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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

**Proposed Rights Issue in the proportion of
one Rights Share for every two existing Shares held,**

INCREASE IN AUTHORISED SHARE CAPITAL

AND

CHANGE OF BOOK CLOSE PERIOD

Rights Issue:

The Company proposes to raise approximately HK\$126.2 million before expenses by way of a rights issue of 70,122,896 Rights Shares at a price of HK\$1.8 each payable in full on acceptance. Subject to the Capital Increase taking effect, the Company will provisionally allot one nil-paid Rights Share for every two existing Shares held by the Qualifying Shareholders whose names appear on the register of members of the Company on the Record Date.

The net proceeds of approximately HK\$123.2 million raised from the Rights Issue are expected to be used as to (i) approximately HK\$50.0 million for the possible expansion in 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 Rights Issue is conditional and is fully underwritten. In particular, it is subject to the Capital Increase taking effect and CFICL not terminating the Underwriting Agreement in accordance with its terms (see "Termination of the Underwriting Agreement" below). If the conditions cannot be fulfilled, the Rights Issue will not proceed.

Existing Shares will be dealt in on an ex-rights basis from Monday, 13th September, 2004. To qualify for the Rights Issue, all transfers of Shares must be lodged for registration with the Registrar by 4:00 p.m. on Tuesday, 14th September, 2004.

Dealings in the Rights Shares in their nil-paid form will take place from Thursday, 23rd September, 2004 to Monday, 4th October, 2004 (both days inclusive). If CFICL terminates the Underwriting Agreement, or the conditions of the Rights Issue are not fulfilled, the Rights Issue will not proceed.

Any Shareholders or other persons contemplating selling or purchasing Shares and/or Rights Shares up to the date when the conditions of the Rights Issue are fulfilled (which is expected to be 11th October, 2004) will accordingly bear the risk that the Rights Issue could not become unconditional and may not proceed.

Capital Increase:

As at the date of this announcement, the Company has an authorised share capital of HK\$100,000,000 divided into 200,000,000 Shares of which 140,245,792 Shares have been issued and are fully paid. In order to facilitate the Rights Issue and the issue of Shares upon the exercise of share options which may be granted by the Company pursuant to the new share option scheme to be proposed at the forthcoming AGM, the Company proposes to increase its authorised share capital from HK\$100,000,000 to HK\$200,000,000 by the creation of an additional 200,000,000 Shares.

The proposed Capital Increase is subject to the approval of the Shareholders at the EGM. The Company will send a circular containing details of the Capital Increase to the Shareholders.

Change of book close period:

The Directors announce that the book close period to determine the entitlement to the final dividend of the Company will be amended to a period from Wednesday, 15th September, 2004 to Monday, 20th September, 2004 (both dates inclusive). In order to qualify for the final dividend payable on or around 21st September, 2004 to be approved at the AGM, all transfers accompanied by the relevant share certificates must be lodged with the Registrar for registration not later than 4:00 p.m. on 14th September, 2004.

Suspension and Resumption of Trading:

At the request of the Company, trading in the Shares was suspended with effect from 9:30 a.m. on 30th August, 2004 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for resumption of trading in the Shares with effect from 9:30 a.m. on 31st August, 2004.

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 date of this announcement, the Company has no outstanding convertible securities, options or warrants in issue which confer any right to subscribe for Shares.

Qualifying Shareholders:

The Company will send PALs and EAFs to Qualifying Shareholders only.

To qualify for the Rights Issue, Shareholders must at the close of business on the Record Date be registered as a member of the Company. Shareholders having an address in Hong Kong on the register of members of the Company at the close of business on the Record Date are qualified for the Rights Issue. Shareholders having addresses outside Hong Kong on the register of members of the Company at the close of business on the Record Date are qualified for the Rights Issue, only if the Board, after making relevant enquiry, considers that the offer to these Shareholders would not contravene any legal restriction under the laws of the relevant place or any requirement of the relevant regulatory body or stock exchange in that place and such offer will not require any relevant registration.

In order to be registered as a member of the Company on the Record Date, Shareholders must lodge the relevant transfers of Shares (with the relevant share certificates) with the Registrar, Computershare Hong Kong Investor Services Limited at 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, by 4:00 p.m. on Tuesday, 14th September, 2004.

The register of members of the Company will be closed from Wednesday, 15th September, 2004 to Monday, 20th September, 2004, both days inclusive. No transfer of Shares will be 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; and
- (iv) 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 are 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. The Board will make enquiries as to whether the issue of Rights Shares to the Overseas Shareholders may contravene the applicable securities legislation of the relevant overseas places or the requirements of the relevant regulatory body or stock exchange. If, after making such enquiry, the Board is of the opinion that it would be necessary or expedient, on account either of the legal restrictions under the laws of the relevant place or any requirement of the relevant regulatory body or stock exchange in that place, not to offer the Rights Shares to such Overseas Shareholders, no provisional allotment of nil-paid Rights Shares or allotment of fully-paid Rights Shares will be made to such Overseas Shareholders. Accordingly, the Rights Issue will not be extended to the Excluded Shareholders. The Company will send the Rights Issue prospectus to the Excluded Shareholders for their information only but will not send PALs or EAFs to the Excluded 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 Shareholder 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 will apply 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

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|--|--|
| 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 date of this announcement, CFICL is 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 is 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 date of this announcement, the Chan Family is 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.

