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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.



HANG TEN GROUP HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

(Stock Code: 448)

CONTINUING CONNECTED TRANSACTION

A letter dated 20 June 2005 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 20 June 2005 from Kim Eng Corporate Finance (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 18 of this circular.

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DEFINITIONS

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

“Asian Wide”	Asian Wide Services Limited, a limited liability company incorporated in the British Virgin Islands and a substantial Shareholder interested in approximately 45.47% of the existing issued ordinary share capital of the Company 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.
“Company”	Hang Ten Group Holdings Limited, a company incorporated in Bermuda with limited liability, the 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 limited liability 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 with limited liability 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
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“ILC”	ILC International Corporation, a limited liability company incorporated in the British Virgin Islands and an indirect wholly owned subsidiary of the Company

DEFINITIONS

“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”	15 June 2005, 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 circular, Taiwan, Hong Kong and the Macau Special Administrative Region of the PRC
“Supply Agreement”	the agreement dated 23 May 2005 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
“United States” or “US”	the United States of America
“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 18.43% of the existing issued ordinary share capital of the Company as at the Latest Practicable Date

DEFINITIONS

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

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

LETTER FROM THE BOARD



HANG TEN GROUP HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

Executive Directors:

Chan Wing Sun
Kenneth Hung
Wang Li Wen
Kao Yu Chu

Registered Office:

Clarendon House
2 Church Street
Hamilton, HM11
Bermuda

Independent non-executive Directors:

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

Principal Office

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

20 June 2005

To all the Shareholders

Dear Sir/Madam,

CONTINUING CONNECTED TRANSACTION

INTRODUCTION

On 27 May 2005, the Company announced that, among other matters, Hang Ten Enterprises entered into the Supply Agreement on 23 May 2005 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.

LETTER FROM THE BOARD

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. Save for Ms. Nancy C. Lim, Chua and company are also directors of Hang Ten Phils.

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 in force prior to 31 March 2004. The Stock Exchange granted a waiver to the Company, subject to conditions, from strict compliance with the disclosure and shareholders' approval requirements applicable to these transactions under the Listing Rules then in force. This waiver expired on 31 March 2005. The transactions between Hang Ten Enterprises and Hang Ten Phils. have continued after the expiry of the waiver. The Directors confirm that these transactions carried out since 1 April 2005 up to date are on normal commercial terms and the value of these transactions has not exceeded the 0.1% threshold provided under Rule 14A.33 of the Listing Rules and, accordingly, they are exempt from the reporting, announcement and independent shareholders' approval requirements of Chapter 14A 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. To comply with the Listing Rules as currently in effect, Hang Ten Enterprises and Hang Ten Phils. entered into the Supply Agreement in respect of these transactions for a fixed term of 3 years commencing from 1 April 2005, subject to termination as described below.

The Supply Agreement constitutes a continuing connected transaction of the Company that is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Particulars of the Supply Agreement are described below.

Particulars

Date: 23 May 2005

Effective period: 3 years commencing from 1 April 2005. Either party may terminate the Supply Agreement if the transactions under the agreement are not approved by the independent Shareholders in compliance with the Listing Rules.

LETTER FROM THE BOARD

- 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 retailing 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.
- Payment terms: The price of the goods will be Hang Ten Enterprises’ quoted price 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.
- Proposed annual cap: US\$2,700,000 (equivalent to approximately HK\$21,060,000)

LETTER FROM THE BOARD

Basis of annual cap:

The aggregate value of the transactions between Hang Ten Enterprises and Hang Ten Phils. amounted to approximately US\$2,314,000 (equivalent to approximately HK\$18,049,200), US\$2,513,000 (equivalent to approximately HK\$19,601,400) and US\$2,155,000 (equivalent to approximately HK\$16,809,000) for the three years ended 31 March 2005 respectively. In determining the proposed annual cap, the Directors have taken into consideration the value of such transactions over the past three years ended 31 March 2005. The proposed annual cap of US\$2,700,000 (equivalent to approximately HK\$21,060,000) represents approximately 107% of the highest amount of sales of approximately US\$2,513,000 (equivalent to approximately HK\$19,601,400) recorded for the year ended 31 March 2004. The Directors consider that an approximately 7% increase in such amount is fair and reasonable in order to cater for normal variance in sales to Hang Ten Phils. in the ensuing years which may arise from periodic fluctuations in market conditions, and accordingly consider the proposed annual cap fair and reasonable.

