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

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TEXWINCA HOLDINGS LIMITED

德永佳集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 321)

**SHARE TRANSACTION AND
CONNECTED TRANSACTION
ACQUISITION OF SHARES**

**Independent Financial Adviser
to the Independent Board Committee and the Independent Shareholders**

OSK Capital Hong Kong Limited

A letter from the Board is set out on pages 5 to 11 of this circular. A letter from the Independent Board Committee is set out on pages 12 to 13 of this circular. A letter from the Independent Financial Adviser (as defined herein) to the Independent Board Committee (as defined herein) and the Independent Shareholders (as defined herein) is set out on pages 14 to 26 of this circular.

* for identification purposes only

CONTENTS

	<i>Page</i>
DEFINITIONS	1
LETTER FROM THE BOARD	5
LETTER FROM THE INDEPENDENT BOARD COMMITTEE	12
LETTER FROM THE INDEPENDENT FINANCIAL ADVISER	14
APPENDIX — GENERAL INFORMATION	27

DEFINITIONS

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

"Acquisition"	the acquisition of the Sale Shares by the Purchaser
"Agreement"	the share purchase agreement relating to the sale and purchase of the Sale Shares made between the Company, the Sellers, the Purchaser and the Seller's Guarantors
"Announcement"	the announcement of the Company dated 24 September 2010 relating to the Acquisition.
"associates"	has the same meaning ascribed to it under the Listing Rules
"BHL"	Baleno Holdings Limited, a company incorporated under the laws of the British Virgin Islands, an indirect non wholly-owned subsidiary of the Company
"Board"	the board of Directors
"Business Day"	means any day on which banks in Hong Kong generally are open for business, except a Saturday, Sunday and public holiday and any day on which a tropical cyclone warning No.8 or above or a "black rainstorm warning signal" is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.
"Company"	Texwinca Holdings Limited, a company incorporated under the laws of Bermuda with limited liability and the shares of which are listed on the Stock Exchange
"Connected Persons"	has the meaning ascribed thereto in the Listing Rules
"Consideration"	HK\$203,280,000, being the total consideration for the Acquisition pursuant to the Agreement
"Consideration Shares"	16,000,000 new Shares to be allotted and issued to the Sellers in equal shares by the Company as partial settlement of the Consideration pursuant to the Agreement
"Directors"	the directors of the Company

DEFINITIONS

"GML"	Galantine Management Limited, a company incorporated under the laws of the British Virgin Islands with limited liability
"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 PRC
"Independent Board Committee"	the committee of the Board established for the purpose of advising the Independent Shareholders on the Acquisition and the Agreement, the members of which are Mr. Cheng Shu Wing, Mr. Au Son Yiu and Mr. Wong Tze Kin, David
"Independent Financial Adviser"	OSK Capital, the independent financial adviser appointed by the Board and approved by the Independent Board Committee in relation to the Acquisition, the Agreement and the transactions contemplated thereunder
"Independent Shareholders"	the Shareholders who are not involved in or interested in the Acquisition
"Last Trading Day"	22 September 2010, being the last trading day of the Shares prior to the Announcement
"Latest Practicable Date"	14 October 2010, being the latest practicable date prior to the printing of this circular for inclusion of certain information in this circular
"Listing Committee"	shall have the meaning ascribed to it in the Listing Rules
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Mr. Chan"	Mr. Chan Min, the sole shareholder and beneficial owner of the entire issued share capital of GML
"Mr. Fung"	Mr. Fung Wai Lun, Daniel, the sole shareholder and beneficial owner of the entire issued share capital of WCL

DEFINITIONS

"OSK Capital"	OSK Capital Hong Kong Limited, a corporation licensed to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
"PRC"	The People's Republic of China
"Purchaser"	Trustland Inc., a company incorporated under the laws of the British Virgin Islands with limited liability, a direct wholly-owned subsidiary of the Company
"Sale Shares"	1,000 shares of US\$1 each in the issued share capital of BHL, representing 10% of the total issued share capital of BHL
"Sellers"	GML and WCL
"Sellers' Guarantors"	Mr. Chan and Mr. Fung
"SFO"	Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) of HK\$0.05 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Trading Day"	a day on which the Stock Exchange is open for trading
"US\$"	US dollars, the lawful currency of the United States of America
"WCL"	Welsom Consultants Limited, a company incorporated under the laws of the British Virgin Islands with limited liability

DEFINITIONS

"Written Approval"

A written approval dated 24 September 2010 jointly issued and signed by a closely allied group of Shareholders, namely, Giant Wizard Corporation, Farrow Star Limited, Mr. Poon Bun Chak, Mr. Poon Kei Chak, Treasure Link International Holdings Limited, Mr. Poon Kwan Chak and Mr. Poon Kai Chak, approving the Acquisition and the Agreement (including the issuance and allotment of the Consideration Shares pursuant to the general mandate)

"%"

per cent.

LETTER FROM THE BOARD



TEXWINCA HOLDINGS LIMITED

德永佳集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 321)

Executive Directors:

Mr. Poon Bun Chak
(Chairman and Chief Executive Officer)
Mr. Poon Kei Chak
Mr. Poon Kwan Chak
Mr. Poon Kai Chak
Mr. Ting Kit Chung

Registered Office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Independent Non-executive Directors:

Mr. Au Son Yiu
Mr. Cheng Shu Wing
Mr. Wong Tze Kin, David

Principal place of business in Hong Kong:

16th Floor, Metroplaza, Tower II
223 Hing Fong Road, Kwai Chung
New Territories, Hong Kong

18 October 2010

To the Shareholders,

Dear Sir or Madam,

**SHARE TRANSACTION AND
CONNECTED TRANSACTION
ACQUISITION OF SHARES**

INTRODUCTION

Reference is made to the Announcement which states that on 24 September 2010, the Purchaser, a wholly-owned subsidiary of the Company, entered into the Agreement with the Sellers whereby the Purchaser agreed to purchase and the Sellers agreed to sell the Sale Shares at a total consideration of HK\$203,280,000, on the terms and subject to the conditions set out in the Agreement. The Consideration shall be paid to the Sellers by a cash payment of HK\$60,880,000 and by the issue and allotment, credited as fully paid, of the Consideration Shares at the issue price of HK\$8.9 per Consideration Share at Completion in equal shares.

