

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 Limited 長江製衣有限公司

(formerly known as 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

WUXI TALAK INVESTMENT CO., LTD.

無錫長聯投資有限公司

AND

RESTRUCTURING OF WUXI TEXTILE OPERATIONS

MAJOR AND CONNECTED TRANSACTIONS

The Board announces that agreements for the following transactions were entered into:

- the establishment of the New JV – on 28th October, 2005, the Company entered into the JV Documents with Wuxi Development and Enchantment Ltd. to establish New JV. The total investment and registered capital of New JV amount to US\$180,000,000 (approximately HK\$1,404,000,000) and US\$60,000,000 (approximately HK\$468,000,000) respectively. Upon its establishment, New JV will be owned as to 49% by the Company, 46% by Wuxi Development and the remaining 5% by Enchantment Ltd..
- the Restructuring – on 31st October, 2005, the Company entered into the Co-operation Agreement with Wuxi Development whereby the Parties agreed to establish New JV as the investment holding vehicle for the Wuxi Textile Operations, and that New JV will, following its establishment, acquire the entire equity capital of each company comprising the Wuxi Textile Operations at a consideration equivalent to the net asset value of the relevant company as at 31st December, 2005 after deducting all profits attributable to the shareholders, if any. Based on the unaudited net asset value of the companies comprising the Wuxi Textile Operations as at 30th September, 2005, the Directors estimate the total consideration receivable by the Company under the Restructuring to be about RMB219,991,000 (approximately HK\$211,126,000).

The contribution by the Parties to the registered capital of New JV will be used to fund the purchase of the Wuxi Textile Operations under the Co-operation Agreement.

Wuxi Textile Operations represent the entire interest of the Group in textile operations in Wuxi. With the exception of Wuxi No.1 Cotton Mill Import & Export Co., Ltd. which is wholly owned by Wuxi No.1, the Group holds an interest ranging between 33.33% to 70% in the companies comprising the Wuxi Textile Operations.

Wuxi Development wholly owns Wuxi No.1 (a 30% equity owner of Wuxi YGM Textile Co., Ltd. and Wuxi Yangtzekiang Textile Co., Ltd., each a 70% owned subsidiary of the Company), and is a connected person of the Company. Enchantment Ltd. is an independent third party not being a Director, chief executive or substantial shareholder of the Company or any of its subsidiaries or their respective associates.

The establishment of New JV constitute a connected and a major acquisition of the Company and the sale of interests in the Wuxi Textile Operations under the Restructuring constitutes a major and connected disposal of the Company under Chapter 14 and 14A of the Listing Rules and are subject to the approval by the independent Shareholders. As far as the Directors are aware, none of Wuxi Development, Wuxi No.1 or

Enchantment Ltd. is a Shareholder of the Company. 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 establishment of New JV and the Restructuring, on the basis of a written independent Shareholders' approval given in accordance with Rule 14A.43 of the Listing Rules. An independent board committee and an independent financial adviser will be appointed to advise on the transactions and a circular containing, among others, information on New JV and the Restructuring and the recommendations of the independent board and the independent financial adviser 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 9:35 a.m. on Monday, 31st October, 2005, 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 Monday, 7th November, 2005.

JV CONTRACT AND ARTICLES OF ASSOCIATION OF NEW JV

Date: 28th October, 2005

Parties: (1) the Company
(2) Wuxi Development
(3) Enchantment Ltd.

Wuxi Development wholly owns Wuxi No.1 (a 30% equity owner of Wuxi YGM Textile Co., Ltd. and Wuxi Yangtzejiang Textile Co., Ltd., each a 70% owned subsidiary of the Company), and is a connected person of the Company. Enchantment Ltd. is an independent third party not being a Director, chief executive or substantial shareholder of the Company or any of its subsidiaries or their respective associates.

Business: Investment holding.

Total Investment: US\$180,000,000 (approximately HK\$1,404,000,000).

Registered Capital: US\$60,000,000 (approximately HK\$468,000,000), to be contributed by the Parties in cash within 3 months after the business licence has been issued to New JV, and as to:

- (1) 49% by the Company;
- (2) 46% by Wuxi Development; and
- (3) 5% by Enchantment Ltd.

