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## **THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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

**If you have sold or transferred** all your shares in Hang Ten Group Holdings Limited, you should at once hand this circular to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or the transfer was effected for transmission to the purchaser or transferee.

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## **HANG TEN GROUP HOLDINGS LIMITED**

*(incorporated in Bermuda with limited liability)*

**(Stock Code: 448)**

### **CONTINUING CONNECTED TRANSACTION**

**Independent financial adviser to the Independent Board Committee  
and the Shareholders**



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A letter dated 1 April 2008 from the Independent Board Committee containing its opinion in respect of the Supply Agreement is set out on pages 9 to 10 of this circular.

A letter dated 1 April 2008 from GF Capital (Hong Kong) Limited, the independent financial adviser to the Independent Board Committee and the Shareholders, containing its advice in respect of the Supply Agreement is set out on pages 11 to 19 of this circular.

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## DEFINITIONS

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*In this circular, the following expressions shall, unless the context requires otherwise, have the following meanings:*

“Asian Wide”	Asian Wide Services Limited, a company incorporated in the British Virgin Islands and a substantial Shareholder interested in approximately 37.66% of its existing issued ordinary share capital as at the Latest Practicable Date
“associates”	has the meaning defined under the Listing Rules
“Board”	the board of Directors
“Chua and company”	Mr. Chua Kun Yao, Mr. William T. De Leon, Mr. Johnny Tan and Ms. Nancy C. Lim, who collectively hold 45% of Hang Ten Phils. and, apart from Ms. Nancy C. Lim, are directors of Hang Ten Phils. Chua and company is a connected person of the Company
“Company”	Hang Ten Group Holdings Limited, a company incorporated in Bermuda with limited liability, the ordinary shares of which are listed on the Stock Exchange
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Hang Ten Enterprises”	Hang Ten Enterprises Limited, a company incorporated in the British Virgin Islands and a wholly owned subsidiary of ILC
“Hang Ten Phils.”	Hang Ten Phils., Corp., a corporation incorporated under the laws of the Republic of Philippines and a non-wholly owned subsidiary of ILC indirectly held as to 55% by ILC; and as to the remaining 45% by Chua and company collectively. Hang Ten Phils., Corp. is a connected person of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“ILC”	ILC International Corporation, a company incorporated in the British Virgin Islands and an indirect wholly owned subsidiary of the Company

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## DEFINITIONS

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“Independent Board Committee”	an independent committee of the Board, comprising all of the independent non-executive Directors, formed to advise Shareholders in respect of the Supply Agreement
“Independent Third Party(ies)”	party(ies) independent of and not connected with the Directors, chief executive or substantial shareholders of the Company or its subsidiaries or their respective associates
“Latest Practicable Date”	28 March 2008, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
“Listing Document”	the listing document of the Company dated 31 October 2002
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, excluding, for the purposes of this announcement, Taiwan, Hong Kong and the Macau Special Administrative Region
“Supply Agreement”	the agreement dated 11 March 2008 entered into between Hang Ten Enterprises as seller and Hang Ten Phils. as buyer in relation to the supply of apparel and accessories by Hang Ten Enterprises
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholders”	holders of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“YGM”	YGM Trading Limited, a company incorporated in Hong Kong with limited liability the ordinary shares of which are listed on the Stock Exchange and a substantial Shareholder interested in approximately 20.48% of its existing issued ordinary share capital as at the Latest Practicable Date
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

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## DEFINITIONS

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“US\$” United States dollars, the lawful currency of the United States

“United States” or “US” the United States of America

*Unless otherwise specified herein, translation of HK\$ into US\$ is made, for illustration purposes only, at the rate of US\$1 = HK\$7.8.*

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## LETTER FROM THE BOARD

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### HANG TEN GROUP HOLDINGS LIMITED

*(incorporated in Bermuda with limited liability)*

**(Stock Code: 448)**

***Executive Directors:***

Mr. Chan Wing Sun  
Mr. Kenneth Hung  
Ms. Kao Yu Chu  
Ms. Wang Li Wen

***Registered Office:***

Clarendon House  
2 Church Street  
Hamilton, HM11  
Bermuda

***Independent non-executive Directors:***

Mr. Cheung Yat Hung, Alton  
Mr. Kwong Chi Keung  
Mr. So Hon Cheung, Stephen

***Principal Office in Hong Kong:***

Room 912, 9th Floor  
Stanhope House  
734 King's Road  
Quarry Bay  
Hong Kong

1 April 2008

*To all the Shareholders*

Dear Sir/Madam,

### CONTINUING CONNECTED TRANSACTION

#### INTRODUCTION

On 13 March 2008, the Company announced that, among other matters, Hang Ten Enterprises entered into the Supply Agreement on 11 March 2008 with Hang Ten Phils., a non-wholly owned subsidiary of the Company. The Supply Agreement constitutes a continuing connected transaction of the Company that is subject to the reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

The purpose of this circular is to provide you with details of the Supply Agreement under the Listing Rules.

