Company for 12 months after completion of the disposal on 30th March, 2004. The subcontracting services will constitute continuing connected transactions for the Company during the said period.

The Stock Exchange has granted the Company a waiver from strict compliance with the requirement to hold a shareholders' meeting to approve the subcontracting services and the maximum aggregate annual value for the subcontracting services for the financial year ending 31st March, 2005, is US$2 million (approximately $15.6 million).

(ii) Investment in a PRC Joint Venture

The directors announced that on 10th July, 2004, Broad Plan Investment Limited (“Broad Plan”) (a wholly-owned subsidiary of the Company) entered into a Joint Venture Agreement with Qinghai Wanli Investment Company Ltd. (“Wanli”), Qinghai Province Qiaodian Company (“Qiaodian”) and Qinghai Electric Power Company (“Qinghai Power”) to establish a PRC Joint Venture, Qinghai Wan Zhao Ningbei Electric Corporation Ltd. (“New JV”) for the purpose of development and operating power plants in Qinghai. Upon its establishment, New JV will be owned as to 35% by Broad Plan, 40% by Wanli, 20% by Qiaodian and 5% by Qinghai Power. The total investment and registered capital of the New JV are RMB1,250,000,000 (equivalent to $1,176,625,000) and RMB200,000,000 (equivalent to $188,260,000) respectively. The total commitment of the Group in this New JV is RMB70,000,000 (equivalent to $65,891,000). The Group will only contribute to the registered capital of the New JV after the New JV has received the approval of National Development and Reform Commission and certain other conditions as set out in the Joint Venture Agreement have been met.

40. COMPARATIVE FIGURES

Certain comparative figures have been adjusted as a result of the change in accounting policy for deferred tax, details of which are set out in note 11 and as a result of the change in presentation of segment information as set out in note 12.

In addition, certain administrative expenses in 2003 have been reclassified to selling and distribution costs and trust receipt loans as at 31st March, 2003 have been reclassified from trade and other payables to bank loans in order to conform with current year’s presentation.

41. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorized for issue by the board of directors on 19th July, 2004.

PRINCIPAL SUBSIDIARIES
at 31st March, 2004

The following list contains only the particulars of principal subsidiaries which materially affected the results or assets of the Group. The class of shares held is ordinary unless otherwise stated.

Company	Place of incorporation/ establishment and operation	Issued and paid up share capital/registered capital	Percentage of equity held by the Group	Percentage of equity held by the Company	Principal activity
Whampoa Textile Limited	Hong Kong	HK$25,000,000	100	100	Investment holding
Hong Kong Knitters Limited	Hong Kong	HK$3,000,000	100	–	Garment manufacturing and investment holding
Easeley Knitwear Limited	Hong Kong	HK$100,000	100	–	Garment manufacturing
Exquisite Knitters (Guangzhou) Limited*	The PRC/ wholly foreign owned enterprise	HK$75,600,000	100	–	Knitting and dyeing of fabrics and manufacturing of garments
Yangtzekiang Cambodia Limited	British Virgin Islands	US$1	100	100	Investment holding
YGM (Cambodia) Limited	Cambodia	US$750,000	100	–	Garment manufacturing
Co-Union Limited	Hong Kong	HK$2	100	100	Investment holding
Broad Plan Investment Limited	Hong Kong	HK$2	100	–	Investment holding
Wuxi YGM Textile Co., Ltd.	The PRC/ Sino-foreign equity joint venture	US$12,000,000	70	–	Manufacture and sale of textiles
Guardo Limited	Hong Kong	HK$20	100	100	Investment holding
H.K. International Knitters (Proprietary) Limited*	Lesotho	R1,000	100	–	Garment manufacturing
Whampoa Garment Manufacturing (Guangzhou) Co., Ltd.*	The PRC/ wholly foreign owned enterprise	HK$11,286,700	100	–	Garment manufacturing
Yangtzekiang S.A.*	France	Euro3,086,735	90.19	90.19	Garment wholesaling
JIL International*	France	Euro37,000	90.19	–	Garment retailing
Hongkong Knitters Lanka (PVT) Limited	Sri Lanka	Rs50,000,000	100	100	Garment manufacturing

* Companies not audited by KPMG. The financial statements of the subsidiaries not audited by KPMG reflect total net assets and total turnover constituting approximately 26% of consolidated net assets and 29% of the consolidated turnover respectively.