The capital contribution of the Company will be US\$29,400,000 (approximately HK\$229,320,000) which was determined based on arm's length negotiation between the parties, and will be funded by internal resources and unutilized as well as additional banking facilities of the Group currently in negotiation and expected to be secured shortly.

The Parties' contributions to the registered capital of New JV will be used to fund the purchase of the Wuxi Textile Operations under the Restructuring. The Group will receive and apply the sale proceeds of Wuxi Textile Operations to repay part of the outstanding bank loans.

Save as aforesaid, 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.

Term: 50 years from the date of issue of the business licence of New JV.

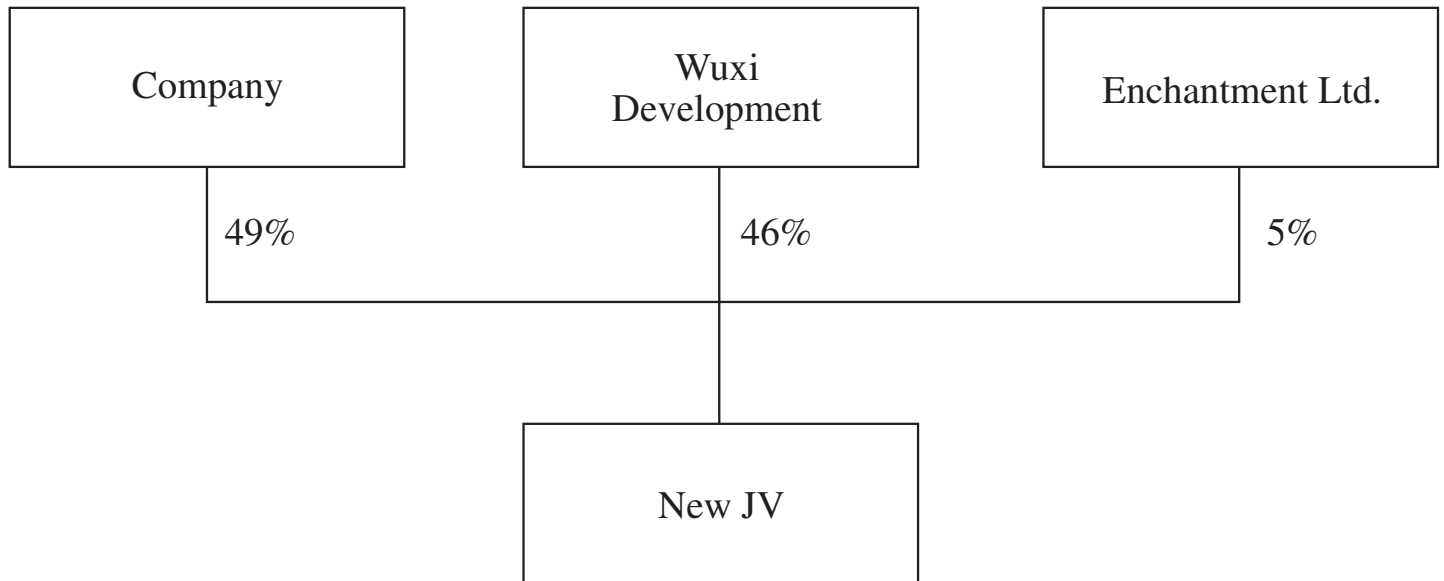
JV Board: The board of directors of New JV will consist of 11 directors. The Company will nominate 6 directors, Wuxi Development will nominate 4 directors and Enchantment Ltd will nominate 1 director to the JV Board. The chairman of the JV Board will be appointed by the Company.

JV Board Proceedings: All major issues will be reserved to the approval by a two third majority of the attending directors.

Effective Date: The JV Documents will take effect when all necessary approvals from the relevant PRC authorities have been obtained. The JV Contract does not specify any date by which such approvals must be obtained.

Profit sharing: In proportion to the respective contribution to the registered capital of New JV by each Party.

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



THE RESTRUCTURING AND CO-OPERATION AGREEMENT

Date: 31st October, 2005

Parties: (1) the Company
(2) Wuxi Development

Restructuring: The Company and Wuxi Development agreed to establish New JV as the investment holding vehicle for the Wuxi Textile Operations, and that New JV will, following its establishment, acquire the entire equity capital of each company comprising the Wuxi Textile Operations.

