
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.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, 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 circular.

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 Golden Chance

DEFINITIONS

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

| | |
|-----------------------|---|
| “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; |
| “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); |
| “Company” | Yangtzekiang Garment Limited, a company incorporated in Hong Kong, the shares of which are listed on the Stock Exchange; |
| “Default Rate” | the prime rate of The Hongkong and Shanghai Banking Corporation Limited, for Hong Kong Dollars in Hong Kong from time to time; |
| “Directors” | the directors of the Company; |
| “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; |

DEFINITIONS

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|---------------------------|---|
| “Latest Practicable Date” | 19th April, 2006, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusive in this circular; |
| “Listing Rules” | Rules Governing the Listing of Securities on the Stock Exchange; |
| “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; |
| “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; |
| “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; 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 directors*

19th April, 2006

To the Shareholders

Dear Sir or Madam,

DISCLOSEABLE TRANSACTION

Disposal of interest in Golden Chance

INTRODUCTION

The Board announced on 31st March, 2006 that 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. 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.

AGREEMENT

Date

31st March, 2006

LETTER FROM THE BOARD

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 including cameras and binoculars.

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, which has been made on 10th April, 2006;
- (iii) a third payment of HK\$18,000,000, to be made on or before 31st July, 2006;

LETTER FROM THE BOARD

- (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 the Company's bank loan.

Effect on earnings, assets and liabilities of the Group

Upon completion of the Disposal, the Group is expected to record a loss on the Disposal amounting to approximately HK\$15,936,283 with reference to the carrying value of the Relevant Interest of approximately HK\$75,936,283 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\$15,936,283 and unaffected, respectively, upon the completion of the Disposal.

Following the Disposal, the Group no longer hold any interest in Golden Chance.

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 including cameras and binoculars. Upon completion of the Disposal, the interest held by the Purchaser in Golden Chance will increase from approximately 17.39% to approximately 56.51%.

LETTER FROM THE BOARD

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.

FURTHER INFORMATION

The Disposal constitutes a discloseable transaction of the Company under the Listing Rules.

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 and 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 Ms. 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.