PRINCIPAL ASSOCIATES
at 31st March, 2004

The following list contains only the particulars of principal associates, all of which are unlisted corporate entities, which materially affected the results or assets of the Group:

Company	Place of incorporation/ establishment and operation	Percentage of ownership interest held by the Group	Percentage of ownership interest held by the Company	Principal activity
Qinghai Changqing Aluminium Corporation	The PRC/ Sino-foreign equity joint venture	35.93	–	Production and distribution of aluminium products
Qinghai Changchun Tansu Co., Ltd.*	The PRC/ Sino-foreign equity joint venture	28.59	–	Production and distribution of carbon used in aluminium production
Wuxi Changxin Textile Co., Ltd.	The PRC/ Sino-foreign equity joint venture	33.33	–	Manufacturing of yarns and fabrics
Wuxi Changxin Real Estate Development Co., Ltd.	The PRC/ Sino-foreign equity joint venture	33.33	–	Property development and investment
Allied Textiles Limited*#	The PRC/ Sino-foreign equity joint venture	37.5	–	Manufacturing of garments and textiles
Taizhou Changxin Textile (Xinghua) Co., Ltd.	The PRC/ Sino-foreign equity joint venture	33.33	–	Manufacturing of textile products
Yangtzekiang Industries Sdn. Bhd.	Malaysia	49.0	49.0	Garment manufacturing
W. Haking Enterprises Limited*#	Hong Kong	29.81	–	Design, manufacture and sale of cameras and binoculars

* Companies not audited by KPMG.

\# Audited financial statements as at 31st December, 2003 are used for equity accounting purposes.

4. INDEBTEDNESS

Borrowings

As at the close of business on 31st July, 2004 (being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this prospectus), the Group had total outstanding borrowings of approximately HK$571.1 million, comprising secured bank loans, unsecured bank loans, trust receipt loans and bank overdrafts of approximately HK$201.6 million, HK$327.2 million, HK$38.3 million and HK$4.0 million respectively.

The secured bank loans include an amount of HK$195.9 million which are secured by machinery and certain land and buildings and an amount of HK$5.7 million which are secured by trade and bills receivables of certain subsidiaries of the Group respectively. The unsecured bank loans amounting to HK$179.8 million and secured bank loans amounting to HK$54.6 million are guaranteed by an associate and a related company of the Group.

Contingent liabilities

As at 31st July, 2004, the Group had contingent liabilities in respect of bills discounted with banks amounting to approximately HK$118.4 million.

Save as aforesaid or as otherwise disclosed herein and apart from intra-group liabilities, none of the companies in the Group had any loan capital issued and outstanding or agreed to be issued, any bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptable credits, debentures, mortgages, charges, obligations under finance leases or hire purchases, guarantees or other material contingent liabilities as at the close of business on 31st July, 2004.

The Directors have confirmed that as at the Latest Practicable Date, save as disclosed above, there had not been any material change in the indebtedness and contingent liabilities of the Group since 31st July, 2004.

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31st March, 2004, the date to which the latest audited financial statements of the Company were made up.

6. WORKING CAPITAL

The Directors are of the opinion that, taking into account the present available banking facilities and financial resources of the Group and the estimated net proceeds of the Rights Issue, the Group has sufficient working capital for its present requirements.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

The unaudited pro forma financial information prepared in accordance with Rule 4.29 of the Listing Rules is set out below to illustrate the effect of the Rights Issue on the net tangible assets of the Group as if the Rights Issue had taken place on 31st March, 2004.

The pro forma financial information has been prepared for illustrative purposes only, and because of its nature, it may not give a true picture of the financial position of the Group following the Rights Issue.