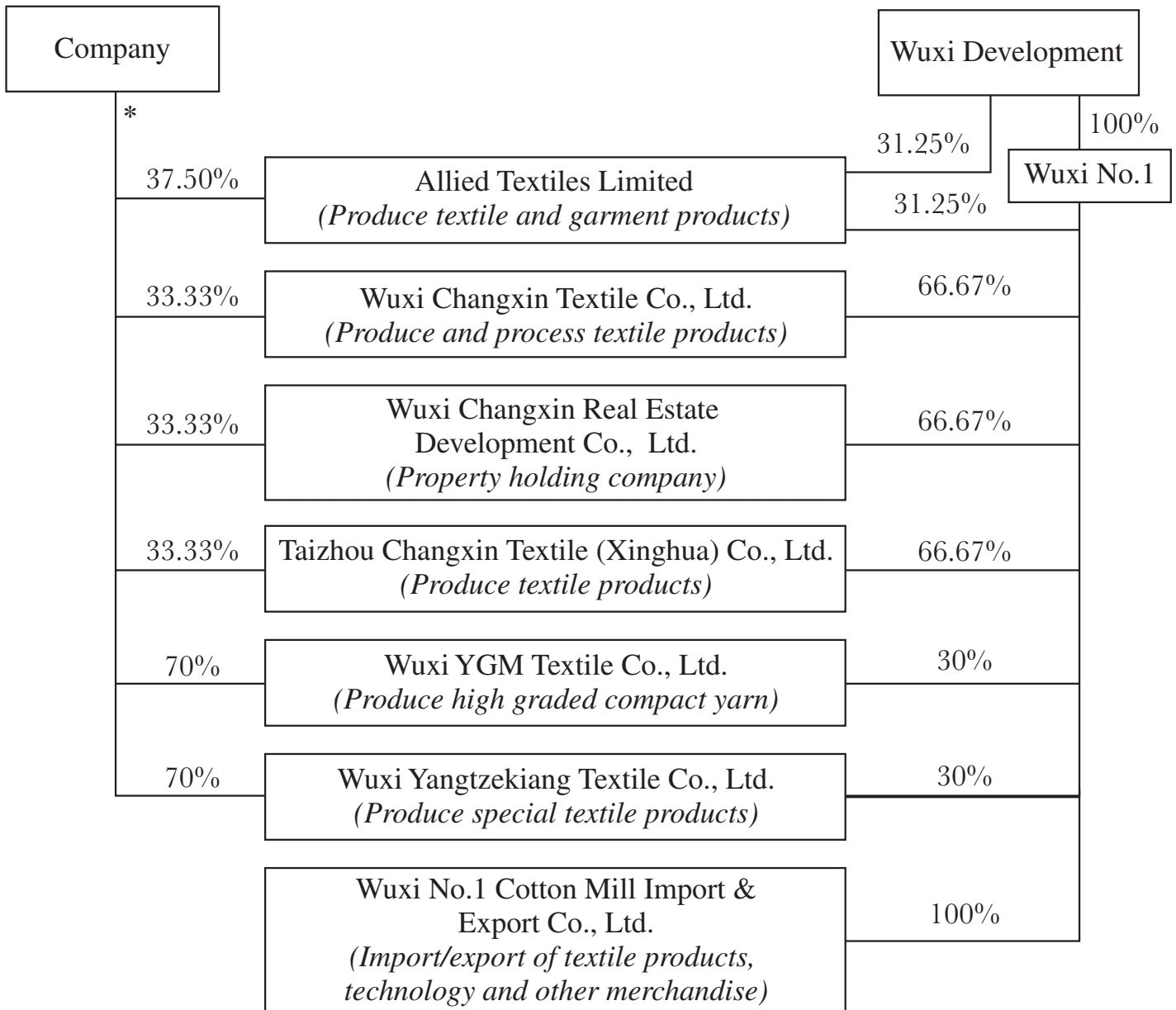
Consideration: An amount equivalent to the aggregate net asset value of each company comprising the Wuxi Textile Operations as audited in accordance with PRC accounting standards as at 31st December, 2005 after deducting all profits attributable to the shareholders, if any.