The purpose of this circular is to provide further information with respect to the Acquisition and the Agreement, the recommendation of the Independent Board

* *for identification purposes only*

LETTER FROM THE BOARD

Committee regarding the Acquisition and the Agreement to the Independent Shareholders; and the advice of the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders on the Acquisition and the Agreement.

THE AGREEMENT

The principal terms of the Agreement are as follows:

Date

24 September 2010

Parties

1. GML and WCL as the sellers
2. The Purchaser as the purchaser
3. Mr. Chan and Mr. Fung as the Sellers' Guarantors
4. The Company as the Purchaser's Guarantor

Sale Shares

1,000 shares of US\$1 each in the issued share capital of BHL, representing 10% of the issued share capital in BHL, to be sold as to 500 Sale Shares by GML and as to 500 Sale Shares by WCL.

Consideration

The total consideration is HK\$203,280,000, of which HK\$60,880,000 shall be paid by cash and HK\$142,400,000 shall be satisfied by way of the issue and allotment, credited as fully paid, of 16,000,000 Consideration Shares at the issue price of HK\$8.9 per Consideration Share at completion, in each case to the Sellers in equal shares.

The Consideration was arrived at after arm's length negotiations between the parties, taking into consideration of the average price earning ratio of other Hong Kong listed companies engaged in similar industries and the past and potential growth of BHL.

As at 31 March 2010, the consolidated net asset value of BHL was approximately HK\$452,928,000. The consolidated net profits of BHL before taxation and extraordinary items for the years ended 31 March 2009 and 31 March 2010 were approximately HK\$144,941,000 and HK\$264,639,000 respectively. The consolidated net profits of BHL after taxation and extraordinary items for the years ended 31 March 2009 and 31 March 2010 were approximately HK\$67,134,000 and HK\$205,335,000 respectively.

The total original acquisition cost of the Sale Shares to the Sellers was HK\$7,800, that is, at the nominal value of such shares.

LETTER FROM THE BOARD

The issue price of HK\$8.9 per Consideration Share to be issued by the Company represents:

- (i) the closing price per Share as quoted on the Stock Exchange on the Last Trading Date;
- (ii) a premium of approximately 4.6% to the average closing price of approximately HK\$8.51 per Share as quoted on the Stock Exchange for the last 5 trading days up to and including the Last Trading Date;
- (iii) a premium of approximately 7.7% to the average closing price of approximately HK\$8.26 per Share as quoted on the Stock Exchange for the last 10 trading days up to and including the Last Trading Date; and
- (iv) a premium of approximately 4.5% to the closing price of HK\$8.52 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The Consideration Shares represent approximately 1.2% of the existing issued share capital of the Company and approximately 1.18% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares.

Conditions of the Acquisition

Completion of the Acquisition is conditional on:

- (i) the obtaining of the approval of the Independent Shareholders of the Company in respect of the entering into of the Agreement by the Purchaser and the Company and the performance of their respective obligations thereunder at general meeting or, where permitted, by way of written approval, each compliant with and in accordance with the Listing Rules;
- (ii) the grant of the listing of and permission to deal in all Consideration Shares (in their fully paid form) by the Listing Committee;
- (iii) all requisite waivers, consents and approvals from any relevant governmental or regulatory authorities or any third party in connection with the transactions contemplated by the Agreement having been obtained; and
- (iv) the warranties remaining true and accurate and not misleading in all respects at Completion,

by 30 November 2010 (or such later date as the Purchaser and the Sellers may agree in writing).

Completion of the Acquisition

Completion of the Acquisition under the Agreement will take place at the offices of the Purchaser's Solicitors on the fifth business day after all the above conditions have been satisfied (or, where permitted, waived) or at such other time, date and places as the Sellers and Purchaser may agree in writing.

LETTER FROM THE BOARD

Non-disposal Undertaking of the Sellers

Each Seller shall not at any and all times on or before the first anniversary date of completion, sell, transfer, encumber or otherwise dispose of, or create or grant options, interests or rights in respect of, 5,000,000 Consideration Shares (out of the total of 8,000,000 Consideration Shares) issued and allotted to it at completion or enter into agreement in relation to any of the foregoing.

REASONS FOR THE ACQUISITION

BHL and its subsidiaries are principally engaged in the retailing and distribution of casual apparels and accessories. BHL has expanded rapidly to become a successful apparel retailer in the Greater China. In recent years, BHL continued to achieve a stable and remarkable performance. The Board believes that the further acquisition of the shareholding in BHL will further strengthen the vertical integration of the business of the Group, improve the strategic management of the Group and enhance the return to the Shareholders.

EFFECT ON SHAREHOLDING STRUCTURE

The shareholdings in the Company before and after the issuance and allotment of the Consideration Shares are summarized as follows:

	At present		After issuance and allotment	
	No. of Shares	%	No. of Shares	%
	(approx.)		(approx.)	
Giant Wizard Corporation ⁽¹⁾	456,450,000	34.19	456,450,000	33.79
Farrow Star Limited ⁽²⁾	168,800,104	12.65	168,800,104	12.49
Poon Bun Chak	32,888,000	2.46	32,888,000	2.43
Poon Kei Chak	22,977,200	1.72	22,977,200	1.70
Treasure Link International Holdings Limited ⁽³⁾	41,922,000	3.14	41,922,000	3.10
Poon Kwan Chak	14,270,800	1.07	14,270,800	1.06
Poon Kai Chak	8,202,800	0.61	8,202,800	0.61
Ting Kit Chung	2,600,000	0.19	2,600,000	0.19
Au Son Yiu	100,000	0.01	100,000	0.01
GML	0	0.00	8,000,000	0.59
WCL	0	0.00	8,000,000	0.59
Public Shareholders	586,847,200	43.96	586,847,200	43.44
Total issued share capital	1,335,058,104	100.00	1,351,058,104	100.00

Notes:

- (1) The 456,450,000 Shares are owned by Giant Wizard Corporation which, in turn, is owned as to 97.15% by Farrow Star Limited and 2.85% by Mr. Poon Bun Chak.