The following statement of unaudited pro forma adjusted consolidated net tangible assets of the Group is based on the audited consolidated net assets of the Group as at 31st March, 2004 and adjusted to reflect the effect of the Rights Issue:

	As at 31st March, 2004	**Net proceeds from the Rights Issue**	**Pro forma**
	HK$'000	*HK$'000*	*HK$'000*
	(Note 1)		*(Note 2)*
Net tangible assets	412,999	123,200	536,199

Notes:

(1) The audited consolidated net tangible assets of the Group as at 31st March, 2004 is calculated as follows:

	HK$'000
Audited consolidated net assets of the Group as at 31st March, 2004	414,361
Less: Intangible assets	(3,479)
Add: Negative goodwill	2,117
Audited consolidated net tangible assets of the Group as at 31st March, 2004	412,999

(2)

Audited consolidated net tangible asset value per Share as at 31st March, 2004 based on 140,245,792 Shares in issue	HK$2.94
Unaudited pro forma adjusted consolidated net tangible asset value per Share immediately following completion of the Rights Issue based on 210,368,688 Shares to be in issue following completion of the Rights Issue	HK$2.55

ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

Set out below is the text of an accountants' report in connection with the Rights Issue received from the reporting accountants of the Group, KPMG, which has been prepared for the purpose of incorporation in this prospectus:

KPMG

21st September, 2004

The Directors
Yangtzekiang Garment Manufacturing Company Limited and its subsidiaries

Dear Sirs,

Yangtzekiang Garment Manufacturing Company Limited ("the Company")

We report on the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group ("the Pro Forma Financial Information") set out on page 75 in Appendix II of the prospectus dated 21st September, 2004 ("the Prospectus"), which has been prepared by the Company solely for illustrative purposes to provide information about how the rights issue might have affected the consolidated net tangible assets of the Company and its subsidiaries ("the Group") as at 31st March, 2004. The basis of preparation of the Pro Forma Financial Information is set out on page 75 of the Prospectus.

Responsibilities

It is the responsibility solely of the directors of the Company to prepare the Pro Forma Financial Information in accordance with Paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules").

It is our responsibility to form an opinion, as required by the Listing Rules, on the Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards and Bulletin 1998/8 'Reporting on pro forma financial information pursuant to the Listing Rules' issued by the Auditing Practices Board in the United Kingdom, where applicable. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the Pro Forma Financial Information with the directors of the Company.

Our work did not constitute an audit or review made in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants (formerly known as the Hong Kong Society of Accountants) and, accordingly, we do not express any such audit or review assurance on the Pro Forma Financial Information.

The Pro Forma Financial Information is for illustrative purposes only, based on the directors' judgements and assumptions, and, because of its nature, it does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position or results of:

- the Company and its subsidiaries had the share proceeds estimated by the Company been received on 12th October, 2004; or

- the Company and its subsidiaries at any future date or for any future periods.

We make no comments regarding the reasonableness of the amount of net proceeds from the issuance of the Company's shares, the application of those net proceeds, or whether such use will actually take place as described under "Reasons for the Rights Issue and Use of Proceeds" set out in the Letter from the Board in the Prospectus.

Opinion

In our opinion:

(a) the unaudited Pro Forma Financial Information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group, and

(c) the adjustments are appropriate for the purposes of the Pro Forma Financial Information as disclosed pursuant to Rule 4.29(1) of the Listing Rules.

KPMG
Certified Public Accountants
Hong Kong

1. RESPONSIBILITY STATEMENT

This prospectus 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 prospectus, 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.

2. DIRECTORS

The brief biographies of the Directors are set out below:

Executive Directors:

Chan Sui Kau, *GBS, OBE, JP*

Age 79. Dr. Chan is the founder of the Group. He established Yangtzekiang Garment Mfg. Co., Ltd. in 1949 and is the Executive Chairman of the Group as well as YGM Trading Limited Dr. Chan had been a member of the Eighth and Ninth Chinese People's Political Consultative Committee. In 2002, Dr. Chan was awarded the Gold Bauhinia Star of the HKSAR. In 2001, he was conferred upon by the Hong Kong Polytechnic University the Doctoral Degree of Business Administration. Dr. Chan is the former Chairman of Clothing Industry Training Authority (1986); former Chairman of Textile Council of Hong Kong (1988-1994) and presently its Honorary Chairman; former President of Federation of Hong Kong Garment Manufacturers (1977-1988) and currently its Life Honorary President; Honorary President of Hong Kong Woollen & Synthetic Knitting Manufacturers' Association since 1980 and former member of Textile Advisory Board of Hong Kong (1971-1989) and the Labour Advisory Board of Hong Kong (1985-1995).

Chan Wing Fui, Peter, *MA*

Age 58. Received a Master's degree in Administrative Science from Yale University U.S. 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 Limited in 1987. Mr. Chan has been actively involved in garment manufacturing and marketing in the Far East and the U.S. for over 30 years. He is the son of Mr. Chan Sui Kau and the brother of Mr. Chan Wing Sun Samuel and Ms. Chan Suk Ling Shirley.