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## LETTER FROM THE BOARD

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### SUPPLY AGREEMENT

#### Background

Hang Ten Enterprises is a wholly owned subsidiary of ILC. Hang Ten Phils. is a non-wholly owned subsidiary of ILC indirectly held as to 55% by ILC; and as to the remaining 45% by Chua and company collectively – Mr. Chua Kun Yao, Mr. William T. De Leon, Mr. Johnny Tan and Ms. Nancy C. Lim, who collectively hold 45% of Hang Ten Phils. and, apart from Ms. Nancy C. Lim, are directors of Hang Ten Phils. Thus, Hang Ten Phils. is a connected person of the Company.

As disclosed in the Listing Document, Hang Ten Enterprises supplies apparel and accessories bearing the “Hang Ten” brand name to Hang Ten Phils. on an open account basis for retailing in the Philippines. Such transactions constituted continuing connected transactions of the Company under the Listing Rules.

Pursuant to a supply agreement dated 23 May 2005 (“Previous Supply Agreement”) entered into between Hang Ten Enterprises as seller and Hang Ten Phils. as buyer, Hang Ten Enterprises agreed to sell such products to Hang Ten Phils. for a period of 3 years commencing from 1 April 2005. The Previous Supply Agreement constitute continuing connected transactions of the Company and are subject to the reporting, announcement and independent shareholders’ approval requirements under the Listing Rules. Further details of the Previous Supply Agreement are set out in the announcement of the Company dated 27 May 2005 and the circular of the Company dated 20 June 2005. The Stock Exchange had granted waivers to the Company, subject to conditions, that written approval of independent shareholders that constitute a closely allied group was acceptable in lieu of shareholders approval passed in shareholders meeting in respect of the Previous Supply Agreement pursuant to Rule 14A.43 of the Listing Rules.

Since the transactions between Hang Ten Enterprises and Hang Ten Phils. involve the provision of goods which is carried out on a continuing or recurring basis in the ordinary and usual course of business of the Group, they constitute continuing connected transactions of the Company. As the Previous Supply Agreement will expire on 31 March 2008 and the Group expect such transactions will continue after the expiration of the Previous Supply Agreement, to comply with the Listing Rules, Hang Ten Enterprises and Hang Ten Phils. have entered into the Supply Agreement in respect of these transactions for a fixed term of 3 years ending 31 March 2011.

The Supply Agreement constitutes continuing connected transaction of the Company that is subject to the reporting, announcement and independent shareholders’ approval requirements under the Listing Rules. Particulars relating to the transactions under the Supply Agreement are described below.

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## LETTER FROM THE BOARD

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### Particulars

- Date: 11 March 2008
- Effective period: Subject to the Company having obtained all necessary waivers, consents and approvals (including necessary shareholders approval (if required)) as required under the relevant governmental or regulatory authorities (including the Stock Exchange) in respect of the Supply Agreement and the transactions contemplated thereunder, the Supply Agreement shall commence on 1 April 2008 and shall continue in force until 31 March 2011.
- Seller: Hang Ten Enterprises, which is principally engaged in the wholesaling and retailing of products bearing the “Hang Ten” brand name in Taiwan as well as overseas wholesaling
- Buyer: Hang Ten Phils., which is principally engaged in the sales of apparel and accessories bearing the brand name “Hang Ten” in the Philippines
- Nature of transaction: Hang Ten Enterprises will sell garments, apparel and/or accessories to the buyer on a non-exclusive basis in accordance with any written quotation of Hang Ten Enterprises which is accepted by the buyer, or any written order of the buyer which is accepted by Hang Ten Enterprises.
- Payment terms: The price of the goods will be Hang Ten Enterprises’ quoted price from time to time which will be determined based on the actual cost of the goods and a reasonable profit margin determined by Hang Ten Enterprises taking into account the following:
- (a) the quoted price shall not be less than the price charged by Hang Ten Enterprises to an independent third party when dealing on an arm’s length basis having regard to any other special circumstances such as arm’s length negotiated volume discounts; and
  - (b) if no such comparable reference prices are available, the quoted price shall be determined by agreement between the parties based on (i) normal commercial terms that are considered to be fair and reasonable by the parties; and (ii) terms no less favourable to Hang Ten Enterprises than terms available from independent third parties.



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## LETTER FROM THE BOARD

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The buyer shall pay the price of the goods within 30 days of Hang Ten Enterprises' invoice.

Proposed annual cap: US\$2,800,000 (equivalent to about HK\$21,840,000)

The aggregate value of the transactions between Hang Ten Enterprises and the buyer amounted to approximately US\$2,242,000 and US\$2,122,000 for each of the two years ended 31 March 2007 and US\$2,083,000 for the ten months ended 31 January 2008 respectively. In determining the annual cap, the Directors have taken into consideration the value of such transactions over the past two years and ten months ended 31 January 2008 and an expected increase in sales to the buyer in the coming years estimated based on current general market conditions and accordingly consider the annual cap reasonable.

