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YANGTZEKIANG GARMENT LIMITED

長江製衣有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 294)

DISCLOSEABLE TRANSACTION DISPOSAL OF INTEREST IN CHANGQING ALUMINIUM

The Board announces that on 6th January, 2006, Broad Plan (a wholly-owned subsidiary of the Company) entered into the Share Transfer Agreement with Qinghai Qiaotou whereby Broad Plan agreed to dispose of its entire 35.93% equity interest in Changqing Aluminium to Qinghai Qiaotou for a total consideration of RMB59,633,680 (approximately HK\$57,230,443).

The disposal constitutes a discloseable transaction for the Company under the Listing Rules. A circular containing details of the disposal will be sent to the shareholders of the Company as soon as possible.

SHARE TRANSFER AGREEMENT

Date

6th January, 2006

Parties

- a. Transferor: Broad Plan, a wholly-owned subsidiary of the Company; and
- b. Transferee: Qinghai Qiaotou, which is and the ultimate beneficial owner of which is, to the best of the directors' knowledge, information and belief having made all reasonable enquiry, a third party independent of the Company and the connected persons (as defined in the Listing Rules) of the Company.

Relevant Interest to be disposed of

35.93% equity interest in the registered capital of Changqing Aluminium, being the entire interest held by Broad Plan in Changqing Aluminium prior to the disposal.

Changqing Aluminium is the holding company of an aluminium smelter established in Qinghai, the PRC for the production and distribution of aluminium ingots and aluminium related products.

The unaudited net loss of Changqing Aluminium for the year ended 31st December, 2005 was approximately RMB28,715,603 (approximately HK\$27,558,364). According to the accounts audited by the PRC auditors of Changqing Aluminium in accordance with PRC accounting standards, the audited net loss of Changqing Aluminium for the year ended 31st December, 2004 was approximately RMB22,353,577 (approximately HK\$21,452,728).

The directors of the Company estimate that the book value of the Relevant Interest as at 31st December, 2005 would be approximately HK\$82,433,139 (including the declared but unpaid dividend payable by Changqing Aluminium to Broad Plan of approximately RMB10,506,400 (approximately HK\$10,082,992)). On this basis, the loss expected to accrue to the Group upon the disposal of the Relevant Interest is approximately HK\$25,202,696.

Consideration

The consideration of RMB59,633,680 (approximately HK\$57,230,443) was agreed after arm's length negotiations between Broad Plan and Qinghai Qiaotou by reference to the unaudited net asset value of Changqing Aluminium as at 31st December, 2005 of RMB178,885,126 (approximately HK\$171,676,055) and the declared but unpaid dividend payable by Changqing Aluminium to Broad Plan of approximately RMB10,506,400 (approximately HK\$10,082,992). Upon completion of the disposal, Broad Plan will cease to have any interest in the said declared but unpaid dividends.

Payment terms and use of proceeds

The consideration of RMB59,633,680 (approximately HK\$57,230,443) shall be payable in cash in the following manner:

- (i) an initial payment of RMB17,890,100 (approximately HK\$17,169,129), representing 30% of the total consideration, to be made within 10 working days after completion of the registration procedures for the share transfer;

- (ii) a further payment of RMB17,890,100 (approximately HK\$17,169,129), representing 30% of the total consideration, to be made within 6 months after payment of the initial payment; and
- (iii) the balance of RMB23,853,480 (approximately HK\$22,892,185), representing 40% of the total consideration, to be paid within 12 months after the payment of the initial payment as mentioned above.

The proceeds from the disposal of RMB59,633,680 (approximately HK\$57,230,443) will be used for repayment of bank loan.

INFORMATION ON THE PARTIES

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

Qinghai Qiaotou is a company incorporated in the PRC with limited liability and is principally engaged in the production and distribution of aluminium ingots and aluminium related products.

REASONS FOR THE DISPOSAL

The Board is of the view that the disposal will better enhance the financial performance of the Group given that Changqing Aluminium has been operating at a loss since 2004. The directors of the Company believe that the terms of the disposal of the Relevant Interest are fair and reasonable and in the interest of the Company and its shareholders as a whole.

GENERAL INFORMATION

The disposal constitutes a discloseable transaction of the Company under the Listing Rules. A circular containing details of the disposal will be sent to the shareholders of the Company as soon as possible.

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 Suk Ling Shirley and So Ying Woon Alan; and
- (b) the independent non-executive directors of the Company are Leung Hok Lim, Wong Lam and Lin Keping.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms have the following meanings:

“Board”	the board of directors of the Company;
“Broad Plan”	Broad Plan Investment Limited (兆策投資有限公司), a wholly-owned subsidiary of the Company;
“Changqing Aluminium”	Changqing Aluminium Corporation (長青鋁業有限公司), a limited liability sino-foreign equity joint venture company established in the PRC;
“Company”	YangtzeKiang Garment Limited, a company incorporated in Hong Kong, the shares of which are listed on The Stock Exchange of Hong Kong Limited;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong Special Administrative Region of the PRC;
“Listing Rules”	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“PRC”	the People’s Republic of China;
“Qinghai Qiaotou”	青海橋頭鋁電股份有限公司 (Qinghai Qiaotou Aluminium and Electricity Co. Ltd.), a company incorporated in the PRC with limited liability;
“Relevant Interest”	35.93% equity interest in the registered capital of Changqing Aluminium, being the entire interest held by Broad Plan in Changqing Aluminium prior to the disposal;
“RMB”	Renminbi; and

“Share Transfer
Agreement”

a share transfer agreement dated 6th January, 2006 and entered into between Broad Plan and Qinghai Qiaotou whereby Broad Plan agreed to dispose of its entire 35.93% equity interest in Changqing Aluminium to Qinghai Qiaotou.

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

Hong Kong, 9th January, 2006

The exchange rates of RMB to HK\$ quoted in this announcement adopt a rate of RMB1 equivalent to HK\$0.9597.

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