Chan Wing Kee, *GBS, OBE, JP*

Age 57. Received a Bachelor's degree in Industrial Engineering in 1970. Joined the Group in 1970 as Production Manager and later on as Sales Manager. Appointed Director in 1977 and Managing Director in 1987. He is also a director of YGM Trading Ltd. Mr. Chan has participated in many textile negotiations with the U.S. and Europe for Hong Kong and Macau. He is a member of the Textile Advisory Board of Hong Kong, a member of Economic Council of Macau S.A.R.; Standing Committee Member of The People's Political Consultative Committee of the People's Republic of China; Deputy of the Eighth and Ninth National People's Congress of China; Ex-Committee Member of the Preparatory Committee for Hong Kong Special Administrative Region and Ex-Advisor of Hong Kong Affairs. He is a director of Bank of America (Asia) Limited. He is the brother of Mr. Chan Wing Chak David, Mr. Chan Wing To and Ms. Chan Suk Man.

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 the brother of Mr. Chan Wing Chak David, Mr. Chan Wing Kee and Ms. Chan Suk Man.

Chan Suk Man, *MSc*

Age 56. Received Master of Science Degrees from the University of Windsor, Canada in 1973 and Case Western Reserve University U.S. in 1975. Joined the Group in 1976 and appointed Director in 1993. She is the sister of Mr. Chan Wing Kee, Mr. Chan Wing To and Mr. Chan Wing Chak David.

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 Limited since 1987 and Chairman of Hang Ten Group Holdings Ltd since 2003. He is the son of Mr. Chan Sui Kau and the brother of Mr. Chan Wing Fui Peter and Ms. Chan Suk Ling Shirley.

Chan Wing Chak, David

Age 68. Joined the Group in 1960 and appointed Director in 1970. He is the brother of Mr. Chan Wing Kee, Mr. Chan Wing To and Ms. Chan Suk Man.

Chan Suk Ling, Shirley

Age 53. Received a Bachelor's degree from Trent University, United Kingdom in 1973. Joined the Group in 1973. Appointed Director of the Group in 1983 and Deputy Managing Director of YGM Trading Ltd in 1987. She has extensive experience of management in the garment retail and wholesale business. She is a Member of the Hong Kong Trade Development Council Garment Advisory Committee and the Executive Committee Member of the Hong Kong Retail Management Association. Committee Member of the Chinese Manufacturers' Association of Hong Kong. She is the daughter of Mr. Chan Sui Kau and the sister of Mr. Chan Wing Fui Peter and Mr. Chan Wing Sun Samuel.

The business address of the executive Directors is 22 Tai Yau Street, San Po Kong, Kowloon, Hong Kong.

Non-Executive Director:

Yeung Wing Tak

Age 83. Appointed Director in 1970. Mr. Yeung is also the Managing Director of Yee Woo Loong Rice Trading Co Ltd and Perfekta Enterprises Ltd.. He is an honorary citizen of Guangzhou, Kaozhou and Heshan. The business address of Mr. Yeung is Ground Floor, Bupa Centre, 141 Connaught Road West, Hong Kong.

Independent Non-Executive Directors:

Leung Hok Lim, *FCPA (Aust.), CPA (Macau), FCPA (Practising)*

Age 69. An independent non-executive Director, is the founding and senior partner of PKF, Certified Public Accountants. Mr. Leung obtained his fellowship with the Hong Kong Institute of Certified Public Accountants (formerly the Hong Kong Society of Accountants) in 1973. He is the vice chairman of the Business Enterprises Management Centre of the Hong Kong Management Association, a non-executive director of Beijing Hong Kong Exchange of Personnel Centre Limited and a number of listed companies. The business address of Mr. Leung is 26th Floor, Citicorp Centre, 18 Whitfield Road, Causeway Bay, Hong Kong.

Wong Lam, *OBE, JP*

Age 85. Appointed as an independent non-executive Director in 1995. Mr. Wong is a former member of the Legislative Council, Standing Committee Member of Chinese People's Political Consultative Conference of Dongguan. A director of Lung Cheong International Holdings Ltd. and Hung Tung Paper Product Ltd. The business address of Mr. Wong is 7th Floor, Fook Man Building, 74 Prince Edward Road West, Kowloon, Hong Kong.