LETTER FROM THE BOARD

- (2) *The 168,800,104 Shares are owned by Farrow Star Limited, which is wholly-owned by Perfection (PTC) Inc. as a trustee for a discretionary trust the beneficiaries of which include the family members of Mr. Poon Bun Chak. Mr. Poon Bun Chak is the sole shareholder of Perfection (PTC) Inc..*
- (3) *The 41,922,000 Shares are owned by Treasure Link International Holdings Limited which, in turn, is owned by Mr. Poon Kei Chak and his spouse in equal shares.*

PRINCIPAL ACTIVITIES OF THE COMPANY, BHL AND THE SELLERS AND GENERAL INFORMATION

The Company, together with its subsidiaries and associated companies, is principally engaged in the textile and garment manufacturing and the retailing and distribution of casual apparels and accessories.

BHL and its subsidiaries are principally engaged in the retailing and distribution of casual apparels and accessories.

The principal business activity of GML and WCL respectively is investment holding.

As at the Latest Practicable Date, the authorised share capital of the Company consists of 2,000,000,000 Shares out of which 1,335,058,104 are issued and fully paid up.

EQUITY FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST TWELVE-MONTH PERIOD

The Company has not conducted any equity fund raising activity in the past twelve-month period immediately preceding the Announcement.

IMPLICATIONS UNDER THE LISTING RULES AND WRITTEN APPROVAL

As at the date hereof, the Company, through the Purchaser, is indirectly interested in 54% of BHL and each of the Sellers is respectively holding 23% of the issued share capital of BHL. Accordingly, each of the Sellers is a substantial shareholder of a non wholly-owned subsidiary of the Company and hence a Connected Person of the Company. The Acquisition therefore constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the Consideration is to be satisfied, in part, by the issue and allotment of Consideration Shares, the Acquisition constitutes a share transaction of the Company under Chapter 14 of the Listing Rules.

The Acquisition is subject to the requirements of reporting, announcement and independent shareholders' approval under Chapter 14A of the Listing Rules on the ground that the exemption from the independent shareholders' approval requirements under Rule 14A.32(1) of the Listing Rules does not apply to the issue of new securities by a listed issuer to a connected person as stipulated in the note to Rule 14A.32 of the Listing Rules.

LETTER FROM THE BOARD

According to Rule 14A.43 of the Listing Rules, where independent shareholders' approval of a connected transaction is required, under certain conditions the Stock Exchange may accept that approval of the independent shareholders be given by a resolution in writing, instead of one passed at a shareholders' meeting. Those conditions are that: (a) no shareholder of the Company is required to abstain from voting if the Company were to convene a general meeting for the approval of the connected transaction; and (b) the written independent shareholders' approval has been obtained from a shareholder or a closely allied group of shareholders who (together) hold more than 50% in nominal value of the securities giving the right to attend and vote at the general meeting to approve the connected transactions.

On 24 September 2010, the Company received a written shareholders' approval in accordance with Rule 14A.43 of the Listing Rules approving the Acquisition and the Agreement (including the issuance and allotment of the Consideration Shares pursuant to the general mandate) from a closely allied group of Shareholders, namely, Giant Wizard Corporation, Farrow Star Limited, Mr. Poon Bun Chak, Mr. Poon Kei Chak, Treasure Link International Holdings Limited, Mr. Poon Kwan Chak and Mr. Poon Kai Chak which currently hold 745,510,904 Shares in aggregate, representing approximately 55.84% of the issued share capital of the Company. Particulars of their respective shareholdings have been set out in the section headed "Effect on Shareholding Structure" above.

Each of Giant Wizard Corporation and Farrow Star Limited is controlled by Mr. Poon Bun Chak, the chairman of the Company and a Shareholder. Mr. Poon Kei Chak, Mr. Poon Kwan Chak and Mr. Poon Kai Chak are brothers of Mr. Poon Bun Chak and each of whom is a Shareholder and an executive Director. Treasure Link International Holdings Limited is wholly owned by Mr. Poon Kei Chak and his spouse in equal shares.

Since, to the best knowledge of the Directors, none of the Shareholders is required to abstain from voting on the Acquisition, the Agreement and the transactions contemplated thereunder (including the issuance and allotment of the Consideration Shares pursuant to the general mandate), written approvals of the above Shareholders have been obtained for the purpose of approving the same in lieu of an approval from the Independent Shareholders at a shareholders' meeting pursuant to Rule 14A.43 of the Listing Rules.

An application has been made to the Stock Exchange for, and the Stock Exchange has granted to the Company, a waiver from strict compliance with the requirement to hold a shareholders' meeting to approve the Agreement and the transactions contemplated thereunder (including the issuance and allotment of the Consideration Shares pursuant to the general mandate) on the basis of a written independent shareholders' approval given in accordance with Rule 14A.43 of the Listing Rules.

An Independent Board Committee has been formed to advise the Independent Shareholders with respect to the Acquisition, the Agreement and the transactions contemplated thereunder. The Company has appointed OSK Capital as the Independent Financial Adviser to make recommendations to the Independent Board Committee and the Independent Shareholders regarding the same.

LETTER FROM THE BOARD

GENERAL MANDATE

The Company will issue the 16,000,000 Consideration Shares at the issue price of HK\$8.9 per Consideration Share pursuant to the general mandate granted to the Directors at the last annual general meeting held by the Company on 10 August 2010. The said general mandate entitles the Company to issue a total nominal value of not exceeding 20% of the aggregate of the total nominal value of the share capital of the Company in issue as at the date of the grant of the said general mandate, which amounts to 266,965,620 Shares. The foregoing issuance and allotment of the Consideration Shares pursuant to the said general mandate has been approved under the Written Approval. As at the Latest Practicable Date, such general mandate has not been utilized since the date of the grant.

APPLICATION FOR LISTING

The Company will apply to the Listing Committee for the grant of the listing of and permission to deal in the Consideration Shares. Dealing in the Consideration Shares on the Stock Exchange will be subject to the payment of stamp duties and relevant trading fees and Securities and Futures Commission transaction levy in Hong Kong.

RECOMMENDATION

Having noted and considered the reasons stated under the section headed "Reasons for the Acquisition", the Directors (including the independent non-executive Directors whose views have been set out in this circular after taking into consideration of the advice of the Independent Financial Adviser) consider that the terms of the Acquisition, the Agreement and the transactions contemplated thereunder (including the issuance and allotment of the Consideration Shares pursuant to the general mandate) are on normal commercial terms, in the ordinary and usual course of business, fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors) recommend the Independent Shareholders to support, and if a physical shareholders' meeting were to be held, to vote in favour of the relevant resolution(s) to approve the Acquisition, the Agreement and the transactions contemplated thereunder (including the issuance and allotment of the Consideration Shares pursuant to the general mandate).