The consideration was determined by the Company and Wuxi Development following arm's length negotiations based on the unaudited net asset value of the companies comprising the Wuxi Textile Operations as at 30th September, 2005 and after deducting the profit attributable to the shareholders. Based on the unaudited net asset value of these companies as at 30th September, 2005, the Directors estimate the total consideration receivable by the Company under the Restructuring to be RMB219,991,000 (approximately HK\$211,126,000).

FURTHER INFORMATION ON THE RESTRUCTURING Wuxi Textile Operations

This represents the entire interest of the Group in textile operations in Wuxi, the PRC. With the exception of Wuxi No.1 Cotton Mill Import & Export Co., Ltd. which is wholly owned by Wuxi No.1, the Group holds an interest ranging between 33.33% to 70% in each of the companies comprising the Wuxi Textile Operations.

A structure chart of the ownership of the companies comprising the Wuxi Textile Operations before the Restructuring and their principal activities are set out below:



* Indirect equity interest in the companies comprising the Wuxi Textile Operations.

The Wuxi Textile Operations own (a) factories in Wuxi, the PRC for producing high graded compact yarn, special textile products and other textile and garment products; (b) various leasing properties in Wuxi; and (c) a company engaging in the import and export of textile products, technology and other merchandise.

According to the accounts audited by the PRC auditors of the relevant companies in accordance with PRC accounting standards, the audited net asset value of the companies comprising the Wuxi Textile Operations as at 31st December, 2004 and their audited profits before and after taxation and extraordinary items for the years ended 31st December, 2003 and 2004, are set out below:

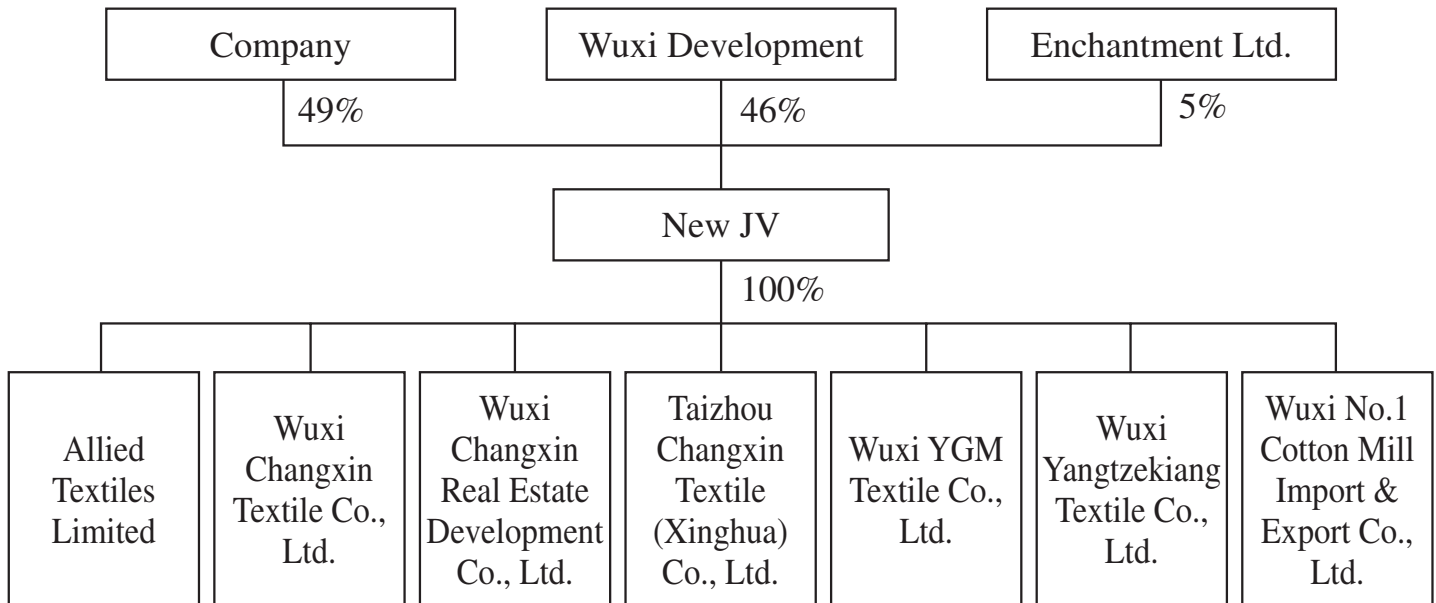
	Audited net	Audited net profit/(loss) before		Audited net profit/(loss) after	
	asset value	taxation and extraordinary items		taxation and extraordinary items	
	as at	Year ended	Year ended	Year ended	Year ended
	31st December,	31st December,	31st December,	31st December,	31st December,
	2004	2003	2004	2003	2004
	RMB	RMB	RMB	RMB	RMB
Allied Textiles Limited	25,735,520	2,537,933	2,373,044	1,822,479	1,742,948
Wuxi Changxin Textile Co., Ltd.	138,810,320	77,279,806	17,298,173	56,414,258	18,336,441
Wuxi Changxin Real Estate Development Co., Ltd.	50,684,819	(9,266,952)	(861,068)	(9,266,952)	(861,068)
Taizhou Changxin Textile (Xinghua) Co., Ltd.	52,415,020	4,092,857	6,191,965	4,092,857	6,191,965
Wuxi YGM Textile Co., Ltd.	121,382,751	(2,577,436)	25,356,901	(2,577,436)	25,356,901
Wuxi Yangtzekiang Textile Co., Ltd.	-	-	-	-	-
Wuxi No.1 Cotton Mill Import & Export Co., Ltd.	13,761,065	4,386,345	(7,076,344)	3,094,876	(7,134,753)
Aggregate amount	<u>402,789,495</u>	<u>76,452,553</u>	<u>43,282,671</u>	<u>53,580,082</u>	<u>43,632,434</u>