### Reasons for the transaction

One of the principal businesses of the Group is the retail and wholesale of apparel and accessories under the brand name "Hang Ten" to Asian countries including the Philippines. Hang Ten Phils. is the retailing arm of the Group in the Philippines, which is one of the principal territories in which the Group operates its retail business. The Group's retail business in the Philippines contributed to approximately 2.2% and 2.1% of the audited consolidated turnover of the Group for the two years ended 31 March 2007 respectively. The management considers that Hang Ten Phils. has been a major purchaser of the Group's subject products for sale in the Philippines since around 1996 and the supply arrangements between the Group and Hang Ten Phils. are necessary to facilitate the Group's retailing operations in the Philippines. For each of the two years ended 31 March 2007 and for the ten months ended 31 January 2008, the aggregate value of sales by the Group to Hang Ten Phils. amounted to approximately US\$2,242,000, US\$2,122,000 and US\$2,083,000 respectively. The Directors therefore consider that it would be in the commercial interest of the Group to continue such arrangements and established business relationship with Hang Ten Phils. upon terms under the Supply Agreement and to supply garments, apparel and/or accessories to Hang Ten Phils., which is expected to increase the revenue of the Group. The Directors are not aware of any disadvantage for the Group to continue such supply arrangements with Hang Ten Phils..

### IMPLICATIONS UNDER THE LISTING RULES

The Group is principally engaged in the design, marketing and retail and wholesale of apparel and accessories under various brand names including "Hang Ten" and licensing of its proprietary trade mark "Hang Ten" and associated marks.

The transactions under the Supply Agreement are carried out on a continuing or recurring basis in the ordinary and usual course of business of the Group and constitute continuing connected transactions under the Listing Rules.

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## LETTER FROM THE BOARD

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The transactions under the Supply Agreement constitutes continuing connected transactions of the Company that are subject to the reporting, announcement and independent shareholders' approval requirements under the Listing Rules since the value of such transactions, on an annual basis, is expected to exceed the 2.5% threshold under Rule 14A.34 of the Listing Rules.

Since no Shareholder or any associates of any Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Supply Agreement, the Company had, pursuant to Rule 14A.43 of the Listing Rules, applied to the Stock Exchange for, and was granted by the Stock Exchange, a waiver from strict compliance with the requirement that a general meeting be held for the approval of the Supply Agreement and the related annual cap as specified in Rule 14A.52 of the Listing Rules, and a permission that such agreement and annual cap instead be approved by way of a written approval of the independent Shareholders who hold more than 50% in nominal value of the issued ordinary share capital of the Company.

As at the Latest Practicable Date, Asian Wide holds 369,886,000 Shares, representing approximately 37.66% of the existing issued ordinary share capital of the Company and YGM holds 201,200,000 Shares, representing approximately 20.48% of the existing issued ordinary share capital of the Company, totalling 571,086,000 Shares and approximately 58.14% of the Company's issued ordinary share capital. Asian Wide and YGM, being the independent Shareholders not interested in the Supply Agreement, have given their written approval for the Supply Agreement and the related annual cap, subject to the grant of the relevant waiver and permission from the Stock Exchange. Asian Wide and YGM became Shareholders prior to its listing by way of introduction in January 2003, details of which are set out in the Listing Document, and worked in close collaboration in the listing process of the Company. On this basis, these Shareholders are regarded as a closely allied group of shareholders for the purposes of Rule 14A.43 of the Listing Rules.

### GENERAL

The Directors (including the independent non-executive Directors after taking into account of the advice of GF Capital (Hong Kong) Limited, the independent financial adviser to the Independent Board Committee and the Shareholders) consider that the Supply Agreement was entered into after arm's length negotiations and reflect normal commercial terms and that the terms of the Supply Agreement are fair and reasonable so far as the Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

Your attention is drawn to the further information contained in the appendix to this circular.

By order of the Board  
**Hang Ten Group Holdings Limited**  
**Chan Wing Sun**  
*Chairman*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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### HANG TEN GROUP HOLDINGS LIMITED

*(incorporated in Bermuda with limited liability)*

**(Stock Code: 448)**

1 April 2008

*To all the Shareholders*

Dear Sir/Madam,

#### **CONTINUING CONNECTED TRANSACTION**

We have been appointed as members of the independent board committee to advise you in connection with the Supply Agreement, details of which are set out in the “Letter from the Board” in the circular of the Company dated 1 April 2008 (the “Circular”) of which this letter forms part. Defined terms used in this letter shall have the same meanings as given to them in the Circular unless the context otherwise requires.

We, being the independent non-executive Directors constituting the Independent Board Committee, are writing to you to set out our opinion in respect of the Supply Agreement. The Independent Board Committee was set up to advise you whether in its view the terms of the Supply Agreement are in the interest of the Company and the Shareholders as a whole and are fair and reasonable so far as the Shareholders are concerned.