Lin Keping

Age 65. An engineer, graduated from Beijing University of Posts and Telecommunications in 1963. He is a member of the Eighth National Committee of the Chinese People's Political Consultation Conference and an executive member of the Eighth All-China Federation of Industry and Commerce. He has served in postal and telecommunication research institutes, the Ministry of Posts and Telecommunications and other organisations for years, and was an executive vice president of China Minsheng Bank Corp. Ltd..

Mr. Lin has been a non-executive director of YGM Trading Limited since 23rd August, 2003 and was re-designated and appointed as independent non-executive director of YGM Trading Limited on 29th July, 2004. The residential address of Mr. Lin is Room 2101, 21st Floor, No. 14 Building, Xi Zhi Men South Street, Western City District, Beijing, the P.R.C..

3. PARTIES INVOLVED IN THE RIGHTS ISSUE AND CORPORATE INFORMATION

Registered office in Hong Kong	22 Tai Yau Street San Po Kong Kowloon Hong Kong
Financial adviser	Somerley Limited Suite 2201, 22nd Floor Two International Finance Centre 8 Finance Street Central Hong Kong
Underwriter	Chan Family Investment Corportion Limited 22 Tai Yau Street San Po Kong Kowloon Hong Kong
Legal advisers	*On Hong Kong Law* Johnson Stokes & Master 16-19th Floors Prince's Building 10 Chater Road Hong Kong
Auditors	KPMG, *Certified Public Accountants* 8th Floor Prince's Building 10 Chater Road Hong Kong
Principal banker	The Hongkong and Shanghai Banking Corporation Limited 1 Queen's Road Central Hong Kong
Hong Kong share registrar and transfer office	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17th Floor, Hopewell Centre 183 Queen's Road East Hong Kong
Authorised representatives	Chan Wing Fui, Peter Chan Wing Kee
Company Secretary and qualified accountant	Hui Sau Ling, *FCCA, CPA*

4. DISCLOSURE OF INTERESTS

(A) Interests of Directors and Chief Executive

(a) As at the Latest Practicable Date, the interests and short positions of the Directors and the Company's chief executive in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), the Model Code for Securities Transactions by Directors of Listed Companies and which were required to be entered in the register required to be kept under section 352 of the SFO were as follows:

	Number of Shares of HK$0.50 each			
Name of Director	**Personal interests**	**Family interests**	**Corporate interests**	**Other interests**
Chan Sui Kau	4,216,464	2,666,236	3,740,820	(i)
Chan Wing Fui Peter	324,068	1,059,420	–	(i) & (ii) &(iii)
Chan Wing Kee	1,174,416	138,904	–	(i) & (ii) & (iii) & (iv)
Chan Wing To	1,956,036	–	–	(i) & (ii) & (iii) & (iv)
Chan Wing Sun Samuel	7,496	–	2,028,720	(i) & (ii) & (iii)
Yeung Wing Tak	1,446,200	–	265,364	–
Chan Wing Chak David	1,541,792	–	–	(i) & (iv)
Chan Suk Ling Shirley	1,152,544	16,000	–	(i) & (ii) & (iii)
Chan Suk Man	1,023,420	208	–	(i) & (ii) & (iii) & (iv)
Leung Hok Lim	–	–	–	–
Wong Lam	–	–	–	–
Lin Keping	–	–	–	–

Notes:

(i) 17,535,668 shares of the Company were held by Chan Family Investment Corp. Ltd. (which is owned by the Chan Directors 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 indirectly owned by Messrs. Chan Wing Fui Peter, Chan Wing Kee, Chan Wing To and Chan Wing Sun Samuel, Madam Chan Suk Ling Shirley, Madam Chan Suk Man and other members of the Chan Family.

(iii) 1,574,480 shares of the Company were held by Hearty Development Limited which is indirectly 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 indirectly owned by Messrs. Chan Wing Kee, Chan Wing To, Chan Wing Chak David, Madam Chan Suk Man and other members of the Chan Family.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or the Company's chief executive, had, under Divisions 7 and 8 of Part XV of the SFO, nor were they taken to or deemed to have under such provisions of the SFO, any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) or any interests which are required to be entered into the register kept by the Company pursuant to section 352 of the SFO or any interests which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules.