The CFICL Group is 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.

Joycome and Hearty, both indirectly wholly owned by certain members of the Chan Family, are 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 dated 27th August, 2004, 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.

Members of the Chan Family other than the CFICL Group, Joycome and Hearty are 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.

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 this 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. On 27th August, 2004, the Executive has granted the Waiver and accordingly, condition (d) above has been fulfilled. Further details of the Waiver are set out in the paragraph headed "Shareholding structure and Takeovers Code implications" below. Pursuant to the Undertaking, each member of the Chan Family who is a party to the Undertaking has undertaken that he/she/it will vote in favour of the ordinary resolution at the EGM to approve the Capital Increase.

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.

4. WARNING OF THE RISKS OF DEALING IN SHARES AND RIGHTS SHARES

Existing Shares will be dealt in on an ex-rights basis from Monday, 13th September, 2004. 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). If CFICL terminates the Underwriting Agreement, or the conditions of the Rights Issue are not fulfilled, the Rights Issue will not proceed.

Any Shareholders or other persons contemplating selling or purchasing Shares and/or Rights Shares in their nil-paid forms from 23rd September, 2004 to 4th October, 2004 who is in any doubt about his/her position is recommended to consult his/her professional adviser.

Any Shareholders or other persons contemplating selling or purchasing Shares and/or Rights Shares up to the date when the conditions of the Rights Issue are fulfilled (which is expected to be 11th October, 2004) will accordingly bear the risk that the Rights Issue could not become unconditional and may not proceed.

Expected timetable:

2004

| | |
|---|--|
| Last day of dealings in the Shares on a cum-rights basis and cum-dividend basis for the final dividend of the Company | Friday, 10th September |
| Commencement of dealings in the Shares on an ex-rights basis and ex-dividend basis for the final dividend of the Company | Monday, 13th September |
| Latest time for lodging transfers of Shares to be entitled for the Rights Issue and the final dividend | 4:00 p.m. on Tuesday, 14th September |
| Book close period to determine the entitlements to the final dividend and under the Rights Issue (both dates inclusive) (<i>Note 1</i>) | Wednesday, 15th September to Monday, 20th September |
| 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) |
| Prospectus Documents to be posted | 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 |
| Underwriting Agreement 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 |

Notes:

1. The commencement date of the book close period for determination of the entitlement to the final dividend of the Company has been changed from Monday, 13th September, 2004 to Wednesday, 15th September, 2004. Further details are set out in the paragraph headed "Change of book close period" below.
2. Dealings in the fully-paid Rights Shares will commence as soon as the relevant Shareholders receive the share certificates for the Rights Shares.

5. SHAREHOLDING STRUCTURE AND TAKEOVERS CODE IMPLICATIONS

Set out below is the shareholding of the Company showing the existing shareholding structure and its 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:

| | Existing shareholding as at the date of this announcement | | Shareholding upon completion of the Nil-paid Acquisition Agreement and completion of Rights Issue assuming subscription by Independent Shareholders of Rights Shares | | | |
|----------------------------------|---|--------|--|--------|---------------|--------|
| | | | 0% (Note 1) | | 100% (Note 2) | |
| | 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 date of this announcement, the CFICL Group is 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 has been made on 23rd August, 2004 by CFICL to the Executive for the grant of the Waiver. The Executive has on 27th August, 2004 granted the Waiver 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.

6. 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 the 31st March, 2004, the audited consolidated net assets of the Group was approximately HK\$414.4 million.

7. REASONS FOR THE RIGHTS ISSUE AND USE OF PROCEEDS

The Group has two spinning and weaving mills in Wuxi China, both of which have recorded good 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 United States of America and the European Union 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 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, reducing its gearing ratio; and (iii) enlarge its capital base, on the terms 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 in 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.

8. GENERAL

The Company will send a prospectus containing details of the Rights Issue to the Qualifying Shareholders (together with a PAL and an EAF) and, for information only, to the Excluded Shareholders as soon as practicable.

CAPITAL INCREASE

As at the date of this announcement, the Company has an authorised share capital of HK\$100,000,000 divided into 200,000,000 Shares of which 140,245,792 Shares have been issued and are fully paid. In order to facilitate the Rights Issue and the issue of Shares upon the exercise of share options which may be granted by the Company pursuant to the new share option scheme to be proposed at the forthcoming AGM, the Company proposes to increase its 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.