ADDITIONAL INFORMATION

Your attention is also drawn to the letter from the Independent Board Committee, the letter of advice from OSK Capital to the Independent Board Committee and the Independent Shareholders and the general information contained in the Appendix to this circular.

Yours faithfully,
By Order of the Board
Poon Bun Chak
Chairman



TEXWINCA HOLDINGS LIMITED

德永佳集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 321)

18 October 2010

To the Independent Shareholders,

Dear Sir or Madam,

**SHARE TRANSACTION AND
CONNECTED TRANSACTION**

**ACQUISITION OF SHARES IN THE CAPITAL OF
BALENO HOLDINGS LIMITED**

We refer to the circular to the Shareholders dated 18 October 2010 (the “**Circular**”), of which this letter forms part. Unless the context requires otherwise, terms used in this letter shall have the same meanings given to them in the definition section of the Circular.

We have been appointed by the Board to consider and to advise you on the terms of the Acquisition, the Agreement and the transactions contemplated thereunder as to the fairness and reasonableness and to recommend whether or not the Independent Shareholders should approve the Acquisition, the Agreement and the transactions contemplated thereunder. In this connection, OSK Capital has been appointed as an independent financial adviser to advise you and us in this regard. Details of the advice of the Independent Financial Adviser, together with the principal factors and reasons the Independent Financial Adviser has taken into consideration, are set out on pages 14 to 26 of this Circular.

RECOMMENDATION

We wish to draw your attention to the letter from the Board and the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders which contains its advice to us in relation the Acquisition, the Agreement and the transactions contemplated thereunder.

* *for identification purposes only*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having taken into account principal factors and reasons considered by and the opinion of the Independent Financial Adviser as stated in its letter of advice, we consider the terms of the Acquisition, the Agreement and the transactions contemplated thereunder to be fair and reasonable so far as the interests of the Independent Shareholders are concerned and to be in the interests of the Company and the Shareholders as a whole. We therefore recommend the Independent Shareholders to support, and if a physical shareholders' meeting were to be held, to vote in favour of, the relevant resolution(s) to approve the Acquisition, the Agreement and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Independent Board Committee of
Texwinca Holdings Limited
Mr. Au Son Yiu
Mr. Cheng Shu Wing
Mr. Wong Tze Kin, David
Independent Non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of the letter of advice from OSK Capital Hong Kong Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders for the purpose of incorporation into the circular.

OSK Capital Hong Kong Limited
僑豐融資有限公司
Member of OSK Investment Bank Group, Malaysia

11/F., Hip Shing Hong Centre,
55 Des Voeux Road Central, Hong Kong

18 October 2010

The Independent Board Committee and the Independent Shareholders
Texwinca Holdings Limited

Dear Sirs,

SHARE TRANSACTION AND CONNECTED TRANSACTION ACQUISITION OF SHARES

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in connection with the Acquisition, details of which are set out in the circular of the Company dated 18 October 2010 (the "Circular") of which this letter forms part. Capitalised terms used in this letter have the same meanings as defined in the Circular, unless the context requires otherwise.

As set out in the letter from the Board in the Circular (the "Letter from the Board"), on 24 September 2010, the Purchaser (a wholly-owned subsidiary of the Company) entered into the Agreement in respect of the purchase of the Sale Shares, being 10% of the total issued share capital of BHL (a 54%-owned subsidiary of the Company before completion of the Acquisition). The Acquisition constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. No Shareholders are required to abstain from voting if the Company were to convene a general meeting to approve the Agreement and the Acquisition. The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Cheng Shu Wing, Mr. Au Son Yiu and Mr. Wong Tze Kin, David, has been established to give advice and recommendation to the Independent Shareholders in relation to the Agreement and the Acquisition.

OSK Capital Hong Kong Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Acquisition are fair and reasonable and whether the Acquisition is on normal commercial terms, in the ordinary and usual course of business and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In formulating our opinion, we have relied upon the information, facts and representations contained in the announcement of the Company dated 24 September 2010, the Circular and those supplied or made available by the management of the Company to us. We have assumed that all such information, facts and representations were true and accurate in all respects at the time they were supplied or made and continue to be true and accurate at the date of the Circular and can be relied upon. We have no reason to doubt the truth, accuracy and completeness of such information and representations and have confirmed with the management of the Company that no material facts have been withheld or omitted from such information and representations.

We have taken all reasonable and necessary steps to comply with the requirements set out in Rule 13.80 of the Listing Rules. We consider that we have been provided with sufficient information to enable us to reach an informed view. We have not, however, conducted any independent verification of such information or any independent in-depth investigation into the business, affairs, financial position or prospects of the Group nor have we carried out any in-depth research on the Group, GML and WCL and their respective associates.

PRINCIPAL FACTORS CONSIDERED

In formulating our opinion on the Agreement and the Acquisition, we have taken into consideration the following principal factors:

Background and reasons for the Acquisition

Information on the Group and the BHL Group

As set out in the Company's annual reports for the three years ended 31 March 2010, the Group's operations are categorised into three business segments: (i) production, dyeing and sale of knitted fabric and yarn (the "Textile Business"); (ii) retailing and distribution of casual apparel and accessory (the "Retail and Distribution Business") which is carried out by the BHL Group; and (iii) the "Others" segment principally comprises the provision of motor vehicles repair and maintenance services and the provision of franchise services.

We understand from the Company that other than the Retail and Distribution Business, which is the main income stream of the BHL Group, the BHL Group also generated royalty income, interest income and rental income for the three years ended 31 March 2008, 2009 and 2010.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is a breakdown of the Group's turnover and results by business segments for the years ended 31 March 2008, 2009 and 2010, which is extracted from the Company's respective published annual reports.