The table below illustrates the original capital contributed by the Group, Wuxi Development and/or Wuxi No.1 to the existing registered capital of the Wuxi Textile Operations:

	Contribution from the Group US\$	Contribution from Wuxi No. 1 US\$	Contribution from Wuxi Development US\$
Allied Textiles Limited	1,500,000	1,250,000	1,250,000
Wuxi Changxin Textile Co., Ltd.	4,500,000	9,000,000	-
Wuxi Changxin Real Estate Development Co., Ltd.	2,500,000	5,000,000	-
Taizhou Changxin Textile (Xinghua) Co., Ltd.	1,700,000	3,400,000	-
Wuxi YGM Textile Co., Ltd.	8,400,000	3,600,000	-
Wuxi Yangtzekiang Textile Co., Ltd.	8,400,000	3,600,000	-
Wuxi No.1 Cotton Mill Import & Export Co., Ltd.	-	RMB10,000,000	-

Impact on the Group

As a result of the Restructuring, the Company will dispose of its interest in, and thereby reducing its attributable interest in each of Wuxi YGM Textile Co., Ltd. and Wuxi Yangtzekiang Textile Co., Ltd. from 70% to 49%. At the same time, it will acquire an additional interest and increase its attributable interest in each of Allied Textiles Limited, Wuxi Changxin Textile Co., Ltd., Wuxi Changxin Real Estate Development Co., Ltd. and Taizhou Changxin Textile (Xinghua) Co., Ltd. from between approximately 33% – 37% to 49%, and acquire a 49% attributable interest in Wuxi No.1 Cotton Mill Import & Export Co., Ltd. The ownership of the Wuxi Textile Operations after the Restructuring is as follows:



Following the Restructuring, the Group will consolidate its interest control over the entire Wuxi Textile Operations into its 49% interest in New JV.

Prior to the Restructuring, two out of the seven companies comprising the Wuxi Textile Operations are consolidated into the Company's accounts, namely Wuxi YGM Textile Co., Ltd., and Wuxi Yangtzekiang Textile Co., Ltd.. The Company will cease to consolidate these two companies into the Company's accounts following the Restructuring.

Since the Company does not control the proceedings of the JV Board, neither of the New JV nor any of the remaining five companies within the Wuxi Textile Operations will be consolidated into the Company's accounts.