Reason 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 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 3.6% and 3.4% of the audited consolidated turnover of the Group for the two years ended 31 March 2004 respectively. The Directors consider 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 upon the terms of the Supply Agreement.

IMPLICATION UNDER THE LISTING RULES

The Group is principally engaged in the design, marketing and retail and wholesale of apparel and accessories under the brand name 'Hang Ten' and licensing of its proprietary trade mark 'Hang Ten' and associated trade 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.

LETTER FROM THE BOARD

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 since the value of the transactions under the Supply Agreement, 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.53 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 a permission that such agreement and annual cap instead be approved by way of a written approval of the independent Shareholders who together hold more than 50% in nominal value of the issued ordinary share capital of the Company. Such approval and permission were granted by the Stock Exchange on 17 June 2005.

As at the Latest Practicable Date, Asian Wide held 354,986,000 Shares, representing approximately 45.47% of the existing issued ordinary share capital of the Company and YGM held 143,900,000 Shares, representing approximately 18.43% of the existing issued ordinary share capital of the Company, totalling 498,886,000 Shares and approximately 63.90% of the Company's issued ordinary share capital. Asian Wide and YGM, being the independent Shareholders not interested in the Supply Agreement, 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. 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 consider that the transactions under the Supply Agreement were 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 appendices to this circular.

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



HANG TEN GROUP HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

20 June 2005

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 20 June 2005 (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.

Kim Eng Corporate Finance (Hong Kong) Limited has been appointed by the Company to advise us and the Shareholders as to whether the terms of the Supply Agreement are fair and reasonable so far as the Shareholders are concerned. Details of its advice, together with the principal factors taken into consideration in arriving at such advice, are set out on pages 11 to 18 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 354,986,000 Shares, representing 45.47% of the existing issued ordinary share capital of the Company) and YGM (holding 143,900,000 Shares, representing 18.43% of the existing issued ordinary share capital of the Company), being the independent Shareholders not interested in the Supply Agreement, holding in aggregate 498,886,000 Shares, representing approximately 63.90% of the existing issued ordinary share capital of the 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 pursuant to Rules 14A.43 and 14A.53 of the Listing Rules.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered the terms of the Supply Agreement and taken into account the advice of Kim Eng Corporate Finance (Hong Kong) Limited, we consider that the terms of the Supply Agreement are fair and reasonable as far as the Shareholders are concerned and that the Supply Agreement and the related annual cap are in the interests of the Company and the Shareholders as a whole and recommend the Shareholders to support the entering into the Supply Agreement.

Yours faithfully,

Independent Board Committee of
Hang Ten Group Holdings Limited

Kwong Chi Keung
Independent
Non-Executive Director

So Hong Cheung, Stephen
Independent
Non-Executive Director

Cheung Yat Hung, Alton
Independent
Non-Executive Director

LETTER FROM KIM ENG CORPORATE FINANCE (HONG KONG) LIMITED

The following is the text of a letter of advice from Kim Eng Corporate Finance (Hong Kong) Limited, which has been prepared for the purpose of incorporation into this circular, setting out its advice to the Independent Board Committee and the Shareholders in connection with the Supply Agreement.



Kim Eng Corporate Finance (Hong Kong) Limited

Room 1901, Bank of America Tower,

12 Harcourt Road, Central

Hong Kong

The Independent Board Committee
and the Shareholders

20 June 2005

Hang Ten Group Holdings Limited
Room 912, 9th Floor
Stanhope House
734 King's Road
Quarry Bay
Hong Kong

Dear Sirs/Madam,

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 and conditions 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 20 June 2005 (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 23 May 2005, Hang Ten Enterprises entered into the Supply Agreement 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 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.