	For the year ended 31 March					
	2010		2009		2008	
	<i>HK\$'000</i>		<i>HK\$'000</i>		<i>HK\$'000</i>	
Turnover						
Textile Business	5,539,504	52.57%	5,058,110	50.59%	5,385,818	55.70%
Retail and Distribution Business	4,959,742	47.06%	4,900,311	49.02%	4,239,115	43.84%
Others	38,720	0.37%	39,316	0.39%	44,273	0.46%
Total turnover	<u>10,537,966</u>	<u>100.00%</u>	<u>9,997,737</u>	<u>100.00%</u>	<u>9,669,206</u>	<u>100.00%</u>

	For the year ended 31 March		
	2010	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment results			
Textile Business	852,824	775,955	910,191
Retail and Distribution Business	253,080	160,057	241,766
Others	58,590	9,467	32,683

Both the Textile Business and the Retail and Distribution Business are the core businesses of the Group and each of them accounted for approximately half of the Group's total turnover for the years ended 31 March 2009 and 2010. We understand from the Company that the Retail and Distribution Business has been carried out by BHL and its subsidiaries (the "BHL Group"). In addition, the Group recorded a growth of approximately 3.4% and 5.4% in its turnover for the years ended 31 March 2009 and 2010 respectively.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Retail and Distribution Business is represented by the Group's investments in the BHL Group. The following is the financial information of the BHL Group for the three years ended 31 March 2008, 2009 and 2010:

	For the year ended 31 March		
	2010	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Net Sales	4,959,742	4,900,311	4,239,115
Cost of sales	(2,657,094)	(2,682,305)	(2,158,267)
Gross profit margin	2,302,648	2,218,006	2,080,848
Gross profit margin (%)	46.4%	45.3%	49.1%

We understand from the Company that for the three years ended 31 March 2008, 2009 and 2010, other than the net sales in the above table, the BHL Group also generated royalty income, rental income and interest income totaling approximately HK\$26.0 million, HK\$8.9 million and HK\$27.5 million respectively.

As set out in the Letter from the Board, as at 31 March 2010, the consolidated net asset value of BHL was approximately HK\$452,928,000. The consolidated net profits of BHL before taxation and extraordinary items for the years ended 31 March 2009 and 2010 were approximately HK\$144,941,000 and HK\$264,639,000 respectively. The consolidated net profits of BHL after taxation and extraordinary items for the years ended 31 March 2009 and 2010 were approximately HK\$67,134,000 and HK\$205,335,000 respectively.

The business of the BHL Group is mostly represented by the Retail and Distribution Business as shown in the paragraph above. The performance of the Retail and Distribution Business is a good indication of the results and prospects of the BHL Group. As set out in the above table, gross profit margin of the Retail and Distribution Business carried out by the BHL Group is approximately 49.1%, 45.3% and 46.4% for the years ended 31 March 2008, 2009 and 2010 respectively. As set out in the annual report of the Company for the year ended 31 March 2009, the retail business was affected by declining consumer sentiment in the second half of the year ended 31 March 2009, that the BHL Group started the discount season earlier to control inventories and this resulted in the decrease in the gross profit margin.

The Retail and Distribution Business includes (i) operation of casual wear retail chain stores network in the mainland China, Hong Kong, Macau and Taiwan with its major brands including Baleno, S&K, I.P. Zone and ebase, and (ii) wholesale of apparels to customers including retailers located in the mainland China, certain Middle East countries and other Asian countries. We understand from the Company that turnover generated from the wholesales business represents less than 15% of the total turnover of BHL Group for the year ended 31 March 2010.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As set out in the annual report of the Company for the year ended 31 March 2010, the consolidated turnover of the Retail and Distribution Business by major brands is as follows:

	For the year ended 31 March		
	2010	2009	2008
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Baleno	2,463	2,311	1,589
S&K	757	809	826
I.P. Zone	601	639	528
ebase	326	383	462
Others	813	758	834
	4,960	4,900	4,239
Turnover derived from the Retail and Distribution Business	4,960	4,900	4,239

As indicated in the above table, Baleno is the Group's major brand which accounted for approximately 37.5%, 47.2% and 49.7% of the Retail and Distribution Business's segment revenue for the years ended 31 March 2008, 2009 and 2010 respectively and accounted for approximately 16.4%, 23.1% and 23.4% of the Group's total turnover for the years ended 31 March 2008, 2009 and 2010 respectively. Products sold under the Baleno brand name comprises jackets, vests, T-shirts, pants and jeans as well as other accessories.

We understand from the Company that the mainland China is the best performing market to the Retail and Distribution Business, and will remain as the Group's focus of expansion. As set out in the annual report of the Company for the year ended 31 March 2010, the retail business has a solid foundation in the mainland China market and profit margin enhancement is expected in the coming year. In view of the prospering global economic conditions, the Group intends to exercise a more aggressive business approach in the year ending 31 March 2011. The total capital expenditure is budgeted at about HK\$260 million for the year ending 31 March 2011, out of which 30% will be for the expansion of retail outlets.

The mainland China, which contributed about 83% of the Retail and Distribution Business's segment revenue for the year ended 31 March 2010, is the focus of expansion of the BHL Group. One of the Group's major strategies going forward is to concentrate on the retail expansion in the mainland China market and the Group expects that this would enhance the overall operating performance of its business.

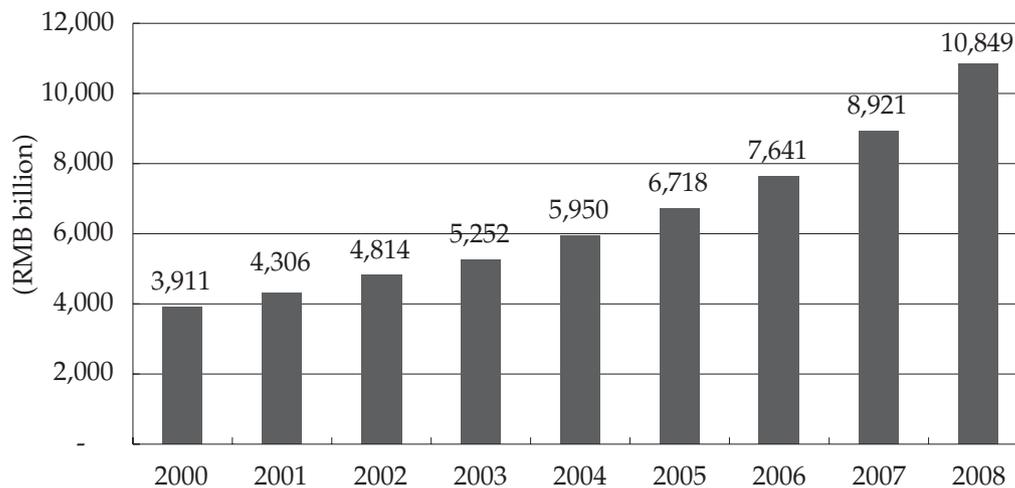
As stated in the annual report of the Company for the year ended 31 March 2010, as at 31 March 2010, the BHL Group operates 3,639 outlets in the mainland China, 62 outlets in Hong Kong and Macau and 154 outlets in Taiwan, which consisted of self-managed stores and franchise stores. For those self-managed stores, the total retail floor area was 1,748,531 square feet in the mainland China, 52,555 square feet in Hong Kong and Macau and 125,497 square feet in Taiwan.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The retail industry in the PRC