The proposed Capital Increase will be subject to the approval of the Shareholders at the EGM. Pursuant to the Undertaking, each member of the Chan Family who is a party to the Undertaking has undertaken that he/she/it will vote in favour of the ordinary resolution at the EGM to approve the Capital Increase. The Company will send a circular containing details of the Capital Increase to the Shareholders.

CHANGE OF BOOK CLOSE PERIOD

Reference is made to the announcement of the Company dated 26th August, 2004 in relation to the notice of the AGM (“AGM Announcement”). As set out in the AGM announcement, the register of members of the Company will be closed from Monday, 13th September, 2004 to Monday, 20th September, 2004, both days inclusive, during which period no transfer of Shares will be effected.

The Directors announce that the book close period to determine the entitlement to the final dividend of the Company will be amended to a period from Wednesday, 15th September, 2004 to Monday, 20th September, 2004 (both dates inclusive).

In order to qualify for the final dividend payable on or around 21st September, 2004 to be approved at the AGM, all transfers accompanied by the relevant share certificates must be lodged with the Registrar, Computershare Hong Kong Investor Services Limited, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong, for registration not later than 4:00 p.m. on 14th September, 2004.

SUSPENSION AND RESUMPTION OF TRADING

At the request of the Company, trading in the Shares was suspended with effect from 9:30 a.m. on 30th August, 2004 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for resumption of trading in the Shares with effect from 9:30 a.m. on 31st August, 2004.

DEFINITIONS

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| “AGM” | the annual general meeting of the Company to be held at 2:30 p.m. on Monday, 20th September, 2004 at Function Room-Cherry, InterContinental Hong Kong, 18 Salisbury Road, Kowloon, Hong Kong |
| “associates” | has the meaning ascribed to it under the Listing Rules |
| “Board” | board of Directors |
| “BVI” | British Virgin Islands |
| “Capital Increase” | the proposed 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 |
| “CFICL” | Chan Family Investment Corporation Limited, a company beneficially owned by members of 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 Family” | includes Chan Sui Kau, Chan Wing Fui Peter, Chan Wing Sun Samuel, Chan Suk Ling Shirley, Chan Wing Kee, Chan Wing To, Chan Suk Man, and Chan Wing Chak David and their associates |
| “Company” | Yangtzekiang Garment Manufacturing Company Limited, a company incorporated in Hong Kong with limited liability and the shares of which are listed on the Stock Exchange |
| “Directors” | directors of the Company |

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| “EAF” | excess application form for additional Rights Shares proposed to be issued to the Qualifying Shareholders |
| “EGM” | the extraordinary general meeting of the Company to be held at 3:00 p.m. (or as soon thereafter as the AGM has concluded or been adjourned) on Monday, 20th September, 2004 at Function Room-Cherry, InterContinental Hong Kong, 18 Salisbury Road, Kowloon, Hong Kong to consider and, if thought fit, approve the Capital Increase |
| “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 BVI which is indirectly owned by certain members of the Chan Family |
| “Independent Shareholders” | Shareholders other than the Chan Family |
| “Joycome” | Joycome Limited, a company incorporated in BVI which is indirectly owned by certain members of the Chan Family |
| “Last Trading Day” | 27th August, 2004, the last day on which the Shares were traded on the Stock Exchange prior to the release of this announcement |
| “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; (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 letters representing the Rights Shares proposed to be issued to the Qualifying Shareholders |
| “Prospectus Documents” | prospectus relating to the Rights Issue, PAL and EAF |
| “Qualifying Shareholders” | Shareholders on the register of members of the Company on the Record Date other than the Excluded Shareholders |

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| “Record Date” | 20th September, 2004, being the date by reference to which entitlements under the Rights Issue will be determined |
| “Registrar” | Computershare Hong Kong Investor Services Limited, the Company’s share registrar in Hong Kong |
| “Rights Issue” | the proposed issue of the Rights Shares to Qualifying Shareholders on the terms set out in this announcement |
| “Rights Share(s)” | the new Shares(s) proposed to be issued to Qualifying Shareholders pursuant to the Rights Issue |
| “SFC” | Securities and Futures Commission of Hong Kong |
| “Shares” | ordinary shares of the Company of HK\$0.50 each |
| “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 |
| “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 |

By Order of the Board
**Yangtzekiang Garment Manufacturing
Company Limited**
Chan Wing Fui, Peter
Vice Chairman

Hong Kong, 30th August, 2004

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement the omission of which would make any statements in this announcement misleading.

As at the date of this announcement, the directors of the Company are Chan Sui Kau, Chan Wing Fui Peter, Chan Wing Kee, Chan Wing To, Chan Suk Man, Chan Wing Sun Samuel, Chan Wing Chak David, Chan Suk Ling Shirley, Yeung Wing Tak#, Leung Hok Lim, Wong Lam* and Lin Keping*.*

Non-Executive Director

** Independent Non-Executive Directors*

Please also refer to the published version of this announcement in China Daily.