GF Capital (Hong Kong) Limited has been appointed by the Company to advise us and the Shareholders as to whether the terms of the Supply Agreement and the related annual cap are fair and reasonable so far as the Shareholders are concerned and are on normal commercial terms and whether the entering into of the Supply Agreement is in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole. Details of its advice, together with the principal factors taken into consideration in arriving at such advice, are set out on pages 11 to 19 of the Circular.

Your attention is also drawn to the “Letter from the Board” set out on pages 4 to 8 of the Circular and the additional information set out in the appendix to the Circular.

As disclosed in the “Letter from the Board” of the Circular, Asian Wide (holding 369,886,000 Shares, representing approximately 37.66% of the existing issued ordinary share capital of the Company) and YGM (holding 201,200,000 Shares, representing approximately 20.48% of the existing issued ordinary share capital of the Company), being the independent Shareholders not interested in the Supply Agreement, holding in aggregate 571,086,000 Shares, representing approximately 58.14% of the existing issued ordinary share capital of the

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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Company as at the Latest Practicable Date, had given their written approval for the Supply Agreement and the related annual cap, subject to the grant of the relevant waiver and permission from the Stock Exchange.

Having considered the terms of the Supply Agreement and taken into account the advice of GF Capital (Hong Kong) Limited, we consider that the terms of the Supply Agreement and the related annual cap are fair and reasonable so far as the Shareholders are concerned and are on normal commercial terms and that the entering into of the Supply Agreement are in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole and accordingly recommend the Shareholders to support the entering into of the Supply Agreement.

Yours faithfully,

Independent Board Committee of  
**Hang Ten Group Holdings Limited**

**Cheung Yat Hung, Alton**  
*Independent*  
*Non-Executive Director*

**Kwong Chi Keung**  
*Independent*  
*Non-Executive Director*

**So Hon Cheung, Stephen**  
*Independent*  
*Non-Executive Director*

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## LETTER FROM GF CAPITAL (HONG KONG) LIMITED

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*The following is the text of a letter of advice from GF Capital (Hong Kong) Limited, which has been prepared for the purpose of incorporation into this circular, setting out its opinion to the Independent Board Committee and the Shareholders in respect of the Supply Agreement.*



Suites 2301-5 & 2313, COSCO Tower  
183 Queen's Road Central

1 April 2008

*To the independent board committee and  
shareholders of Hang Ten Group Holdings Limited*

Dear Sirs,

### CONTINUING CONNECTED TRANSACTION

#### INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Shareholders on the terms of the Supply Agreement. Details of the Supply Agreement are set out in the letter from the Board contained in the circular to Shareholders dated 1 April 2008 (the "Circular"), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 11 March 2008, Hang Ten Enterprises entered into the Supply Agreement with Hang Ten Phils., a non-wholly-owned subsidiary of the Company. The Supply Agreement constitutes continuing connected transactions of the Company that is subject to the reporting, announcement and independent Shareholders' approval requirements under the Listing Rules since the value of such transactions, on an annual basis, is expected to exceed the 2.5% threshold under Rule 14A.34 of the Listing Rules.

Since no Shareholder or any associates of any Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Supply Agreement, the Company has, pursuant to Rule 14A.43 of the Listing Rules, applied to the Stock Exchange for a waiver from strict compliance with the requirement that a general meeting be held for the approval of the Supply Agreement and the related annual cap as specified in Rule 14A.52 of the Listing Rules, and for permission from the Stock Exchange that the Supply Agreement and the related annual cap be approved by way of a written approval of the independent Shareholders who hold more than 50% in nominal value of the issued ordinary share capital of the Company instead. Such waiver has been granted by the Stock Exchange on 19 March 2008.

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## LETTER FROM GF CAPITAL (HONG KONG) LIMITED

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As at the Latest Practicable Date, Asian Wide held 369,886,000 Shares, representing approximately 37.66% of the existing issued ordinary share capital of the Company and YGM held 201,200,000 Shares, representing approximately 20.48% of the existing issued ordinary share capital of the Company. Asian Wide and YGM together held, representing 571,086,000 Shares approximately 58.14% of the Company's issued ordinary share capital. Asian Wide and YGM, being the independent Shareholders not interested in the Supply Agreement, have given their written approval for the Supply Agreement and the relevant proposed annual cap, subject to the grant of the relevant waiver and approval from the Stock Exchange.

### INDEPENDENT BOARD COMMITTEE

The independent board committee of the Company, comprising, Cheung Yat Hung Alton, Kwong Chi Keung and So Hon Cheung Stephen, being all the independent non-executive Directors, has been formed to consider the terms of the Supply Agreement and the relevant proposed annual cap and give advice and make recommendation to the Shareholders in this connection.

We have been appointed to advise the Independent Board Committee and the Shareholders as to whether the terms of the Supply Agreement and the relevant proposed annual cap are fair and reasonable so far as the Shareholders are concerned and are on normal commercial terms and whether the entering into of the Supply Agreement is in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole.

