YANGTZEKIANG GARMENT MANUFACTURING COMPANY LIMITED
長江製衣廠有限公司

(Incorporated in Hong Kong with limited liability)
(Stock Code: 294)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31ST MARCH, 2004

The Board of Directors of Yangtzekiang Garment Mfg. Co., Ltd. (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries and associates (the "Group") for the year ended 31st March, 2004 as follows:

CONSOLIDATED INCOME STATEMENT
(Expressed in Hong Kong dollars)

	Notes	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		**10,598**	14,081
Other net income		**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		**(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	3	**93,793**	47,425
Taxation	4	**(20,323)**	(9,237)
Profit from ordinary activities after taxation		**73,470**	38,188
Minority interests		**(4,385)**	(5,111)
Profit attributable to shareholders		**69,085**	33,077
Dividends attributable to the year:	5		
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	6	**HK$0.49**	HK$0.24

NOTES:

1. **Adoption of Statements of Standard Accounting Practice**

In prior years, deferred taxation 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 taxation 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 taxation. 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.

2. **SEGMENT REPORTING**

In prior years, the group was principally engaged in the manufacturing and sales of garment products. During the year under review, a subsidiary operating in the People Republic of China ("the PRC"), Wuxi YGM Textile Co., Ltd, which is principally engaged in the manufacturing and sales 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 sales of garments

(b) Manufacture and sales 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.

	Manufacture & Sales of Garments HK$'000	Manufacture & Sales of Textiles HK$'000	Other HK$'000	Inter-segment elimination HK$'000	Unallocated HK$'000	Consolidated HK$'000
(i) BUSINESS SEGMENTS						
Year ended 31 March 2004						
Revenue from external customers	1,321,610	167,711	4,167	0	0	1,493,488
Inter-segment revenue	0	0	0	0	0	0
Other revenue	5,865	0	1,486	0	3,247	10,598
Total revenue	1,327,475	167,711	5,653	0	3,247	1,504,086
Segment result	42,006	22,795	2,485		3,247	70,533
Finance costs						(26,206)
Share of profits less losses of associates	(4,538)	30,630	23,374			49,466
Taxation						(20,323)
Minority interests						(4,385)
Profit attributable to shareholders						69,085
Depreciation and amortisation for the year	35,203	23,406	1,710			60,319
Year ended 31 March 2003						
Revenue from external customers	1,216,831	17,483	4,049	0	0	1,238,363
Inter-segment revenue	0	17,412	0	(17,412)	0	0
Other revenue	8,917	0	1,439	0	3,725	14,081
Total revenue	1,225,748	34,895	5,488	(17,412)	3,725	1,252,444
Segment result	23,043	(432)	2,415		3,725	28,751
Finance costs						(15,213)
Share of profits less losses of associates	(7,212)	21,735	19,364			33,887
Taxation						(9,237)
Minority interests						(5,111)
Profit attributable to shareholders						33,077
Depreciation and amortisation for the year	28,972	0	1,680			30,652

(ii) GEOGRAPHICAL SEGMENTS

	2004 *$'000*	2003 *$'000*
Revenue from external customers by the geographical location of customers		
– Europe		
France	**284,614**	203,731
United Kingdom	**151,784**	183,004
Germany	**64,318**	89,510
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

3. Profit from ordinary activities before taxation

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

	2004	2003
	$'000	*$'000*
Finance costs	**26,206**	15,213
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 assets	**1,753**	–
Cost of inventories	**1,177,771**	1,039,303
Depreciation	**56,486**	28,808
Dividend income from unlisted equity securities	**(388)**	(350)
Net realised losses on disposal of non-trading securities	**–**	190
(Gain)/loss on disposal of fixed assets	**(792)**	521
(Gain)/loss on disposal of subsidiaries	**(672)**	712
Gain on excluding subsidiaries under liquidation	**–**	(6,082)
Other income from reinvestment in associate	**(2,595)**	(3,180)

4. Taxation

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 taxation		
Origination and reversal of temporary differences	**(405)**	(9)
Effect of increase in tax rate on deferred taxation 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.

5. Dividends

	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

6. 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

The amount of diluted earnings per share is not presented as there were no dilutive potential ordinary shares in existence.

DIVIDENDS

The Board resolved that a final dividend of 9 cents (2003: 8 cents) per share be payable on 21st September, 2004. The shareholders' register will be closed from 13th September, 2004 to 20th September, 2004 (both days inclusive). In order to qualify for final dividend, transfers must be lodged at the company registrars, Computershare Hong Kong Investor Services Limited, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:00p.m. on Friday, 10th September, 2004.