LETTER FROM KIM ENG CORPORATE FINANCE (HONG KONG) LIMITED

Since no 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.53 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 a 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 approval and permission were granted by the Stock Exchange on 17 June 2005.

As at the Latest Practicable Date, Asian Wide held 354,986,000 Shares, representing approximately 45.47% of the existing issued ordinary share capital of the Company and YGM held 143,900,000 Shares, representing approximately 18.43% of the existing issued ordinary share capital of the Company. Asian Wide and YGM together held, 498,886,000 Shares representing approximately 63.90% of the Company's issued ordinary share capital as at the Latest Practicable Date. Asian Wide and YGM, being the independent Shareholders not interested in the Supply Agreement, 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.

INDEPENDENT BOARD COMMITTEE

The Board currently consists of 4 executive Directors, namely Chan Wing Sun, Kenneth Hung, Wang Li Wen and Kao Yu Chu; and 3 independent non-executive Directors, namely So Hon Cheung, Stephen, Kwong Chi Keung and Cheung Yat Hung, Alton, who are considered to be independent pursuant to Rule 3.13 of the Listing Rules. The Independent Board Committee of the Company, comprising So Hon Cheung, Stephen, Kwong Chi Keung and Cheung Yat Hung, Alton, being all the independent non-executive Directors of the Company, has been formed to consider the terms and conditions of the Supply Agreement and give an advice and make a recommendation to Shareholders in this connection.

BASIS OF OUR OPINION

In forming our opinion as to whether the terms and conditions of the Supply Agreement are fair and reasonable and the entering into of the Supply Agreement is in the interest of the Company and Shareholders as a whole, we have relied on the information and representations contained in the Circular and have assumed that all information and representations made or referred to in the Circular were true, accurate and complete at the time when they were made and continued to be true, accurate and complete as at the date of the Circular.

We have also assumed that all statements of belief, opinion and intention made by the Board contained in the Circular were reasonably made by them after their due enquiry and careful consideration and that there are no other facts the omission of which would make any statement in the Circular misleading in any material respect.

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 three years ended 31 March 2002, 2003 and 2004 (the “Annual Reports”), the unaudited interim report of the Company for the six months ended 30 September 2004 and a sample of invoices issued by Hang Ten Enterprises to Hang Ten Phils. and Chua and company.

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.

Furthermore, 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 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 recommendation in relation to the terms and conditions of the Supply Agreement, we have considered the following principal factors and reasons:

1. Background for entering into the Supply Agreement

On 23 May 2005, 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 Phils constitutes a connected person of the Group under Rule 14A.11 of the Listing Rules and any transactions entered into between these two parties constitutes connected transactions of the Company under Rule 14A.13 of the Listing Rules.

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. Save for Ms. Nancy C. Lim, Chua and company are also directors of Hang Ten Phils.

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 in force prior to 31 March 2004. The Stock Exchange granted a waiver to the Company, subject to conditions, from strict compliance with the disclosure and shareholders’ approval requirements applicable to these transactions under the Listing Rules. This waiver expired on 31 March 2005. The transactions between Hang Ten Enterprises and Hang Ten Phils. continued after the expiry of the waiver. The Directors confirm that these transactions carried out since 1 April 2005 up to date are on normal commercial

terms and the value of these transactions has not exceeded the 0.1% threshold provided under Rule 14A.33 of the Listing Rules and, accordingly, they are exempt from the reporting, announcement and independent shareholders' approval requirements of Chapter 14A 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 pursuant to Rule 14A.14 of the Listing Rules. To comply with the Listing Rules as currently in effect, 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 commencing from 1 April 2005, subject to termination as described below.