### BASIS OF OUR OPINION

In formulating our opinion, we have relied on the information, statements, opinions and representations provided to us by the Company, its representatives and the directors of the Company for which they are solely and wholly responsible and we have assumed that all such information, statements, opinions and representations contained or referred to in the Circular were true, accurate and complete at the time they were made and continue to be true, accurate and complete at the date of the Circular.

We have assumed that all statements of belief, opinion and intention made by the Company, its representatives and the directors of the Company as set out in the Circular were reasonably made after due and careful enquiry. We have also sought and obtained confirmation from the Company that no material facts have been omitted from the information provided and referred to in the Circular. The Directors confirmed that they have provided us with all currently available information and documents which are available under present circumstances to enable us to reach an informed view and we have relied on the accuracy of such information and the information contained in the Circular to provide a reasonable basis of our opinions.

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## LETTER FROM GF CAPITAL (HONG KONG) LIMITED

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Our review and analyses were based upon the information provided by the Company which include among others, the Supply Agreement, the annual reports of the Company for the year ended 31 March 2005, 2006 and 2007 (the “Annual Reports”), the unaudited interim report of the Company for the six months ended 30 September 2007 and sample invoices issued by Hang Ten Enterprises to Hang Ten Phils. as well as those to independent third parties for similar products.

We consider that we have reviewed sufficient information to reach a reasonably informed view to justify our reliance on the accuracy of the information contained in the Circular as aforesaid and to provide reasonable grounds for our advice. In addition, we have no reason to doubt the truth, accuracy and/or completeness of the information and representations as provided to us by the Directors. We, however, have not conducted any independent in-depth investigation into nor have we carried out any independent verification of the information supplied.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In arriving at our opinion and recommendation in relation to the terms of the Supply Agreement, we have considered the following principal factors and reasons:

#### **1. Background for the entering into of the Supply Agreement**

On 11 March 2008, Hang Ten Enterprises entered into the Supply Agreement with Hang Ten Phils., a non-wholly-owned subsidiary of the Company. Hang Ten Enterprises will sell garments, apparel and/or accessories to Hang Ten Phils. on a non-exclusive basis in accordance with any written quotation of Hang Ten Enterprises which is accepted by Hang Ten Phils., or any written order of Hang Ten Phils. which is accepted by Hang Ten Enterprises.

Hang Ten Enterprises is a wholly-owned subsidiary of ILC. Hang Ten Phils. is a non-wholly-owned subsidiary of ILC indirectly held as to 55% by ILC and as to the remaining 45% by Chua and company. Save for Ms. Nancy C. Lim, Chua and company are also directors of Hang Ten Phils.

Hang Ten Enterprises supplies apparel and accessories bearing the “Hang Ten” brand name to Hang Ten Phils. on an open account basis for retailing in the Philippines. Such transactions constitute continuing connected transactions of the Company under the Listing Rules.

Pursuant to a supply agreement dated 23 May 2005 (“Previous Supply Agreement”) entered into between Hang Ten Enterprises as seller and Hang Ten Phils. as buyer, Hang Ten Enterprises agreed to sell such products to Hang Ten Phils. for a period of 3 years commencing from 1 April 2005. The entering into of the Previous Supply Agreement constituted continuing connected transactions of the Company and was subject to the reporting, announcement and independent shareholders’ approval requirements under the

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## LETTER FROM GF CAPITAL (HONG KONG) LIMITED

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Listing Rules. Further details of the Previous Supply Agreement are set out in the announcement of the Company dated 27 May 2005. The Stock Exchange had granted waivers to the Company, subject to conditions, that written approval of independent shareholders that constitute a closely allied group was acceptable in lieu of shareholders approval in shareholders meeting in respect of the Previous Supply Agreement pursuant to Rule 14A.43 of the Listing Rules.

Since the transactions between Hang Ten Enterprises and Hang Ten Phils. involve the provision of goods which is carried out on a continuing or recurring basis in the ordinary and usual course of business of the Group, they constitute continuing connected transactions of the Company. As the transactions will continue after the expiration of the Previous Supply Agreement, to comply with the Listing Rules, Hang Ten Enterprises and Hang Ten Phils. have entered into the Supply Agreement in respect of these transactions for a fixed term of 3 years ending 31 March 2011.

### **2. Reasons for entering into the Supply Agreement**

One of the principal businesses of the Group is the retail and wholesale of apparel and accessories under the brand name “Hang Ten” to Asian countries including the Philippines. Hang Ten Phils. is the retailing arm of the Group in the Philippines, which is one of the principal territories in which the Group operates its retail business. The Group’s retail business in the Philippines contributed to approximately 2.2% and 2.1% of the audited consolidated turnover of the Group for the two years ended 31 March 2007 respectively. The management of the Company considers that the supply arrangements between the Group and Hang Ten Phils. are necessary to facilitate the Group’s retailing operations in the Philippines. The Directors therefore consider that it would be in the interest of the Group to continue such arrangements based upon terms as set out in the Supply Agreement.