The retail sales of consumer goods in the PRC experienced rapid growth in the recent years. Total retail sales of consumer goods in the PRC increased from approximately RMB3,911 billion in 2000 to approximately RMB10,849 billion in 2008. The following chart illustrates the total retail sales of consumer goods of the PRC from 2000 to 2008. According to the China Statistical Yearbook (2009) (the latest available edition), the per capita annual disposable income of urban households in the PRC increased from approximately RMB6,280 in 2000 to approximately RMB15,781 in 2008, which suggests that an increasing purchasing power of urban consumers in the PRC. We believe that the increase in personal spending power has contributed to the rapid growth in the retail market in the PRC.

Total retail sales of consumer goods in the PRC

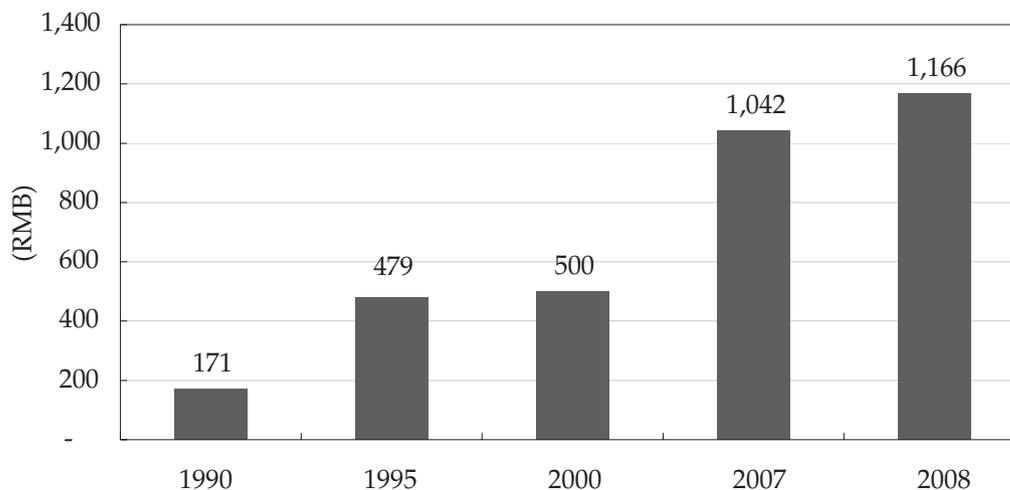


Source: China Statistical Yearbook (2009)

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The annual consumption expenditure on clothing per urban household also experienced rapid growth. As illustrated in the following chart, the per capita annual consumption expenditure of urban households in the PRC on clothing grew from approximately RMB500 in 2000 to approximately RMB1,166 in 2008.

Per capita annual consumption expenditure on clothing of urban households in the PRC



Source: China Statistical Yearbook (2009)

Reasons for the Acquisition

The Company, together with its subsidiaries and associated companies, is principally engaged in the textile and garment manufacturing and the retailing and distribution of casual apparels and accessories. The BHL Group is principally engaged in the retailing and distribution of casual apparels and accessories. We understand from the Company that, in the recent years, the BHL Group continued to achieve a good and stable performance. The Board believes that the acquisition of further shareholding interests in BHL represents a strategic investment with a view to enhancing profits of the Group. As set out in the annual report of the Company for the year ended 31 March 2010, in view of the prospering global economic conditions, the Group intends to exercise a more aggressive business approach in the year ending 31 March 2011, in particular in expanding its retail network in the mainland China.

Having considered (i) the significance of the BHL Group to the Group as one of the Group's major revenue sources; (ii) the profitable track records of the BHL Group; and (iii) the possible positive outlook of the Retail and Distribution Business of the BHL Group, in particular, in the mainland China, we agree with the Directors' view that the Acquisition is incidental to the Group's ordinary and usual course of business and is in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Listing Rules implications

As set out in the Letter from the Board, when the Agreement was entered into, the Company was indirectly interested in 54% of BHL and each of the Sellers was respectively holding 23% of the issued share capital of BHL. Accordingly, each of the Sellers is a substantial shareholder of a non wholly-owned subsidiary of the Company and hence a Connected Person of the Company. The Acquisition therefore constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. No Shareholders are required to abstain from voting if the Company were to convene a general meeting to approve the Agreement and the Acquisition.

On 24 September 2010, the Company obtained a written shareholders' approval on the Agreement and the Acquisition from a closely allied group of Shareholders holding approximately 55.84% of the issued share capital of the Company. An application for waiver of a Shareholders' meeting has been made to the Stock Exchange pursuant to Rule 14A.43 of the Listing Rules and such waiver has been subsequently granted by the Stock Exchange.

Terms of the Agreement

Pursuant to the Agreement, the Purchaser agreed to purchase and the Sellers agreed to sell the Sale Shares, being 10% of the total issued shares of BHL, at a total consideration of HK\$203,280,000, on the terms and subject to the conditions set out in the Agreement. As at the date of the Agreement, the Company was indirectly interested in 54% of BHL and each of the Sellers was respectively holding 23% of the issued share capital of BHL. Upon completion of the Acquisition, the Group will be interested in 64% equity interest in BHL.

Consideration

The Consideration is HK\$203,280,000, of which HK\$60,880,000 shall be satisfied by cash and HK\$142,400,000 shall be satisfied by way of the issue and allotment, credited as fully paid, of 16,000,000 Consideration Shares at the issue price of HK\$8.9 per Consideration Share at completion, in each case to the Sellers in equal shares.

The Consideration was arrived at after arm's length negotiations between the parties, taking into consideration of the average price earnings ratio of other Hong Kong listed companies engaged in similar industries and the past and potential growth of the BHL Group.