(b) As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been, since 31st March, 2004 (being the date to which the latest published audited consolidated financial statements of the Company were made up), acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group; and

(c) As at the Latest Practicable Date, save for the Underwriting Agreement, none of the Directors were materially interested in any contract or arrangement which was significant in relation to the business of the Group taken as a whole.

(B) Substantial Shareholdings

Save as disclosed herein, the Directors are not aware of any person who was, as at the Latest Practicable Date, directly or indirectly, interested or had short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, was directly or indirectly, interested in 10% or more of the nominal value of the issued share capital carrying rights to vote in all circumstances at general meetings of the Company or any options in respect of such capital.

5. EXPERT

KPMG, a firm of Certified Public Accountants, has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its report as set out in this prospectus and references to its name in the form and context in which they appear respectively.

As at the Latest Practicable Date, KPMG did not have any shareholding in any member of the Group nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group nor did it have any interest, direct or indirect, in any assets which have been, since 31st March, 2004, the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

6. LEGAL EFFECT

This prospectus and the enclosed PAL and EAF, and all acceptances of any offer or application contained in such documents, are governed by and shall be construed in accordance with the laws of Hong Kong. Where an application is made in pursuance of any such documents, the relevant document(s) shall have the effect of rendering all persons concerned bound by the provisions, other than the penal provisions, of Sections 44A and 44B of the Companies Ordinance, so far as applicable.

7. EXPENSES

The expenses in connection with the Rights Issue, including the financial advisory fee, underwriting commission, printing, registration, translation, legal, and accountancy charges are estimated to amount to approximately HK$3 million and will be payable by the Company.

8. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

A copy of this prospectus (together with copies of the PAL and EAF) and the written consent of KPMG referred to in the paragraph headed "Expert" in this appendix have been delivered to the Registrar of Companies in Hong Kong pursuant to Section 38D of the Companies Ordinance.

9. LITIGATION

As at the Latest Practicable Date and so far as the Directors are aware, there was no litigation or claims of material importance pending or threatened against the Company or any of its subsidiaries.

10. MATERIAL CONTRACTS

The following contracts have been entered into by the Company and its subsidiaries (not being contracts entered into in the ordinary course of business) within the two years immediately preceding the date of this prospectus and are or may be material:

1. a share purchase agreement dated 30th March, 2004 between the Company and Mr. Wong Pui Lam, Mr. Wong Chun Yu, Mr. Chee Chong Sin and Ms. Tsang Sau Ngor in relation to the disposal by the Company of its entire interests in the holding companies of Yangtzekiang Industries (Myanmar) Limited and the related shareholders' loan;

2. the articles of association and joint venture contract both dated 10th July, 2004 between Broad Plan Investment Limited, Qinghai Wanli Investment Company Ltd., Qinghai Province Qiaodian Company, Qinghai Electric Power Company in relation to the establishment of Qinghai Wan Zhao Ningbei Electric Corporation Ltd.;

3. the Underwriting Agreement; and

4. the Undertaking.

Save as aforesaid, no material contracts (not being contracts entered into in the ordinary course of business carried on by the Group) have been entered into by any member of the Group within the two years preceding the date of this prospectus.

11. PROCEDURES FOR DEMANDING A POLL BY SHAREHOLDERS

As at the Latest Practicable Date, pursuant to Article 75 of the Articles of Association of the Company, 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.

12. MISCELLANEOUS

(a) As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which does not expire or is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

(b) The English texts of this prospectus and the accompanying PAL and EAF shall prevail over their respective Chinese texts.

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours (Saturdays and public holidays excepted) at the registered office of the Company at 22 Tai Yau Street, San Po Kong, Kowloon, Hong Kong from the date of this prospectus up to and including Wednesday, 6th October, 2004:

(a) the Memorandum and Articles of Association of the Company;

(b) the annual reports of the Company for the two years ended 31st March, 2004;

(c) the circular of the Company dated 26th August, 2004 in relation to the establishment of a P.R.C. joint venture, Qinghai Wan Zhao Ninbei Electric Corporation Ltd.;

(d) the accountants' report of KPMG dated 21st September, 2004, the text of which is set out in Appendix II to this prospectus;

(e) the written consent referred to in the paragraph headed "Expert" in this Appendix; and

(f) all material contracts referred to in the paragraph headed "Material Contracts" in this appendix.