Given that one of the principal businesses of Group is the retail and wholesale of apparel and accessories under the brand name “Hang Ten” to Asian countries including the Philippines, we consider that the supply arrangements between the Group and Hang Ten Phils. contemplated under the Supply Agreement fall within the Group’s ordinary and usual course of business. In addition, we consider that the entering into of the Supply Agreement can facilitate the Group’s retailing operations, particularly in the Philippines, and therefore is in the interests of the Company and the Shareholders as a whole.



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## LETTER FROM GF CAPITAL (HONG KONG) LIMITED

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### 3. Major terms of the Supply Agreement

The Supply Agreement constitutes a continuing connected transaction of the Company and particulars relating to the transactions under the Supply Agreement are described below.

Date:	11 March 2008
Effective period:	Subject to the Company having obtained all necessary waivers, consents and approvals (including necessary shareholders approval (if required)) as required under the relevant governmental or regulatory authorities (including the Stock Exchange) in respect of the Supply Agreement and the transactions contemplated thereunder, the Supply Agreement shall commence on 1 April 2008 and shall continue in force until 31 March 2011.
Seller:	Hang Ten Enterprises, which is principally engaged in the wholesaling and retailing of products bearing the “Hang Ten” brand name in Taiwan as well as overseas wholesaling
Buyer:	Hang Ten Phils., which is principally engaged in the sales of apparel and accessories bearing the brand name ‘Hang Ten’ in the Philippines
Nature of transaction:	Hang Ten Enterprises will sell garments, apparel and/or accessories to Hang Ten Phils. on a non-exclusive basis in accordance with any written quotation of Hang Ten Enterprises which is accepted by Hang Ten Phils., or any written order of Hang Ten Phils. which is accepted by Hang Ten Enterprises.

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## LETTER FROM GF CAPITAL (HONG KONG) LIMITED

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Payment terms:

The price of the goods will be Hang Ten Enterprises' quoted price from time to time which will be determined based on the actual cost of the goods and a reasonable profit margin determined by Hang Ten Enterprises taking into account the following:

- (a) the quoted price shall not be less than the price charged by Hang Ten Enterprises to an independent third party when dealing on an arm's length basis having regard to any other special circumstances such as arm's length negotiated volume discounts; and
- (b) if no such comparable reference prices are available, the quoted price shall be determined by agreement between the parties based on (i) normal commercial terms that are considered to be fair and reasonable by the parties; and (ii) terms no less favourable to Hang Ten Enterprises than terms available from independent third parties

The buyer shall pay the price of the goods within 30 days of Hang Ten Enterprises' invoice.

Proposed annual cap:

US\$2,800,000 (equivalent to about HK\$21,840,000)

We have reviewed samples of past sales invoices issued by Hang Ten Enterprises to Hang Ten Phils. as well as those to independent third parties for similar products and compared terms of the sample invoices. Based on the sample invoices that we have reviewed, we are of the view that the terms of the past sales from Hang Ten Enterprises to Hang Ten Phils. are in line with the relevant past supply agreement entered into between the parties. In addition, the terms and conditions for sales by Hang Ten Enterprises to Hang Ten Phils. are no less favorable than those to independent third parties for similar products.

Taking into account terms and conditions of the Supply Agreement, including the basis of price determination and the non-exclusive nature, we concur with the Directors' view that the terms of the Supply Agreement are on normal commercial terms and are fair and reasonable so far as Shareholders are concerned.



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## LETTER FROM GF CAPITAL (HONG KONG) LIMITED

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- c. an approximately 12.0% increase to the annualised sales for the ten months ended 31 January 2008 of approximately US\$2,499,600 (equivalent to about HK\$19,496,880); and
- d. an approximately 3.7% increase to the approved annual cap for the three years ended 31 March 2005.

In determining the Cap, the Directors have taken into consideration the value of such transactions over the past two years ended 31 March 2007 and the ten months ended 31 January 2008 and the expected increase in sales to Hang Ten Phils. in the coming years based on the current general market conditions and accordingly consider the Cap reasonable. Having considered (i) the high utilisation of the approved cap; (ii) the relatively stable sales figures during the period under review which imply future sales figures more predictable; and (iii) the expected growing sales to Hang Ten Phils. based on the transaction value for the ten months ended 31 January 2008 as shown in the above table, we are of the view that the basis of determination of the Cap is reasonable.

### **5. Listing rules' implications**

The Supply Agreement and any continuing connected transactions contemplated thereunder are subject to the following annual review requirements of Rule 14A.37 to 14A.41 of the Listing Rules:

- a. Each year the independent non-executive Directors must review the transactions contemplated under the Supply Agreement (the "Transactions") and confirm in the annual report and accounts that the Transactions have been entered into:
  - (1) in the ordinary and usual course of business of the Company;
  - (2) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Company than terms available to or from (as appropriate) independent third parties; and
  - (3) in accordance with the Supply Agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.
- b. Each year the auditors must provide a letter to the Board (with a copy provided to the Stock Exchange at least 10 business days prior to the bulk printing of the Company's annual report), confirming that the Transactions:
  - (1) have received the approval of the Board;
  - (2) are in accordance with the pricing policies of the Company if the Transactions involve provision of goods or services by the Company;