Some banking facilities of the Wuxi Textile Operations are secured by guarantees from Wuxi No.1 and Wuxi Changxin Textile Co., Ltd. These guarantees may have to be re-executed incidental to the Restructuring. Since neither the Company nor any of its subsidiaries have been or will be involved in providing these guarantees, the Directors believe that the Restructuring will not lead to any change in the Group's contingent liabilities in respect of the banking facilities of the Wuxi Textile Operations.

INFORMATION ON THE PARTIES

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

Wuxi Development wholly owns Wuxi No.1 (a 30% equity owner of Wuxi YGM Textile Co., Ltd. and Wuxi Yangtzekiang Textile Co., Ltd., each a 70% owned subsidiary of the Company), and is a connected person of the Company. Wuxi No. 1 is an investment company which, among other things, invests in entities in the textile industry. Wuxi Development is an investment holding company.

Enchantment Ltd. is an independent third party not being a Director, chief executive or substantial shareholder of the Company or any its subsidiaries or their respective associates. Enchantment Ltd. is an investment company established for the purpose of participating in New JV.

REASONS FOR THE TRANSACTIONS

The Directors consider the Restructuring an attractive opportunity for the Group to consolidate and streamline its interest over the Wuxi Textile Operations. The Directors also believe the formation of New JV and the Restructuring to be beneficial to the Company since by consolidating its interest over its textile joint venture operations in Wuxi, the Group will better position itself to manage and streamline such operations to enhance management efficiencies, and to better structure its strategic planning for the future development of its textile operations in Wuxi.

The terms of the JV Documents and the Co-operation Agreement have been arrived at after arm's length negotiations between the Parties. The Directors consider that the terms of the JV Documents, the Co-operation Agreement and the Restructuring 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 establishment of New JV constitute a connected and major acquisition and the sale of the Group's interests in the Wuxi Textile Operations under the Restructuring constitutes a major and connected disposal of the Company under Chapter 14 and 14A of the Listing Rules and are subject to the approval by the independent Shareholders. In the event the ultimate consideration receivable by the Company under the Restructuring exceeds the current estimate amount of RMB219,991,000 and such that the Restructuring would constitute a very substantial disposal of the Company, the Company will comply with the requisite announcement, reporting and shareholders' approval requirement as appropriate.

As far as the Directors are aware, none of Wuxi Development, Wuxi No.1 or Enchantment Ltd. is a Shareholder of the Company. Accordingly, no Shareholder is required to abstain from voting on the establishment of New JV or the Restructuring. 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 establishment of New JV and the Restructuring, on the basis of a written independent Shareholders' approval given in accordance with Rule 14A.43 of the Listing Rules. The following persons are together beneficially interested in 114,723,964 Shares representing approximately 54.53% 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")	-	6,324,696	3.01%
Chan Lam Moon Chun	Spouse of SK Chan	3,999,354	1.90%
Yangtzekiang Investment Co. (Panama) Ltd. Inc.	Company wholly-owned by SK Chan	5,611,230	2.66%
Chan Wing Fui Peter ("Peter Chan")	Son of SK Chan	486,102	0.23%
Chan Arunee Trans-Business Inc.	Spouse of Peter Chan Company wholly-owned by Chan Arunee	84,000 1,505,130	0.04% 0.72%
Chan Wing Kee ("WK Chan")	Nephew of SK Chan	1,761,624	0.84%
Chan Fung Kit Ching	Spouse of WK Chan	208,356	0.10%
Chan Wing To ("WT Chan")	Nephew of SK Chan	2,934,054	1.39%
Chan Wing Sun Samuel ("Samuel Chan")	Son of SK Chan	11,244	0.01%
Runneymede Consultants Ltd.	Company established for the benefit of family members of Samuel Chan	3,043,080	1.45%

