

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

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

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

ESTABLISHMENT OF A PRC JOINT VENTURE
QINGHAI WAN ZHAO NINGBEI ELECTRIC CORPORATION LTD.
青海萬兆寧北發電有限公司

MAJOR TRANSACTION

The Board announces that on 10th July, 2004, Broad Plan (a wholly owned subsidiary of the Company) entered into the JV Documents with Wanli, Qiaodian and Qinghai Power to establish New JV for the purpose of developing 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 Transaction constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is subject to the approval by the Shareholders. Application will be made to the Stock Exchange for a waiver from strict compliance with the requirement to hold a Shareholders' meeting to approve the Transaction, on the basis of a written Shareholders' approval given in accordance with Rule 14.44 of the Listing Rules. A circular containing, among others, information on the Transaction will be despatched to the Shareholders as soon as practicable.

At the request of the Company, trading in the Shares on the Main Board of the Stock Exchange was suspended with effect from 10:00 a.m. on Monday, 12th July, 2004, pending release of this announcement. Application has been made by the Company for the resumption of trading in the Shares with effect from 9:30 a.m. on Thursday, 15th July, 2004.

JV CONTRACT AND ARTICLES OF ASSOCIATION OF NEW JV

Date : 10th July, 2004

Parties : (1) Broad Plan, a wholly owned subsidiary of the Company
(2) Wanli
(3) Qiaodian
(4) Qinghai Power

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Wanli, Qiaodian and Qinghai Power and their respective ultimate beneficial owners are third parties independent of the Company and connected persons (as defined in the Listing Rules) of the Company.

Business : To construct and operate coal-fired and hydraulic power plants in Qinghai in the PRC and provide consultancy service in the power industry.

Total

Investment : RMB1,250,000,000 (approximately HK\$1,175,000,000)

Registered Capital : RMB200,000,000 (approximately HK\$188,000,000), contributed by the Parties in cash and as to:

- (1) 35% by Broad Plan;
- (2) 40% by Wanli;
- (3) 20% by Qiaodian; and
- (4) 5% by Qinghai Power.

The capital contribution of Broad Plan will be funded by internal resources of the Group. The capital contribution of the other Parties will be funded out of their own internal resources.

New JV will install two 135MW power generation units in Qinghai. Such installation project has been approved by Qinghai Development and Reform Commission (青海省發展及改革委員會) but is still subject to the approval of National Development and Reform Commission (國家發展及改革委員會).

The first contribution to the registered capital of New JV totaling RMB100,000,000 (approximately HK\$94,000,000) will be used in the first phase of the project in respect of the installation of the first 135MW power generation unit. Broad Plan shall contribute RMB35,000,000 (approximately HK\$32,900,000) to the registered capital of New JV within 30 working days after New JV has received the approval of National Development and Reform Commission and the first advance of the bank loan for the first phase of the installation project. The other Parties are required to make their respective first contribution on or before such date.

Contribution to the balance of the registered capital shall be made in accordance with the schedule of the second phase of the project in respect of the installation of the second 135MW power generation unit. The Parties will agree on the schedule of the second phase of the installation project and the contribution to the balance of the registered capital after the bank financing therefor has been arranged.

The Parties do not have any capital commitment to the balance of the total investment or any plan to contribute to the capital of New JV beyond the registered capital. New JV shall seek to obtain bank financing for the balance of the total investment.

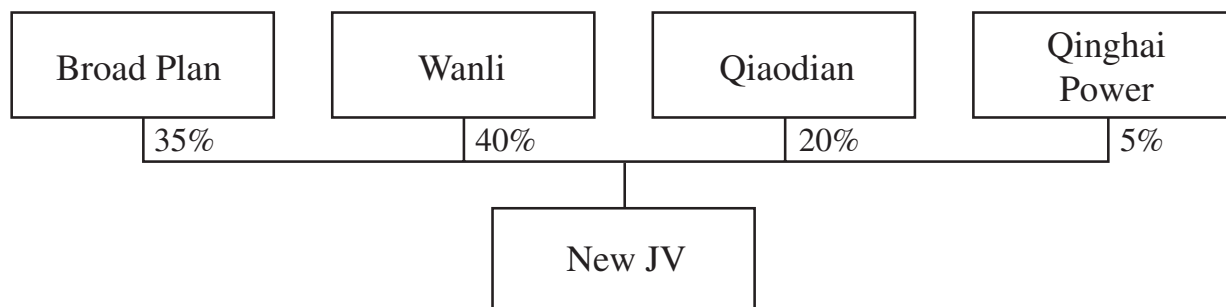
The Parties have agreed that Broad Plan will not provide any bank guarantee in respect of the liability of New JV or other Parties.

Term : 30 years from the date of issue of the business licence of New JV.

JV Board : The board of directors of New JV will consist of 6 directors. Each of Broad Plan and Wanli will nominate 2 directors to JV Board and each of Qiaodian and Qinghai Power, 1 director. The chairman of the board will be appointed by Wanli.