2. Reasons for entering into the Supply Agreement

The Group is principally engaged in the design, marketing and retail and wholesale of apparel and accessories under the brand name 'Hang Ten' and licensing of its proprietary trade mark 'Hang Ten' and associated marks. One of the principal businesses of the Group is the retail and wholesale of apparel and accessories under the brand name 'Hang Ten' to 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 3.6% and 3.4% of the audited consolidated turnover of the Group for the years ended 31 March 2003 and 31 March 2004 respectively. The Directors consider that the supply arrangement between the Group and Hang Ten Phils. is 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 an arrangement based upon terms as set out in the Supply Agreement.

Taking into account the past performance and future prospect of the Group's business operation in the Philippines market, the Directors are of the view that the supply arrangement between the Group and Hang Ten Phils is in the interests of the Company and its Shareholders as a whole.

3. Major terms of the Supply Agreement

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

Date: 23 May 2005

Effective period: 3 years commencing from 1 April 2005. Either party may terminate the Supply Agreement if the transactions under the agreement are not approved by the independent Shareholders of the Company in compliance with the Listing Rules.

LETTER FROM KIM ENG CORPORATE FINANCE (HONG KONG) LIMITED

- 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 retailing 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.
- Payment terms: The price of the goods will be Hang Ten Enterprises' quoted price 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
- Proposed annual cap: US\$2,700,000 (equivalent to about HK\$21,060,000)

Taking into account the basis of determining the price of the goods above, we concur with the Directors' view that the terms and conditions of the Supply Agreement are on normal commercial terms and are fair and reasonable so far as Shareholders are concerned.

4. Basis of determination of the annual cap

The aggregate value of the transactions between Hang Ten Enterprises and Hang Ten Phils. amounted to approximately US\$2,314,000 (equivalent to approximately HK\$18,049,200), US\$2,513,000 (equivalent to approximately HK\$19,601,400) and US\$2,155,000 (equivalent to approximately HK\$16,809,000) for the three years ended 31 March 2005 respectively. Shareholders should note that the aggregate value of the transactions between Hang Ten Enterprises and Hang Ten Phils. for the year ended 31 March 2005 was based on the Group's unaudited management accounts.

The proposed annual aggregate value of the transactions between Hang Ten Enterprises and Hang Ten Phils. under the Supply Agreement is capped at US\$2,700,000 (equivalent to approximately HK\$21,060,000) (the "Cap") and represents:

- a. an approximately 7% increase to the sales of approximately US\$2,513,000 (equivalent to approximately HK\$19,601,400) for the year ended 31 March 2005, being the highest sales amount recorded for the three years ended 31 March 2005;
- b. an approximately 25% increase to the sales of approximately US\$2,155,000 (equivalent to approximately HK\$16,809,000) for the year ended 31 March 2005, being the lowest sales amount recorded for the three years ended 31 March 2005; and
- c. an approximately 16% increase to the average amount of the sales of approximately US\$2,327,333 (equivalent to approximately HK\$18,153,197) recorded 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 three years ended 31 March 2005 and consider that an approximately 7% increase to the highest sales amount achieved for the three years ended 31 March 2005 is fair and reasonable in order to cater for normal variance in sales to Hang Ten Phils. in the ensuing years which may arise from periodic fluctuations in market conditions. Comparing with the average amount of sales of approximately US\$2.3 million (equivalent to approximately HK\$17,940,000) for the Group's past three financial years, the Cap of US\$2.7 million (equivalent to approximately HK\$21,060,000) represents a compound annual growth rate of only approximately 5% for the next three years. Accordingly, the Directors consider the Cap fair and 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;
 - (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.

LETTER FROM KIM ENG CORPORATE FINANCE (HONG KONG) LIMITED

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 Supply Agreement and safeguard the interest of the Shareholders thereunder.

RECOMMENDATION

Having considered the above principal factors and reasons, we are of the view that the terms and conditions of the Supply Agreement are on normal commercial terms and the Supply Agreement and the Cap are fair and reasonable and the entering into of the Supply Agreement is in the interests of the Company and the Shareholders taken as a whole.

