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## IMPORTANT

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The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

**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

## HANG TEN GROUP HOLDINGS LIMITED

*(incorporated in Bermuda with limited liability)*

**(Stock Code: 448)**

**DISCLOSEABLE TRANSACTION**

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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:*

“Company”	Hang Ten Group Holdings Limited, a company incorporated in Bermuda with limited liability
“Contract Year”	with regard to the first Contract Year, the period of time beginning on 1 July, 2008 and ending on 31 December, 2009 and thereafter for each successive Contract Year, each twelve (12) month period beginning on 1 January and ending on 31 December in the same year
“Directors”	the directors of the Company
“Exercise Period”	the period during which the Option may be exercised
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HTIL”	HTIL Corporation B.V., a company organized under the laws of the Netherlands, a wholly-owned subsidiary of the Company
“ILC”	ILC Trademark Corporation, a company organized under the laws of the British Virgin Islands, a wholly-owned subsidiary of the Company
“Independent Third Parties”	persons who, to the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, are third parties independent of the Company and its connected persons (as defined in the Listing Rules)
“Latest Practicable Date”	19 September 2008, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular

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## DEFINITIONS

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“License Agreement”	the license agreement dated 11 September 2008 and entered into between HTIL as licensor and TMG as licensee pursuant to which HTIL has granted TMG the exclusive right and license to use the Marks within the Territory in the design, manufacture, advertising, sale and promotion of certain licensed items
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Marks”	various trademarks and service marks of “Lightning Bolt” and “Bolt” with respect to the Territory as listed out in the License Agreement
“Net Shipments”	the invoice price charged by TMG for licensed items sold and shipped by TMG, less refunds, credits and allowances for returned licensed items
“Option”	the option granted by ILC to TMG to purchase all of the Marks under and subject to the conditions of the Option Agreement
“Option Agreement”	the purchase option agreement dated 11 September 2008 entered into among HTIL, ILC and TMG, pursuant to which ILC has granted an option to TMG to acquire all of the Marks
“Purchase Price”	the purchase price for the Marks payable by TMG on the exercise of the Option
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong
“Shares”	ordinary shares of HK\$0.10 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Territory”	United States of America and Canada, and their territories and possessions
“TMG”	Textil Manuel Goncalves, S.A., a limited liability company incorporated in Portugal

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## DEFINITIONS

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

*For the purpose of this circular, the exchange rates of US\$1 = HK\$7.8 have been used for currency translation. Such exchange rates are for the purpose of illustration only and do not constitute a representation that any amount in US\$ or HK\$ have been, could have been or may be converted at such or any other rate or at all.*

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## LETTER FROM THE BOARD

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HANG TEN

### 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 and Head*

*Office in Hong Kong:*

Room 912, 9th Floor

Stanhope House

734 King's Road

Quarry Bay

Hong Kong

24 September 2008

*To all the Shareholders*

Dear Sir/Madam,

### DISCLOSEABLE TRANSACTIONS

#### INTRODUCTION

On 11 September 2008, the Company announced that HTIL and ILC, each a wholly-owned subsidiary of the Company, entered into the Option Agreement, pursuant to which, ILC granted to TMG the Option to purchase all of the Marks at the Purchase Price not less than US\$2,000,000 and not more than US\$6,000,000.

The entering into of the Option Agreement constitutes a discloseable transaction of the Company under the Listing Rules. The purpose of this circular is to provide you with information relating to the Option Agreement in accordance with the Listing Rules.

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## LETTER FROM THE BOARD

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### THE OPTION AGREEMENT

A summary of the principal terms of the Option Agreement is set out below:

**Date:** 11 September 2008

**Parties:**

1. HTIL, as licensor and a wholly owned subsidiary of the Company;
2. ILC, as owner and a wholly owned subsidiary of the Company; and
3. TMG, as purchaser and an Independent Third Party.