Conditions : The JV Documents are conditional upon all necessary approvals from the relevant PRC authorities having been obtained. The JV Contract does not specify any date by which such approvals must be obtained.

The shareholding structure upon the establishment of New JV is as follows:-



Transfer by one Party of its interest in New JV is subject to the pre-emptive rights of the other Parties.

Subject to New JV obtaining the bank loans for the installation project, installation of the first 135MW power generation unit is scheduled to commence as soon as possible for commercial operation and production by end of 2005, and installation of the second 135MW power generation unit is scheduled to commence by middle of 2005 for commercial operation and production by end of 2006. The Company will make a further announcement in case there is any material delay in the schedule for the commercial operation and production of the power generation units of New JV.

The Parties have agreed that upon formation of New JV and in any event before it commences commercial operation, New JV shall enter into negotiation with Changqing Aluminium and Qinghai Power in respect of power supply by New JV to Changqing Aluminium through the power grid operated by Qinghai Power. If the relevant parties fail to agree on such power supply arrangements before the scheduled commencement of the commercial operation of New JV, the board of New JV will reconsider its operation schedule and other power supply arrangements in Qinghai. The Parties have also agreed in principle that New JV will, after its establishment, consider entering into cooperative arrangements with Changqing Aluminium. The purpose of such cooperative arrangements is to provide New JV with a stable user of the power produced and Changqing Aluminium, a stable supply of power at a reasonable cost. Such cooperative arrangements are not alternatives to the power supply arrangement. The Parties have not agreed on the form or details of such cooperative arrangements. The Company will comply with the relevant disclosure, reporting and/or shareholders' approval requirements under the Listing Rules to the extent that the same may be applicable to the Company and the said power supply or cooperative arrangements.

Changqing Aluminium is a sino-foreign equity joint venture company in Qinghai owned as to 35.93% by the Group and is currently engaged in the production and distribution of aluminium products. Qinghai Power is one of the Parties and will become one of the shareholders of New JV. Save as aforesaid, no agreement in relation to the power supply or cooperative arrangements has been entered into at this stage. Such arrangements will be subject to the approval of the relevant PRC authorities.

The terms of the JV Documents have been arrived at after arm's length negotiations between the Parties. Pursuant to the JV Documents, the profit-sharing arrangement will be in proportion of the respective contribution in the registered capital of New JV by each Party. New JV will not be consolidated into the Company's accounts upon its establishment and the equity method will be adopted.

INFORMATION ON THE PARTIES

The Group is principally engaged in the manufacturing and sale of garment products.

The principal businesses of Wanli are investment in and operation of hydraulic and coal-fired power plants and power grid in Qinghai, investment holding and project consultancy.

The principal businesses of Qiaodian are construction and installation of coal-fired power plants in Qinghai and installation and maintenance of equipments of coal-fired power plants.

Qinghai Power is the electric power supply company in Qinghai.

REASONS FOR THE TRANSACTION

Given the economic development of and the shortage of power supply in Qinghai, New JV, upon its establishment, shall be able to provide additional power resources in Qinghai and contribute to the satisfaction of the power demand in this area. The formation of New JV provides an opportunity for the Group to invest in the power generation business in Qinghai.

As described above, before New JV commences its commercial operation, Changqing Aluminium shall negotiate power supply arrangements with New JV. If such arrangements are agreed at a competitive price, Changqing Aluminium shall be able to obtain a stable supply of electric power on favourable terms which is essential to its operation.

The Directors consider that the terms of the Transaction and the JV Documents are normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

OTHER INFORMATION FOR THE SHAREHOLDERS

The total commitment of the Group in New JV is RMB70,000,000 (approximately HK\$65,800,000) which represents more than 25% but less than 75% of the consideration ratio calculated pursuant to Rule 14.07(4) of the Listing Rules.

The Transaction constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is subject to the approval by the Shareholders. Application will be made to the Stock Exchange for a waiver from strict compliance with the requirement to hold a Shareholders' meeting to approve the Transaction, on the basis of a written Shareholders' approval given by the Chan Family (as defined herein) which comprises a closely allied group of Shareholders in accordance with Rule 14.44 of the Listing Rules. None of the Shareholders is required to abstain from voting on the Transaction. The following persons are together beneficially interested in 75,601,600 Shares representing approximately 53.91% of the issued share capital of the Company:

Name of beneficial shareholder	Relationship	No. of ordinary shares beneficially interested	Percentage of total issued share capital of the Company
Chan Sui Kau ("SK Chan")	-	4,216,464	3.01%
Chan Lam Moon Chun	Spouse of SK Chan	2,666,236	1.90%
YangtzeKiang Investment Co. (Panama) Ltd. Inc.	Company wholly-owned by SK Chan	3,740,820	2.66%
Chan Wing Fui Peter ("Peter Chan")	Son of SK Chan	324,068	0.23%
Chan Arunee	Spouse of Peter Chan	56,000	0.04%
Trans-Business Inc.	Company wholly-owned by Chan Arunee	1,003,420	0.72%
Chan Wing Kee ("WK Chan")	Nephew of SK Chan	1,174,416	0.84%
Chan Fung Kit Ching	Spouse of WK Chan	138,904	0.10%
Chan Wing To ("WT Chan")	Nephew of SK Chan	1,956,036	1.39%
Chan Wing Sun Samuel ("Samuel Chan")	Son of SK Chan	7,496	0.01%
Runnymede Consultants Ltd.	Company established for the benefit of family members of Samuel Chan	2,028,720	1.45%
Chan Wing Chak David ("David Chan")	Nephew of SK Chan	21,792	0.02%
Davidson Trust	Trust set up by David Chan	1,520,000	1.08%
Chan Suk Ling Shirley ("Shirley Chan")	Daughter of SK Chan	1,152,544	0.82%
Chow Watt Heem	Spouse of Shirley Chan	16,000	0.01%
Chan Suk Man ("SM Chan")	Niece of SK Chan	1,023,420	0.73%
Lau Shing Choy	Spouse of SM Chan	208	0.00%

Name of beneficial shareholder	Relationship	No. of ordinary shares beneficially interested	Percentage of total issued share capital of the Company
Joycome Limited	Company indirectly owned by Peter Chan, WK Chan, WT Chan, Samuel Chan, Shirley Chan, SM Chan and other members of the Chan Family	34,595,908	24.67%
Hearty Development Limited	Company indirectly owned by Peter Chan, WK Chan, WT Chan, Samuel Chan, Shirley Chan, SM Chan and other members of the Chan Family	1,574,480	1.12%
Super Team International Limited	Company owned by WK Chan, WT Chan, David Chan, SM Chan and other members of the Chan Family	1,589,000	1.13%
Chan Family Investment Corp. Ltd. (“CFICL”)	Company owned by the Chan Directors and other members of the Chan Family	10,420,920	7.43%
Tai Wah Investment Co. Ltd.	Subsidiary of CFICL	5,394,240	3.85%
Wai Wing Investments Corporation	Subsidiary of CFICL	853,744	0.61%
Yangtzekiang Investment Co. Ltd.	Subsidiary of CFICL	126,764	0.09%
		75,601,600	53.91%

A circular containing, among others, information on the Transaction will be despatched to the Shareholders as soon as practicable.

As at the date of this announcement:

- (a) the executive 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 and Chan Suk Ling Shirley (“Chan Directors”);
- (b) the non-executive director of the Company is Yeung Wing Tak; and
- (c) the independent non-executive directors of the Company are Leung Hok Lim and Wong Lam.

SUSPENSION AND RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on Main Board of the Stock Exchange was suspended with effect from 10:00 a.m. on Monday, 12th July, 2004, pending release of this announcement. Application has been made by the Company for the resumption of trading in the Shares with effect from 9:30 a.m. on Thursday, 15th July, 2004.

DEFINITIONS

“Articles of Association”	the articles of association entered into on 10th July, 2004 between the Parties in relation to the establishment of New JV
“Board”	the board of directors of the Company
“Broad Plan”	Broad Plan Investment Limited (兆策投資有限公司), a company incorporated under the laws of Hong Kong and a wholly owned subsidiary of the Company
“Chan Family”	Chan Directors and their associates (as defined under the Listing Rules)
“Changqing Aluminium”	青海長青鋁業有限公司(Qinghai Changqing Aluminium Corporation), a company established under the laws of the PRC which is owned as to 35.93% by the Group
“Company”	YangtzeKiang Garment Manufacturing Company Limited, a company incorporated in Hong Kong, the shares of which are listed on The Stock Exchange of Hong Kong Limited
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“JV Board”	the board of directors of New JV
“JV Contract”	the joint venture contract entered into on 10th July, 2004 between the Parties in relation to the establishment of New JV
“JV Documents”	collectively, the JV Contract and the Articles of Association
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“New JV”	青海萬兆寧北發電有限公司(Qinghai Wan Zhao Ningbei Electric Corporation Ltd.), a limited liability company to be established in Xining, Qinghai in the PRC, which will be owned as to 35% by Broad Plan, 40% by Wanli, 20% by Qiaodian and 5% by Qinghai Power
“Parties”	collectively, Broad Plan, Wanli, Qiaodian and Qinghai Power, being parties to the Transaction, and “Party” means any one of them
“PRC”	the People’s Republic of China
“Qiaodian”	青海橋電實業總公司(Qinghai Province Qiaodian Company), a company established under the laws of the PRC

“Qinghai Power”	青海省電力公司 (Qinghai Electric Power Company), a company established under the laws of the PRC
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of HK\$0.50 each in the capital of the Company
“Shareholders”	the holders of the Shares from time to time
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transaction”	the joint venture arrangement in relation to New JV between the Parties as contemplated under the JV Documents
“Wanli”	青海萬立投資股份有限公司 (Qinghai Wanli Investment Company Ltd.), a company established under the laws of the PRC

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

Hong Kong, 14th July, 2004

The exchange rate of RMB to Hong Kong dollars quoted in this announcement adopts a rate of RMB1 equivalent to HK\$0.94

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