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## LETTER FROM GF CAPITAL (HONG KONG) LIMITED

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- (3) have been entered into in accordance with the Supply Agreement governing the Transactions; and
  - (4) have not exceeded the Cap.
- c. The Company shall allow, and shall procure that Hang Ten Phils. shall allow, the auditors sufficient access to their records for the purpose of reporting on the Transactions as set out in the Listing Rule. The Board must state in the annual report whether its auditors have confirmed the matters stated in (b) above.
- d. The Company shall promptly notify the Stock Exchange and publish an announcement in the newspapers if it knows or has reason to believe that the independent non-executive Directors and/or the auditors will not be able to confirm the matters set out in (a) and/or (b) above respectively. The Company may have to re-comply with Rules 14A.35(3) and (4) of the Listing Rules and any other conditions the Stock Exchange considers appropriate.
- e. Upon any variation or renewal of the Supply Agreement, the Company must comply in full with all applicable reporting, disclosure and independent Shareholders' approval requirements of Chapter 14 of the Listing Rules in respect of all continuing connected transactions effected after such variation or renewal.

The aforesaid annual review requirements pursuant to Rule 14A.37 to 14A.41 of the Listing Rules can provide appropriate measures to govern the Company in carrying out the transactions contemplated under the Supply Agreement and safeguard the interest of the Shareholders thereunder.

### RECOMMENDATION

Having considered the above principal factors and reasons, we consider that (i) the terms of the Supply Agreement and the Cap are fair and reasonable so far as the Shareholders are concerned and are on normal commercial terms and (ii) the entering into of the Supply Agreement are in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole. Accordingly, we advise (i) the Independent Board Committee to recommend to the Shareholders, and (ii) the Shareholders, to vote in favour of the ordinary resolutions approving the entering into of the Supply Agreement and the Cap if the Company were to convene a general meeting for the approval of the Supply Agreement and the Cap.

For and on behalf of  
**GF Capital (Hong Kong) Limited**  
**Dino Ng**  
*Director and Co-Head of Corporate Finance*

## 1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular 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

As at the Latest Practicable date, the interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”)) of the Directors and the chief executive of the Company 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 were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein, or which were otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follow:

Long position in Shares:

<b>Name of Director</b>	<b>Capacity</b>	<b>Total number</b>	<b>Approximate Shareholding Percentage</b>
Mr. Kenneth Hung	Beneficial owner	36,200,000	3.69%
Ms. Kao Yu Chu	Beneficial owner	9,000,000	0.92%
Ms. Wang Li Wen	Beneficial owner	9,000,000	0.92%

Save as disclosed above, as at the Latest Practicable date, none of the Directors or chief executive of the Company had any interests or short position in the shares, underlying shares and debentures of the Company and its associated corporations (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 were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein, or which were otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

**(b) Interests of substantial shareholders**

As at the Latest Practicable Date, the following interests and short position of 5% or more of the share capital of the Company were recorded in the register of interests required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Long position in Shares:

<b>Name</b>	<b>Capacity</b>	<b>Number of Shares</b>	<b>Approximate Shareholding Percentage</b>
Asian Wide Services Limited ( <i>Note 1</i> )	Beneficial Owner	369,886,000	37.66
YGM Trading Limited ( <i>Note 2</i> )	Beneficial Owner	201,200,000	20.48

*Notes:*

1. Asia Wide Services Limited is a limited liability company incorporated in the British Virgin Islands, which is owned as to 29% by Ms. Hung Cheng Sui Tsen, 29% by Mr. Kenneth Hung, 21% by Ms. Hung Chung Yee Pamela and 21% by Ms. Hung Pui Kee Peggy.
2. YGM Trading Limited is a limited liability company incorporated in Hong Kong, the shares of which are listed on the Main Board of the Stock Exchange.

As at the Latest Practicable Date, so far as the Directors were aware, those persons who held (other than members of the Group) interests of 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of a member of the Group (other than the Company) or in any options in respect of such capital were as follows:

<b>Name of Owner</b>	<b>Name of Subsidiary</b>	<b>Number of Shares</b>	<b>% of Equity Interests</b>
Mr. Chua Kun Yao	Hang Ten Phils., Corp.	700,000	14%
Mr. William T. De Leon	Hang Ten Phils., Corp.	700,000	14%
Mr. Johnny Tan	Hang Ten Phils., Corp.	700,000	14%

*Note:* Hang Ten Phils., Corp. is a 55% indirectly owned subsidiary of the Company.

Save as disclosed herein, so far as was known to the Directors, there was no other person (other than a Director or chief executive of the Company) who, as at the Latest Practicable Date, had an interest or short position in the shares or underlying shares which

would fall to be disclosed to the Company and the Stock Exchange under Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or in any options in respect of such capital.