In order to assess the fairness and reasonableness of the Consideration, to the best of our knowledge and findings, we have identified 9 companies ("Comparable Companies") listed on the Main Board of the Stock Exchange as set out in the table below which are principally engaged in the retail and distribution of apparels and/or accessories (with turnover derived from retail and distribution of apparels and/or accessories accounted for over 50% of the total turnover of the respective Comparable Companies and recorded profit in the latest financial year), and examined the price earnings ratios ("PER") of the Comparable Companies.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Price to book ratio (“PBR”) is also a commonly used tool. However, we consider that the BHL Group’s business, as other fashion and clothing retailers, is not asset based. Image, brand name and distribution network are intangible assets important to a retailer’s value which are usually not reflected on its balance sheet. Accordingly, we do not consider using PBR a good approach to evaluate the acquisition price under the Agreement. Nevertheless we set out the PBR of the Comparable Companies below for information purposes.

Stock code	Company	Principal business	PER as at the Latest Practicable Date <i>(note 1)</i>	PBR as at the Latest Practicable Date <i>(note 2)</i>
891	Trinity Ltd.	Retail and wholesale distribution of menswear under selfowned brands and licensed brands in the Greater China Region and a retailer of luxury fashion and accessories in South Korea and Southeast Asia	51.62	5.72
128	ENM Holdings Ltd.	Wholesale and retail of fashion wear and accessories, telecommunications operations, resort and recreational club operations, investment holding and securities trading	31.77	1.54
709	Giordano International Ltd.	Retailing and distribution of value for money casual apparel and accessories under the GIORDANO, GIORDANO LADIES, GIORDANO JUNIOR and BLUESTAR EXCHANGE brands, and apparel manufacturing operations	24.72	3.36
999	I.T Ltd.	Sales of fashion wears and accessories	23.65	4.25
647	Joyce Boutique Holdings Ltd.	Sales of designer fashion garments, cosmetics and Accessories	16.36	1.16
592	Bossini International Holdings Ltd.	Investment holding and the retailing, distribution and wholesaling of garments	13.78	1.71
330	Esprit Holdings Ltd.	Wholesale and retail distribution and licensing of quality fashion and lifestyle products designed	13.21	3.55
393	Glorious Sun Enterprises Ltd.	Retailing, export and production of casual wear	14.25	1.79

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Stock code	Company	Principal business	PER as at the Latest Practicable Date <i>(note 1)</i>	PBR as at the Latest Practicable Date <i>(note 2)</i>
448	Hang Ten Group Holdings Ltd.	Designing, marketing, retail and wholesale of apparel and trademark licensing	9.41	1.77
		Maximum	51.62	5.72
		Minimum	9.41	1.16
		Average	22.09	2.76
	Acquisition of the 10% equity interest in BHL		9.82 <i>(note 3)</i>	4.49 <i>(note 4)</i>

Notes:

1. *Data regarding the PER of the Comparable Companies are sourced from Infocast as at the Latest Practicable Date.*
2. *Data regarding the PBR of the Comparable Companies are sourced from Bloomberg as at the Latest Practicable Date.*
3. *The PER in relation to the Acquisition is a fraction of which the numerator (the price) is HK\$203,280,000, being the Consideration and the denominator (the earning) is HK\$20,704,468, being 10% of the profit attributable to equity holders of BHL for the year ended 31 March 2010 of HK\$207,044,687 (after taking into account a minority interest of approximately HK\$1,709,000).*
4. *The PBR in relation to the Acquisition is a fraction of which the numerator (the price) is HK\$203,280,000, being the Consideration and the denominator (the book value) is HK\$45,292,824, being 10% of the consolidated net assets value of BHL as at 31 March 2010 of HK\$452,928,241. The calculation of the PBR does not exclude liabilities due to related companies by the BHL Group of approximately HK\$288 million as of 31 March 2010, the amount of which has been utilised as the general working capital of the BHL Group.*

As shown in the above table, the PERs of the Comparable Companies range from approximately 9.41 times to 51.62 times with an average PER of approximately 22.09 times.

Based on the Consideration, BHL's consolidated profit attributable to the equity holders for the year ended 31 March 2010 and BHL's consolidated net assets value as at 31 March 2010, the PER in relation to the Acquisition is approximately 9.82 times. The Group's PER is 11.24 (source: Infocast) as at the Latest Practicable Date. The basis of calculating the PER in relation to the Acquisition is set out in the notes to the table above. We note that the PER in relation to the Acquisition is at the low end of the PERs of the Comparable Companies and is lower than the average PER of the Comparable Companies and the PER of the Company.

Having considered the PER in relation to the Acquisition is at the low end of the Comparable Companies' PERs, we consider that the Consideration is fair and reasonable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Issue price of the Consideration Shares

As mentioned above, part of the Consideration shall be satisfied as HK\$142,400,000 by the issue and allotment of 16,000,000 Consideration Shares to the Sellers credited as fully paid at HK\$8.9 per Consideration Shares upon completion of the Acquisition. The issue price of HK\$8.9 per Consideration Share represents:

- (i) the closing price per Share as quoted on the Stock Exchange on the Last Trading Date;
- (ii) a premium of approximately 4.6% to the average closing price of approximately HK\$8.51 per Share as quoted on the Stock Exchange for the last 5 trading days up to and including the Last Trading Date;
- (iii) a premium of approximately 7.7% to the average closing price of approximately HK\$8.26 per Share as quoted on the Stock Exchange for the last 10 trading days up to and including the Last Trading Date; and
- (iv) a premium of approximately 4.5% to the closing price of HK\$8.52 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

It is also noted that during the 12-month period prior to the date of the Agreement (the "Review Period"), the closing price of the Shares had been below the issue price of HK\$8.9 except for the Last Trading Date and three trading days in April 2010. Taking into account the issue price of HK\$8.9 represents (i) the closing price of the Shares on the Last Trading Date; (ii) premium to the recent closing prices of the Shares as illustrated in the previous paragraph; and (iii) premium to the closing prices of the Shares on most trading days during the Review Period, we consider that the issue price of HK\$8.9 is fair and reasonable so far as the Company and the Independent Shareholders are concerned.

Settlement of the Consideration

As stated above, approximately 30% of the Consideration will be settled by cash and the remaining 70% of the Consideration will be settled by the issue of the Consideration Shares.