### Option to Purchase the Marks

ILC has granted the Option to TMG to purchase all of the Marks.

### Conditions to the Exercise of the Option

The Option shall become exercisable by TMG during the Exercise Period after the following conditions have been satisfied:

- (a) after the expiry of a minimum of two Contract Years; and
- (b) at the time of exercise of the Option, the License Agreement is then valid and in full force and there is no ground of termination by HTIL then exists under the License Agreement.

### Purchase Price

The Purchase Price for the Marks on the exercise of the Option shall be 6 times the average royalty paid over 2 consecutive Contract Years in accordance with the License Agreement before exercise of the Option, provided that the minimum Purchase Price shall be US\$2,000,000 and the maximum Purchase Price shall be US\$6,000,000.

The Purchase Price was negotiated between the parties at arm's length on normal commercial terms, by reference to (a) the average royalty paid over 2 consecutive Contract Years in accordance with the License Agreement before exercise of the Option; (b) the carrying value of the Marks of approximately US\$33,000 as at 31 March 2008; and (c) no income or profits (before and after taxation and extraordinary items) has been generated by the Marks for the years ended 31 March 2007 and 31 March 2008 and the insignificant royalty contributions from the Marks in the past, which represents TMG may have to invest substantial amount of resources to develop and market the Marks in the Territory. Taking into account of the aforementioned factors and the inclusion of a minimum Purchase Price of US\$2,000,000, and

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## LETTER FROM THE BOARD

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after lengthy negotiations with TMG, the Group considers setting the Option exercise price at 6 times the average royalty paid over 2 consecutive Contract Years is fair and reasonable and acceptable to TMG. The minimum Purchase Price and the maximum Purchase Price represent approximately 18.5 and 55.5 times respectively of the average minimum royalty for the first three Contract Years of approximately US\$108,000 payable by TMG under the License Agreement. As the Group requires the Option Agreement to include a minimum Purchase Price, TMG also requires the Option Agreement to include a maximum Purchase Price, considering the value of the Marks also attributes from the sale and marketing efforts of TMG. The Purchase Price represents a premium of approximately 60 times (on the base of a minimum Purchase Price of US\$2,000,000) and a premium of approximately 181 times (on the base of a maximum Purchase Price of US\$6,000,000) of the carrying value of the Marks as at 31 March 2008.

The disposal of the Marks pursuant to the exercise of the Option represents a gain of approximately US\$1,967,000 (on the base of a minimum Purchase Price of US\$2,000,000) or of approximately US\$5,967,000 (on the base of a maximum Purchase Price of US\$6,000,000) to the Company by reference to the abovementioned carrying value of the Marks.

### **Date and Manner of Exercise of the Option**

The Exercise Period for the Option shall commence on the day immediately after the expiration of two Contract Years and end on the day falling seven years from the date of the Option Agreement. HTIL grants a first right of refusal to TMG for the purchase of the Marks thereafter.

Any exercise by TMG of the Option shall be in writing. Payment of the Purchase Price shall be made by TMG to ILC on the exercise of the Option.

### **Assignment and Transfer**

Neither party to the Option Agreement may assign or transfer the Option Agreement or any obligation thereunder without the prior written consent of the other party.

### **LICENSE AGREEMENT**

ILC is the owner of the Marks. On 11 September 2008, HTIL as licensor and TMG as licensee entered into the License Agreement, pursuant to which, HTIL has granted TMG the exclusive right and license to use the Marks within the Territory in the design, manufacture, advertising, sale and promotion of certain licensed items.