Name of beneficial shareholder	Relationship	No. of ordinary shares beneficially interested	Percentage of total issued share capital of the Company
Chan Wing Chak David ("David Chan")	Nephew of SK Chan	32,688	0.02%
Davidson Trust	Trust set up by David Chan	2,280,000	1.08%
Chan Suk Ling Shirley ("Shirley Chan")	Daughter of SK Chan	1,728,816	0.82%
Chow Watt Heem	Spouse of Shirley Chan	24,000	0.01%
Chan Suk Man ("SM Chan")	Niece of SK Chan	1,535,442	0.73%
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	16.44%
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	0.75%
Super Team International Limited	Company owned by WK Chan, WT Chan, David Chan, SM Chan and other members of the Chan Family	2,383,500	1.13%
Chan Family Investment Corp. Ltd. ("CFICL")	Company owned by the Chan Directors and other members of the Chan Family	35,038,138	16.65%
Tai Wah Investment Co. Ltd.	Subsidiary of CFICL	8,091,360	3.85%
Wai Wing Investments Corporation	Subsidiary of CFICL	1,280,616	0.61%
Yangtzekiang Investment Co. Ltd.	Subsidiary of CFICL	190,146	0.09%
		114,723,964	54.53%

An independent board committee and an independent financial adviser will be appointed to advise on the transactions and a circular containing, among others, information on New JV and the Restructuring and the recommendations of the independent board and the independent financial adviser 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, and Chan Suk Ling Shirley ("Chan Directors"); and
- (b) the independent non-executive directors of the Company are Leung Hok Lim, Wong Lam and Lin Keping.

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 9:35 a.m. on Monday, 31st October, 2005, 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 Monday, 7th November, 2005.

DEFINITIONS

- "Articles of Association" the articles of association entered into on 28th October, 2005 between the Parties in relation to the establishment of New JV
- "Board" the board of directors of the Company

“Chan Family”	Chan Directors and their associates (as defined under the Listing Rules)
“Company”	Yangtzekiang Garment Limited (formerly known as Yangtzekiang Garment Manufacturing Company Limited), a company incorporated in Hong Kong, the shares of which are listed on the Main Board of the Stock Exchange
“Co-operation Agreement”	the agreement entered into on 31st October, 2005 by the Company and Wuxi Development in relation to the Restructuring
“Directors”	the directors of the Company
“Enchantment Ltd.”	Enchantment International Ltd., a company established in British Virgin Islands not being a Director, chief executive or substantial shareholder of the Company or any of its subsidiaries or their respective associates
“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 28th October, 2005 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”	無錫長聯投資有限公司(Wuxi Talak Investment Co., Ltd.), a limited liability company to be established in the PRC, which will be owned as to 49% by the Company, 46% by Wuxi Development, and 5% by Enchantment Ltd.
“Parties”	collectively, the Company, Wuxi Development and Enchantment Ltd., and each a “Party”
“PRC”	the People’s Republic of China, excluding, for the purpose of this announcement, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Restructuring”	the establishment of the New JV to acquire and become the holding company of the Wuxi Textile Operations under the Co-operation Agreement
“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
“US\$”	United States dollars, the lawful currency of the United States of America
“Wuxi Development”	無錫市國聯發展(集團)有限公司 (Wuxi Guolian Development (Group) Co., Ltd.), a limited liability company established by Wuxi Municipal Government in Wuxi, the PRC
“Wuxi No.1”	無錫市第一棉紡織廠(Wuxi No.1 Cotton Mill), an entity established in PRC, a 30% equity owner of Wuxi YGM Textile Co., Ltd. and Wuxi Yangtzekiang Textile Co., Ltd., each a 70% owned subsidiary of the Company

“Wuxi Textile
Operations”

collectively, 新聯興紡織有限公司 (Allied Textiles Limited), 無錫長新紡織有限公司 (Wuxi Changxin Textile Co., Ltd.), 無錫長新房地產開發有限公司 (Wuxi Changxin Real Estate Development Co., Ltd.), 泰州長新紡織(興化)有限公司 (Taizhou Changxin Textile (Xinghua) Co., Ltd.), 無錫長江精密紡織有限公司 (Wuxi YGM Textile Co., Ltd.), 無錫揚子江精密紡織有限公司 (Wuxi Yangtzekiang Textile Co., Ltd.) and 無錫一棉進出口有限公司 (Wuxi No.1 Cotton Mill Import & Export Co., Ltd.)

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

Hong Kong, 4th November, 2005

The exchange rates of RMB to Hong Kong dollars and US\$ to HK\$ quoted in this announcement adopt a rate of RMB1 equivalent to HK\$0.9597 and US\$1 equivalent to HK\$7.8 respectively.

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