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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 Golden Chance

The Board announces that on 31st March, 2006, Guardo (a wholly-owned subsidiary of the Company) entered into the Agreement with the Purchaser whereby Guardo agreed to dispose of its entire 39.12% interest in Golden Chance to the Purchaser for a total consideration of HK\$60,000,000.

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.

AGREEMENT

Date

31st March, 2006

Parties

- a. Vendor: Guardo, a wholly-owned subsidiary of the Company; and
- b. Purchaser: A company 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

3,482 shares of HK\$10,000 each of Golden Chance (representing approximately 39.12% of its issued share capital), being the entire interest held by Guardo in Golden Chance prior to the Disposal.

Golden Chance is an investment holding company and the holding company of a company incorporated in Hong Kong which is principally engaged in the design, manufacture and sale of optical imaging products.

Golden Chance, being an Mauritius company, is not required to compile audited accounts. The unaudited consolidated net loss of Golden Chance Group for the years ended 31st December, 2005 and 31st December, 2004 was approximately HK\$10,000,000 (which was an estimated loss) and approximately HK\$10,280,036 respectively.

The initial investment of the Group in the Relevant Interest was approximately HK\$35,600,000. The carrying value of the Relevant Interest as at 31st March, 2005 was approximately HK\$45,200,000. Upon the adoption of new accounting standard HKFRS 3, an opening balance adjustment has been made to derecognise the negative goodwill included in the carrying value of the Relevant Interest, as a result of which such estimated carrying value is adjusted to approximately HK\$75,936,283 as at 31st December, 2005. On this basis, the loss expected to accrue to the Group upon the Disposal is approximately HK\$15,936,283.

Consideration

The consideration of HK\$60,000,000 was agreed after arm's length negotiations between Guardo and the Purchaser by reference to the unaudited consolidated net asset value of Golden Chance Group as at 31st December, 2005 of approximately HK\$227,010,000.

Payment terms and use of proceeds

The consideration of HK\$60,000,000 shall be payable in cash in the following manner:

- (i) an initial amount of HK\$1,000,000, which has been paid upon signing of the Agreement;
- (ii) a second payment of HK\$5,000,000, to be made on or before 10th April, 2006;
- (iii) a third payment of HK\$18,000,000, to be made on or before 31st July, 2006;
- (iv) a fourth payment of HK\$18,000,000, to be made on or before 30th November, 2006; and
- (v) the balance of HK\$18,000,000, to be paid on Completion.

HK\$6,000,000 of the third payment may be paid at Completion, in which case, interest shall accrue on such amount at the Default Rate until and including the actual date of payment.

Completion is scheduled for 31st March, 2007 (or on such other date as Guardo and the Purchaser may agree in writing, but in any event on or before 30th September, 2007). If Completion takes place after 31st March, 2007, interest shall accrue on the outstanding balance at the Default Rate, and the Guarantor (an individual who controls the Purchaser) will be required to give a personal guarantee (in a form satisfactory to Guardo) in favour of Guardo on or before 31st March, 2007. To the best of the directors' knowledge, information and belief having made all reasonable enquiry, the Guarantor is a third party independent of the Company and the connected persons (as defined in the Listing Rules) of the Company.

If Golden Chance pays any dividend or makes any distribution before completion, the balance payable on completion shall be reduced by an amount equal to the dividend paid or distribution made. If the dividend paid or distribution made exceeds the said balance, Guardo shall pay to the Purchaser an amount equal to such excess amount on completion.

The proceeds from the Disposal of HK\$60,000,000 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.

The Purchaser is an investment holding company incorporated in Hong Kong and the holding company of a company incorporated in Hong Kong which is principally engaged in the design, manufacture and sale of optical imaging products. Upon completion of the Disposal, the interest held by the Purchaser in Golden Chance will increase from approximately 17.39% to approximately 56.51%.

REASONS FOR THE DISPOSAL

The Board is of the view that the Disposal will enhance the financial performance of the Group given that the Golden Chance Group has been operating at a loss. The directors of the Company are of the view that the terms of the transaction are normal commercial terms which are fair and reasonable and are 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:

- “Agreement” a sale and purchase agreement dated 31st March, 2006 and entered into between Guardo and the Purchaser whereby Guardo agreed to dispose of its entire 39.12% interest in Golden Chance to the Purchaser;
- “Board” the board of directors of the Company;
- “Company” Yangtzekiang Garment Limited, a company incorporated in Hong Kong, the shares of which are listed on The Stock Exchange of Hong Kong Limited;
- “Default Rate” the prime rate of The Hongkong and Shanghai Banking Corporation Limited, for Hong Kong Dollars in Hong Kong from time to time;
- “Disposal” the disposal of the Relevant Interest by Guardo to the Purchaser pursuant to the Agreement;
- “Golden Chance” Golden Chance Limited, a company incorporated in the Republic of Mauritius;
- “Golden Chance Group” Golden Chance and its subsidiary;
- “Group” the Company and its subsidiaries;

“Guarantor”	an individual who controls the Purchaser, and, 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;
“Guardo”	Guardo Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong Special Administrative Region of the People’s Republic of China;
“Listing Rules”	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“Relevant Interest”	3,482 ordinary shares of Golden Chance (representing approximately 39.12% of its issued share capital), being the entire interest held by Guardo in Golden Chance prior to the Disposal; and
“Purchaser”	a company incorporated in Hong Kong, 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.

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

Hong Kong, 31st March, 2006

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