Yours faithfully
For and on behalf of
Kim Eng Corporate Finance (Hong Kong) Limited
Dino Ng
Director

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 Issuers, were as follows:

(i) Number of Shares:

Name of Director	Capacity	Total number
Kenneth Hung	Beneficial owner	23,000,000
Wang Li Wen	Beneficial owner	5,800,000
Kao Yu Chu	Beneficial owner	5,800,000

(ii) Number of convertible preference shares of HK\$10,000 each convertible into Shares at a conversion price of HK\$0.10 per Share (subject to adjustment):

Name of Director	Capacity	Total number
Kenneth Hung	Beneficial owner	132
Wang Li Wen	Beneficial owner	32
Kao Yu Chu	Beneficial owner	32

(iii) *Number of warrants of the Company (entitling the holders thereof to subscribe for Shares (subject to adjustments)):*

Name of Director	Capacity	Total number
Kenneth Hung	Beneficial owner	1,600,000
Wang Li Wen	Beneficial owner	400,000
Kao Yu Chu	Beneficial owner	400,000

Save as disclosed above, as at the Latest Practicable date, none of the Directors and 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 Issuer.

(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:

(i) *Long position in Shares:*

Name	Capacity	Number of Shares	Approximate shareholding percentage
Asian Wide Services Limited (<i>Note 1</i>)	Beneficial owner	354,986,000	45.47%
YGM Trading Limited (<i>Note 2</i>)	Beneficial owner	143,900,000	18.43%

(ii) Long position in shares, underlying shares or debenture of the Company:

Name	Capacity	Number of underlying shares
Asian Wide Services Limited (Note 1)	Beneficial owner	120,100,000
YGM Trading Limited (Note 2)	Beneficial owner	77,300,000

(iii) Short position in shares, underlying shares or debenture of the Company:

Name	Capacity	Number of underlying shares
YGM Trading Limited (Note 2)	Beneficial owner	7,800,000

Notes:

1. Asia Wide Services Limited is a limited liability company incorporated in the British Virgin Islands, the entire issued share capital of which is wholly and beneficially owned as to 29% by Hung Cheng Sui Tsen, 29% by Kenneth Hung, 21% by Hung Chung Yee Pamela and as to the remaining 21% by 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 or in any options in respect of such capital were as follows:

Name of owner	Name of subsidiary	% of equity interests
Chua Kun Yao	Hang Ten Phils., Corp.	14%
William T. De Leon	Hang Ten Phils., Corp.	14%
Johnny Tan	Hang Ten Phils., Corp.	14%

Save as disclosed herein, according to the register of interests kept by the Company under section 336 of the SFO and so far as was known to the Directors, there is no other person (other than a Director or chief executive of the Company) who, as at the Latest Practicable Date, had notified to the Company any interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO 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 meeting of any member of the Group or in any options in respect of such capital.

(c) Service contracts

As at the Latest Practicable Date, there was no existing or proposed service contract between any of the Directors or proposed Directors and 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 Kim Eng Corporate Finance (Hong Kong) Limited had any direct or indirect interests in any assets which had 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 was materially interested in any contract or arrangement entered into by the Company or any of its subsidiaries which contract or arrangement is subsisting as at the date of this circular and which is significant in relation to the business of the Group; and
- (iii) Kim Eng Corporate Finance (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 2004, the date to which the latest published audited consolidated accounts of the Group were made up.

5. EXPERT'S QUALIFICATION AND CONSENT

Kim Eng Corporate Finance (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:

Name	Qualification
Kim Eng Corporate Finance (Hong Kong) Limited	A deemed licenced corporation to carry out type 6 regulated activity under the SFO

6. GENERAL

- (a) The secretary of the Company is Lee Kin Keung, Lawrence, who is an associate member of the Hong Kong Institute of Certified Public Accountants and a member of CPA Australia.
- (b) The qualified accountant of the Company is Lee Kin Keung, Lawrence, who is an associate 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 Standard Registrars Limited, 28th Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, 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 Kim Eng Corporate Finance (Hong Kong) Limited, the text of which is set out on pages 11 to 18 of this circular; and
- (e) the written consent referred to in this appendix.