
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt about this circular or as to the action to be taken, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Yangtzekiang Garment Limited (“Company”), you should at once hand this circular to the purchaser or to the licensed securities dealer or registered institution in securities or other agent through whom the sale was effected for transmission to the purchaser.

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長江製衣有限公司
YANGTZEKIANG GARMENT LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 294)

DISCLOSEABLE TRANSACTION

Disposal of interest in Changqing Aluminium

25th January, 2006

DEFINITIONS

In this circular, the following expressions shall have the meanings set out below unless the context requires otherwise:

| | |
|---------------------------|---|
| “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 in Hong Kong with limited liability and a wholly-owned subsidiary of the Company; |
| “Chan Directors” | the executive directors of the Company, namely, 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 Family” | Chan Directors and their associates (as defined in the Listing Rules) ; |
| “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; |
| “Directors” | the directors of the Company; |
| “Group” | the Company and its subsidiaries; |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong Special Administrative Region of the PRC; |
| “Latest Practicable Date” | 25th January, 2006, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusive in this circular; |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange; |
| “PRC” | the People’s Republic of China, excluding, for the purpose of this circular, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan; |
| “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; |

DEFINITIONS

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|----------------------------|--|
| “Relevant Interest” | 35.93% equity interest in the registered capital of Changqing Aluminium, being the entire equity interest held by Broad Plan in Changqing Aluminium prior to the disposal; |
| “RMB” | Renminbi, the lawful currency of the PRC; |
| “SFO” | Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong); |
| “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; |
| “Share Transfer Agreement” | a share transfer agreement dated 6th January, 2006 and entered into between Broad Plan and Qinghai Qiaotou, pursuant to which Broad Plan agreed to dispose of its entire 35.93% equity interest in Changqing Aluminium to Qinghai Qiaotou; and |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited. |

LETTER FROM THE BOARD

長江製衣有限公司 YANGTZEKIANG GARMENT LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 294)

Directors:

Chan Sui Kau (*Chairman*)
Chan Wing Fui, Peter (*Vice Chairman*)
Chan Wing Kee (*Managing Director*)
Chan Wing To (*Deputy Managing Director*)
Chan Suk Man
Chan Wing Sun, Samuel
Chan Suk Ling, Shirley
So Ying Woon, Alan
Leung Hok Lim*
Wong Lam*
Lin Keping*

Registered Office:

22 Tai Yau Street
San Po Kong
Kowloon
Hong Kong

* *Independent non-executive director*

25th January, 2006

To the Shareholders

Dear Sir or Madam,

DISCLOSEABLE TRANSACTION

Disposal of interest in Changqing Aluminium

INTRODUCTION

Reference is made to the announcement of the Company dated 9th January, 2006 in relation to the disposal of interest in Changqing Aluminium.

Pursuant to the sino-foreign equity joint venture agreement between the Company and 青海省物資產業集團總公司(Qinghai Material & Equipment Group Corporation) (“Qinghai M&E”) dated 7th November, 1995, Changqing Aluminium was established in the Qinghai Province in the same year to engage in the production and distribution of aluminium ingots and aluminium related products. Changqing Aluminium was initially owned as to 55% and 45% by Broad Plan and Qinghai M&E, respectively.

In 1998, the Company agreed to transfer, through Broad Plan, a 12.3% equity interest in Changqing Aluminium to Qinghai Investment and Holding Company Limited (“Qinghai Investment”), a state-owned enterprise, and in 1997, the registered capital of Changqing Aluminium was increased, details of which were disclosed in the announcement and circular of the Company dated 7th April, 1998 and 22nd April, 1998, respectively. As a result, the equity interest owned by the Company, through Broad Plan, in Changqing Aluminium reduced from 55% to 35.93%.

LETTER FROM THE BOARD

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. The purpose of this circular is to provide you with the particulars of the disposal and other information in compliance with the requirements of the Listing Rules.

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.

LETTER FROM THE BOARD

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.

Effect on earnings, assets and liabilities of the Group

Upon completion of the disposal of the Relevant Interest, the Group is expected to record a loss on the disposal amounting to approximately HK\$25,202,696 with reference to the book value of the Relevant Interest, which amounted to approximately HK\$82,433,139 as at 31st December, 2005. Such loss is subject to adjustment and review by KPMG, the auditors of the Company. The total assets and liabilities of the Group are expected to be decreased by approximately HK\$25,202,696 and unaffected, respectively, upon the completion of the disposal of the Relevant Interest. The Board believes that such disposal will enhance the financial performance of the Group given that Changqing Aluminium has been operating at a loss since 2004.