**(c) Service contracts**

Mr. Kenneth Hung, executive Director, has entered into a service agreement with ILC International Corporation, a wholly owned subsidiary of the Company, for a term of three years commencing from 1 January 2007 terminable within its term by notice on ground of incapacitation, misconduct and bankruptcy of the executive Director. Pursuant to the service agreement, Mr. Kenneth Hung is entitled to a remuneration of US\$21,780 per month for the period from 1 January 2007 to 31 March 2007 and US\$19,800 per month thereafter. Mr. Kenneth Hung is also entitled to a bonus equivalent to 3% of the net profit after tax of ILC International Corporation and its subsidiaries.

Ms. Kao Yu Chu and Ms. Wang Li Wen, executive Directors, have respectively entered into (i) service agreements (“HT Enterprises Contracts”) with Hang Ten Enterprises Limited, a wholly owned subsidiary of the Company and (ii) service agreements (“HT Branch Contracts”) with Hang Ten Enterprises Limited, Taiwan Branch (“HT Branch”). Particulars of these four (4) service agreements, except as indicated, are in all material respects identical and set out below:

- (a) each service agreements is for a term (“Term”) of three (3) years commencing from 1 April 2007 respectively, terminable within its terms by notice on ground of incapacitation, misconduct and bankruptcy of the executive Directors;
- (b) pursuant to the HT Enterprises Contracts, Ms. Kao Yu Chu and Ms. Wang Li Wen are respectively entitled to a fixed salary of US\$8,500 per month, US\$9,000 per month and US\$9,500 per month for the first year, second year and third year of the Term with twelve monthly payments per year;
- (c) pursuant to the HT Branch Contracts, Ms. Kao Yu Chu and Ms. Wang Li Wen are respectively entitled to a fixed salary of New Taiwan dollars (“NT\$”) 3,600,000 per annum and NT\$2,940,000 per annum payable in twelve monthly installments subject to increment at the discretion of the board of directors of HT Branch, having regard to HT Branch’s and their respective performance, at every anniversary of the Term;
- (d) pursuant to the HT Branch Contracts, Ms. Kao Yu Chu and Ms. Wang Li Wen may be entitled to a discretionary management bonus, at the discretion of the board of directors of HT Branch, having regard to HT Branch’s and their respective performance, at every anniversary of the Term.



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

**(d) Miscellaneous**

Save as disclosed herein and as at the Latest Practicable Date,

- (i) none of the Directors or GF Capital (Hong Kong) Limited has any direct or indirect interests in any assets which have been, since the date to which the latest published audited consolidated accounts of the Group were made up, acquired or disposed of by, or leased to the Company or any of its subsidiaries, or are proposed to be acquired or disposed of by, or leased to, the Company or any of its subsidiaries;
- (ii) none of the Directors is materially interested in any contract or arrangement entered into by the Company or any of its subsidiaries which contract or arrangement is subsisting at the date of this circular and which is significant in relation to the business of the Group; and
- (iii) GF Capital (Hong Kong) Limited was not beneficially interested in the share capital of any member of the Group and did not have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

**3. DIRECTORS' INTERESTS IN COMPETING BUSINESS**

To the best knowledge of the Directors, none of the Directors or their respective associates has any interests in a business, which competes or may compete with the business of the Group.

**4. MATERIAL CHANGE**

Save as disclosed in this circular, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 March 2007, the date to which the latest published audited consolidated accounts of the Group were made up.

**5. EXPERT'S QUALIFICATION AND CONSENT**

GF Capital (Hong Kong) Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and the reference to its name in the form and context in which it appears.

The qualification of the expert who has provided its advice which is contained in this circular is set out as follows:

<b>Name</b>	<b>Qualification</b>
GF Capital (Hong Kong) Limited	a licensed corporation to carry on Type 6 (advising on corporate finance) regulated activity for the purpose of the SFO

## **6. GENERAL**

- (a) The secretary of the Company is Mr. Lee Kin Keung, Lawrence, who is a member of the Hong Kong Institute of Certified Public Accountants and a member of CPA Australia.
- (b) The qualified accountant of the Company is Mr. Lee Kin Keung, Lawrence, who is a member of the Hong Kong Institute of Certified Public Accountants and a member of CPA Australia (as required under Rule 3.24 of the Listing Rules).
- (c) The branch share registrar of the Company in Hong Kong is Tricor Standard Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- (d) The English text of this circular shall prevail over the Chinese text.

## **7. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection during normal business hours at the principal office of the Company at Room 912, 9th Floor, Stanhope House, 734 King's Road, Quarry Bay, Hong Kong from the date of this circular up to and including the date which is 14 days from the date of this circular.

- (a) the memorandum of association and bye-laws of the Company;
- (b) the Supply Agreement;
- (c) the letter from the Independent Board Committee, the text of which is set out on pages 9 to 10 of this circular;
- (d) the letter of advice from GF Capital (Hong Kong) Limited, the text of which is set out on pages 11 to 19 of this circular;
- (e) the written consent referred to in this appendix; and
- (f) the service contracts of the Directors referred to in paragraph 2(c) above.