The term of the License Agreement shall be for three (3) years and six (6) months commencing as of 1 July, 2008 and ending on 31 December, 2011 unless sooner terminated or extended pursuant thereto. Unless TMG is in material breach of the License Agreement at the expiration of the above-described three (3) year and six (6) month term or of any subsequent renewed term (as the case may be), such term shall be automatically renewable for additional



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## LETTER FROM THE BOARD

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successive three (3) year term, each such term beginning immediately upon the expiration of the immediately preceding term, so long as TMG has not notified HTIL at least ninety (90) days prior to the expiration of the then current term that TMG no longer desires to renew its licenses and rights under the License Agreement. Provided that the License Agreement shall terminate, at such time as TMG has exercised, and paid for the Option to acquire the Marks pursuant to the Option Agreement.

### **Royalty**

Under the License Agreement, TMG shall pay to HTIL royalties at rates ranging from 1% to 6% of Net Shipments on a reducing scale as the amounts of Net Shipments in the relevant Contract Year increases, subject to certain minimum royalty for each Contract Year as set out in the License Agreement. The royalty rates are determined with reference to the royalty rate scale charged by the Group for licensed trademarks, taking into account that no income or profits has been generated by the Marks for the past two financial years. The average minimum royalty per year for the first three Contract Years is approximately US\$108,000.

### **INFORMATION ABOUT TMG**

According to the information provided by TMG, TMG is a limited liability company incorporated under the laws of Portugal. TMG is principally engaged in the manufacturing, trading and retailing of fabric, apparels and accessories.

TMG and its ultimate beneficial owner(s) are, to the best of the information, knowledge and belief of the Directors having made all reasonable enquiry, Independent Third Parties.

### **REASONS AND FINANCIAL EFFECTS FOR ENTERING INTO THE OPTION AGREEMENT**

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 trademark “Hang Ten” and associated marks. ILC is principally engaged in the holding of various trademarks of the Group including “Hang Ten” and the Marks, and licensing of trademark business. HTIL is principally engaged in licensing of trademark business.

In about 2002, the Group had licensed the Marks to Independent Third Parties and the amounts of royalties received were not significant. The Directors are of the view that it would be beneficial for the Group to sell its Marks to TMG pursuant to the Option Agreement so as to realize a gain. The proceeds to be obtained from the Option Agreement upon the exercise of the Option represents a gain of approximately US\$1,967,000 (on the base of a minimum Purchase Price of US\$2,000,000) or of approximately US\$5,967,000 (on the base of a maximum Purchase Price of US\$6,000,000) to the Company by reference to the carrying value of the Marks of US\$33,000 as at 31 March 2008. In the event the Option is exercised, the Company currently intends to use the proceeds as general working capital of the Group.

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## LETTER FROM THE BOARD

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Subject to audit, in the event of exercise of the Option by TMG and based on the carrying value of the Marks of approximately US\$33,000 as at 31 March 2008, upon completion of the disposal of the Marks, the intangible asset of the Group is expected to decrease by approximately US\$33,000 and the amount of cash balance held by the Group is expected to increase by the amount of the Purchase Price, which shall be no less than US\$2,000,000 and not more than US\$6,000,000. Upon disposal of the Marks, the earnings of the Group are expected to decrease by the amounts of the royalties receivable under the License Agreement during the term of the License Agreement and the Company expects the disposal of the Marks will not have any material effect on the liabilities of the Group.

The Directors (including the independent non-executive Directors) consider that the Option Agreement was negotiated on an arm's length basis and were agreed on normal commercial terms between the parties and that the terms of the Option Agreement are fair and reasonable so far as its shareholders are concerned and are in the best interest of the Company and its shareholders as a whole.

### **GENERAL**

The entering into of the Option Agreement constitutes a discloseable transaction of the Company under the Listing Rules. The Company will make a further announcement upon exercise or transfer of the Option in accordance with the requirements of the Listing Rules.

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*

## 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 agreement 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)).

### **3. LITIGATION**

So far as the Directors are aware, neither the Company nor any of its subsidiaries is engaged in any litigation or claims which is in the opinion of the Directors of material importance and no litigation or claims which is in the opinion of the Directors of material importance is known to them to be pending or threatened against any member of the Group.

### **4. 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.

### **5. 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.