Following the disposal, the Group no longer hold any interest in the registered capital of Changqing Aluminium.

INFORMATION ON THE PARTIES

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

LETTER FROM THE BOARD

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 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.

FURTHER INFORMATION

The disposal constitutes a discloseable transaction of the Company under the Listing Rules. For the purposes of this circular, the conversion rate of RMB to HK\$ used was RMB1 to HK\$0.9597.

Your attention is drawn to the general information set out in the Appendix to this circular.

Yours faithfully,
For and on behalf of
Yangtzekiang Garment Limited
Chan Sui Kau
Chairman

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular with regard to the Company and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement herein misleading.

2. DISCLOSURE OF INTERESTS

(A) Interests of Directors and Chief Executive

As at the Latest Practicable Date, the interests and short positions of the Directors and the Company's chief executive in the Shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), the Model Code for Securities Transactions by Directors of Listed Companies and which were required to be entered in the register required to be kept under section 352 of the SFO were as follows:

| Name of Director | Number of Shares | | | |
|-----------------------|--------------------|------------------|---------------------|---------------------------|
| | Personal interests | Family interests | Corporate interests | Other interests |
| Chan Sui Kau | 6,324,696 | 3,999,354 | 5,611,230 | (i) |
| Chan Wing Fui Peter | 486,102 | 1,589,130 | – | (i) & (ii) & (iii) |
| Chan Wing Kee | 1,761,624 | 208,356 | – | (i) & (ii) & (iii) & (iv) |
| Chan Wing To | 2,934,054 | – | – | (i) & (ii) & (iii) & (iv) |
| Chan Wing Sun Samuel | 11,244 | – | 3,043,080 | (i) & (ii) & (iii) |
| Chan Suk Ling Shirley | 1,728,816 | 24,000 | – | (i) & (ii) & (iii) |
| Chan Suk Man | 1,535,442 | – | – | (i) & (ii) & (iii) & (iv) |
| So Ying Woon Alan | 12,000 | – | – | – |
| Leung Hok Lim | – | – | – | – |
| Wong Lam | – | – | – | – |
| Lin Keping | – | – | – | – |

Notes:

- (i) 44,600,260 shares of the Company were held by Chan Family Investment Corporation Ltd. (which is owned by the Chan Directors and other members of the Chan Family) and its subsidiaries.
- (ii) 34,595,908 shares of the Company were held by Joycome Limited, which is indirectly owned by Messrs. Chan Wing Fui Peter, Chan Wing Kee, Chan Wing To, Chan Wing Sun Samuel, Madam Chan Suk Ling Shirley, Madam Chan Suk Man and other members of the Chan Family.
- (iii) 1,574,480 shares of the Company were held by Hearty Development Limited which is indirectly owned by Messrs. Chan Wing Fui Peter, Chan Wing Kee, Chan Wing To, Chan Wing Sun Samuel, Madam Chan Suk Ling Shirley, Madam Chan Suk Man and other members of the Chan Family.
- (iv) 2,383,500 shares of the Company were held by Super Team International Limited which is indirectly owned by Messrs. Chan Wing Kee, Chan Wing To, Madam Chan Suk Man and other members of the Chan Family.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or the Company's chief executive had, under Divisions 7 and 8 of Part XV of the SFO, nor were they taken to or deemed to have under such provisions of the SFO, any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) or any interests which are required to be entered into the register kept by the Company pursuant to section 352 of the SFO or any interests which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules.

(B) Substantial Shareholdings

Save as disclosed herein, the Directors were not aware of any person who was, directly or indirectly, interested or had short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, was directly or indirectly, interested in 10% or more of the nominal value of the issued share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or any options in respect of such capital as at the Latest Practicable Date.

3. COMPETING INTEREST

As at the Latest Practicable Date, in so far as the Directors were aware, none of the Directors or their respective associates had any interest in a business which competes or is likely to compete with the business of the Group.

4. LITIGATION

As at the Latest Practicable Date, the Directors were not aware of any litigation or claims of material importance pending or threatened against any member of the Group.

5. SERVICE CONTRACT

As at the Latest Practicable Date, none of the Directors had entered into any service contracts with the Company or any member of the Group, other than contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation).

6. CORPORATE INFORMATION

- (a) The secretary and qualified accountant of the Company is Hui Sau Ling, *FCCA, CPA*.
- (b) The registered office, head office and principal place of business in Hong Kong is 22 Tai Yau Street, San Po Kong, Kowloon, Hong Kong.
- (c) The share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.

7. LANGUAGE

In the event of inconsistency, the English text of this circular will prevail over the Chinese text.