BUSINESS REVIEW AND PROSPECTS

Despite a continual trend of price reductions, our garment division including manufacturing and trading combined produced satisfactory results in this current year. This was achieved by an increase in sales volume and by better than expected results from some of our manufacturing facilities. All other investments remained profitable and contributed greatly to the overall profits of the group. These investments are: Wuxi Changxin Textile Co., Ltd. – a spinning and weaving factory in Wuxi China; Wuxi YGM Textile Co., Ltd. – also in Wuxi China, a new investment which we own 70%; Qinghai Changqing Aluminium Corporation – an aluminium smelter in Qinghai China and Yangtzekiang S.A. – a garment import company in France.

Garment Business

We operate our woven clothing business under the name of Yangtzekiang Garment Mfg. Co., Ltd. and knitted business under the name of Hong Kong Knitters Ltd. Our products include men's and women's shirts, trousers, shorts, polo shirts, T-shirts and fleeces. Our head office in Hong Kong is the sales and management office for the whole Group. In Hong Kong, we concentrate on the role of garment trading as well as all the sales and overall control of our production facilities in China, Macau, Malaysia, Myanmar, Bangladesh, Sri Lanka, Cambodia and Lesotho in Africa.

Exquisite Knitters (Guangzhou) Ltd. in Panyu, China operates a vertical setup factory from knitting, dyeing and finishing of fabrics to the manufacturing of garments – mainly high quality mercerized knitted polo shirts.

Whampoa Garment Mfg. (Guangzhou) Co., Ltd. also in Panyu China was set up in November 2002 mainly for the manufacture of high quality men's and ladies woven shirts to non-quota markets. After 2005 when there will be no quota required to export to the U.S. and E.U., we can use the facilities of this factory to export to these places.

We have two factories in high manufacturing cost locations. One is in Macau – Tac Cheong Lda and the other one is in Malaysia – Yangtzekiang Industries Sdn. Bhd. These two factories have been drastically trimmed down and as a result we have reduced the losses incurred by these factories over the last few years.

During the current year of 2003/04, we have sold our factory in Myanmar -Yangtzekiang Industries (Myanmar) Ltd. to the local management. However we have entered into an agreement with the local management to continue manufacturing garments for us to sell to our existing customers, thus expanding our garment trading business.

Bangladesh remains an important area for us in woven shirts production. We have over a dozen factories that we have production agreements with. We have over 30 staff in our Bangladesh office overseeing all this production and our products are mainly for the European market. However after 2005 when there will be no more quota, we may see a shift of business to China.

Hongkong Knitters Lanka (PVT) Ltd. in Sri Lanka recorded another year of losses. We shall review whether this factory will have the potential to be profitable after 2005 when we will no longer need to pay for quota in the open market.

Our factory in Cambodia – YGM (Cambodia) Ltd. started production in the year 2000 manufacturing woven bottoms as well as some polo shirts. We had not been profitable in Cambodia since the beginning. However this year there was a big turn around as all our production lines were fully booked and our productivity has increased significantly due to good management and lack of labour disputes which often happened in the past. The Cambodian Government is working to obtain duty free access into the U.S. and E.U.If this is successful, we may expect more opportunities for growth in Cambodia.

H.K. International Knitters (Proprietary) Ltd. in Lesotho Africa was set up in September 2002 to take advantage of its quota free status for garment export to the U.S.A. and import duty concessions granted by the U.S. Government to Lesotho. This preferential treatment, which was due to expire this year, was further extended by the U.S. Government till 2007. However as the productivity there was relatively lower and due to the appreciation of South African currency (Rand) which is basically pegged to Gold prices, we have suffered losses in this operation in the current year.

Other Business

In Wuxi China we have two spinning and weaving mills. Wuxi Changxin Textile Co. Ltd. had recorded another year of good results, while Wuxi YGM Textiles Co., Ltd. of which we own 70% has produced good profit for the first year of operation. Wuxi is the place where we anticipate further expansion in textiles as we believe there will be many factories setting up to take advantage of the quota free access to the U.S. and E.U. and hence great demand for textile products will be inevitable. However we expect that profits for the forthcoming year will be reduced because we have in our inventory at 31st March, 2004 some high priced cotton that was purchased when cotton prices were at the high end.

Qinghai Changqing Aluminium Corporation in Qinghai, China – an aluminium smelter has seen another profitable year despite our earlier concern about the power shortage and high raw material costs. However we do expect that this concern may negatively impact its result next year.

Yangtzekiang S.A. recorded another year of profits while the general market in France was not buoyant. We were helped by the continual strength of the Euro exchange rate. However our newly acquired men's underwear brand JIL has suffered losses due to lower than expected sales and very heavy overhead expenses. We plan to drastically cut down the expenses for the coming year and the losses of JIL should be somewhat contained. Our main customers for Yangtzekiang S.A. are hyper markets in France. In these past two years, we have signed many well known brands as licensees such as NAFNAF and Daniel Hechter etc, for such customers. We hope this will increase sales and profits in the future.

W. Haking Enterprises Ltd. had added a new electrical razor product to its production. With the increase in production, we expect satisfactory results in this coming year.

OUTLOOK

In the coming year of 2005 when most of the world will have quota free access for garments to the U.S.A. and E.U., there will be more severe competition in the garment industry. Since there will be no limit to access, we can expect to see a substantial increase in manufacturing facilities driving prices down further. This will bring new opportunities for many but on the other hand, only the most competitive factories in terms of costs, efficiency and quality can hope to survive. Facing this unprecedented challenge, our company believes that the following steps should be taken to position ourselves in this new environment: –

1. Make sure all our production plants in China and around the world are even more competitive.

2. As China will probably be the most competitive nation in garment manufacturing, we shall concentrate in China both in expanding our manufacturing facilities and by joint-ventures with other factories selling their production to expand our garment trading business.

3. We still have further plans to expand our textile plants in Wuxi as we believe more garment factories will be opened up in China to take advantage of the quota free access to the U.S.A. and E.U. and therefore there will be more demand for yarns and fabrics.

4. We will look for opportunities to develop more business in the marketing side in both the U.S. and Europe as we have done with Yangtzekiang S.A., France.

5. We will continue to invest in our non-garment related business such as the investments we have in the aluminium smelter in Qinghai China and W. Haking Enterprises Ltd., etc. Along this line, we have signed an agreement as announced on 14th July, 2004, subject to final PRC state approval, to invest in a coal-fired power station in Qinghai. This will compliment our existing investment in the aluminium smelting business there.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31st March, 2004, the Group has cash and bank balances and total bank borrowings of $63 million (as at 31st March, 2003: $45 million) and $588 million (as at 31st March, 2003: $419 million) respectively. The Group's gearing ratio, calculated on the basis of net bank borrowings (i.e. total bank borrowings less cash and bank balances) over shareholders' equity, was 127% (as at 31st March, 2003: 106%).

The increase in bank borrowings was mainly due to the funding requirement of a joint venture, Wuxi YGM Textile, for its business development and construction of plant and machinery. During the year under review, two medium term loans amounting to US$18 million and RMB58 million have been drawn down by Wuxi YGM Textile, which are secured by its machinery and certain land and buildings. As at 31st March, 2004, Wuxi YGM Textile has unsecured revolving bank loans amounting to RMB191 million, which are repayable within one year and are guaranteed by Wuxi Changxin Textile Co., Ltd. The Group is confident that Wuxi YGM Textile has sufficient liquidity and financial resources to meet its commitment and working capital requirements.

Except for the guarantee provided by Wuxi Changxin Textile Co., Ltd disclosed above, the Group does not provide any further guarantees for loans borrowed by Wuxi YGM Textile. The maximum potential liability to the Group is the net assets of this associate attributable to the Group.

The Group adopts a prudent policy to hedge the fluctuation of exchange rates. Most of the operating activities are denominated in Hong Kong dollars or United States dollars. For those denominated in other currencies, the Group may enter into forward contracts to hedge its receivable and payable denominated in foreign currencies against the exchange rate fluctuations.

EMPLOYMENT AND REMUNERATION POLICIES

As at 31st March, 2004, the Group, including its subsidiaries but excluding its associates, employed approximately of 6,400 employees. Remuneration packages are determined by reference to employees' performance and the prevailing salary levels in the market. In addition, the Group provides year end double pay, provident fund scheme, medical insurance and training to staff.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31st March, 2004.

CODE OF BEST PRACTICE

The Company has complied with the Code of Best Practice as set out by The Stock Exchange of Hong Kong Limited in Appendix 14 to the Listing Rules throughout the year, except that the non-executive directors of the Company were not appointed for a specific term but are subject to rotation in Annual General Meeting pursuant to Articles 95 and 104 of the Company's Articles of Association.

AUDIT COMMITTEE

To comply with the revised Code of Best Practice as set in Appendix 14 of the Listing Rules of The Stock Exchange of Hong Kong Limited, the Company set up an audit committee (the "Committee") with written terms of reference, for the purpose of reviewing and providing supervision on the financial reporting process and internal control of the Group. The Committee comprises two independent non-executive directors.

PUBLICATION OF RESULTS ON THE STOCK EXCHANGE'S WEBSITE

A detailed result announcement containing all the information required by paragraphs 45(1) to 45(3) of Appendix 16 of the Listing Rules will be published on the website of the Stock Exchange in due course.

By Order of the Board
S. K. Chan
Chairman

Hong Kong, 19th July, 2004

As at the date hereof, the Board of Director comprised eight executive Directors, namely Mr. Chan Sui Kau, Mr. Chan Wing Fui Peter, Mr. Chan Wing Kee, Mr. Chan Wing To, Mr. Chan Wing Sun Samuel, Mr. Chan Wing Chak David and Ms. Chan Suk Man and Ms. Chan Suk Ling Shirley; one Non-executive Director, namely Mr. Yeung Wing Tak and two Independent Non-executive Directors, namely Mr. Leung Hok Lim and Mr. Wong Lam.

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