We have discussed with the Company and understand that the terms regarding the settlement of the Consideration by cash and the Consideration Shares was suggested by the Sellers and was accepted by the Company after arm's length negotiations. The Company is of the view that it is fair and reasonable to settle the Consideration by both cash and the Consideration Shares.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We understand that it is the request of the Sellers to become shareholders of the Company in order to continue to benefit from the future prospect of the BHL Group, as well as other businesses of the Group and liquidity of the Shares. After completion of the Acquisition, each of the Sellers will become a Shareholder holding 0.59% interest in the Company. Given that the balance of the Consideration is fair and reasonable, the dilutions effect to the other Shareholders is small, and the Consideration Shares are to be issued at market price, we agree with the Company that the present allocation between cash and the Consideration Shares in relation to the settlement of the Consideration is fair and reasonable.

Dilution effects on the existing public Shareholders

Reference is made to the shareholding structure of the Company as set out in the section headed "Effect on Shareholding Structure" in the Letter from the Board. Upon completion of the Acquisition, the shareholding of the existing public Shareholders would be decreased from approximately 43.96% as at the Latest Practicable Date to approximately 43.44% as enlarged by the issue and allotment of the Consideration Shares.

Having considered (i) the fairness and reasonableness of the issue price of HK\$8.9 in the section headed "Issue price of the Consideration Shares" above; (ii) the possible optimistic outlook of apparel industry in the PRC and the positive financial performance of the BHL Group; (iii) the increase in the Group's share in the net profit and net assets of the BHL Group and other benefits of the Acquisition attributable to the Group as mentioned in the section headed "Reasons for the Acquisition" above; and (iv) the issue of the Consideration Shares for settlement of part of the Consideration would enable the Group to retain more cash resources, we consider that the dilution effects on shareholdings of the Company upon completion of the Acquisition is acceptable, and fair and reasonable.

Effects of the Acquisition to the Group

Financial effects of the Acquisition

Upon completion of the Acquisition, the Group's equity interest in BHL shall be increased from 54% to 64%, and BHL will continue to be a non-wholly owned subsidiary of the Company and its results will continue to be consolidated into the Group's consolidated financial statements following completion of the Acquisition.

(a) Earnings

For the year ended 31 March 2010, BHL recorded consolidated net profit attributable to the equity holders of approximately HK\$207.0 million. Having taken into account that the BHL Group has been generating profit and the positive outlook of the apparel industry in the PRC, the Acquisition is expected to have a positive impact to the earnings of the Group upon consolidation of the results of the BHL Group and increase the Group's share in the BHL Group's net profit.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(b) Net asset value

The Group has net asset value of approximately HK\$4,792.7 million as at 31 March 2010, whilst the BHL Group has net asset value of approximately HK\$452.9 million as at 31 March 2010. Except for the increase in the Group's share in the net assets of the BHL Group and the payment of the cash consideration and the issue of the Consideration Shares pursuant to the Agreement, the Acquisition is not expected to have any material effect on the Group's net asset value.

Shareholders should note that if the Consideration exceeds the Group's interest in the net fair value of BHL's identifiable assets acquired, and liabilities and contingent liabilities assumed as at the date of acquisition, the Acquisition would result in the Group recording a goodwill. We understand from the Company that the carrying amount of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. Should any impairment loss is recognised, earnings and net asset value of the Group may adversely be affected.

(c) Working capital

The Consideration will be partly satisfied by cash by the Group's internal resources and partly satisfied by the issue and allotment of the Consideration Shares. The working capital of the Group would be reduced by the amount of the Consideration satisfied by cash of HK\$60,880,000 which represents approximately 3.99% of the cash and cash equivalents of the Group as at 31 March 2010.

CONCLUSION

Having considered the above principal factors and reasons, we are of the opinion that the terms of the Agreement and the Acquisition are fair and reasonable and the Acquisition is on normal commercial terms, 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, should a general meeting of the Shareholders be held for the purpose of considering and, if thought fit, approving the Agreement and the Acquisition, we would advise the Independent Board Committee and the Independent Shareholders, to vote in favour of the ordinary resolution to approve the Agreement and the Acquisition.

Yours faithfully,
For and on behalf of
OSK Capital Hong Kong Limited
Allen Tze
Director

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(I) Directors' Interests

Interests and/or short positions of the Directors and chief executives

Save as disclosed below, as at the Latest Practicable Date, none of the Directors and the chief executive of the Company had any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required, pursuant to section 352 of the SFO, to be entered into the register referred to therein, or 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 or short positions which he was taken or deemed to have under such provisions of the SFO), and the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules:

(i) Long positions in the shares of the Company

	Number of shares held and capacity			Total	Percentage of the Company's issued share capital
	Directly or beneficially owned	Through spouse or minor children	Through controlled corporations		
Executive directors:					
Poon Bun Chak	32,888,000	168,800,104 ⁽¹⁾	456,450,000 ⁽²⁾	658,138,104	49.30
Poon Kai Chak	8,202,800	-	-	8,202,800	0.61
Poon Kei Chak	22,977,200	-	41,922,000 ⁽³⁾	64,899,200	4.86
Poon Kwan Chak	14,270,800	-	-	14,270,800	1.07
Ting Kit Chung	2,600,000	-	-	2,600,000	0.19
Independent non-executive director:					
Au Son Yiu	100,000	-	-	100,000	0.01
	<u>81,038,800</u>	<u>168,800,104</u>	<u>498,372,000</u>	<u>748,210,904</u>	<u>56.04</u>

Notes:

- (1) The 168,800,104 shares are owned by Farrow Star Limited, which is wholly-owned by Perfection (PTC) Inc. as a trustee for The Evergreen Trust, a discretionary trust, the beneficiaries of which include the family members of Mr. Poon Bun Chak. These shares are held through his spouse or minor children in accordance with the SFO.
- (2) The 456,450,000 shares are owned by Giant Wizard Corporation in which Farrow Star Limited has an 97.15% equity interest. A 2.85% interest in Giant Wizard Corporation is owned by Mr. Poon Bun Chak.
- (3) The 41,922,000 shares are held by Treasure Link International Holdings Limited, in which Mr. Poon Kei Chak and his spouse each owned 50% equity interests.

(ii) Interest in share options

Name or category of participant	Date of grant of share options*	Exercise price of share options** HK\$ per share	Number of share options outstanding as at the Latest Practicable Date		Exercise period
Executive directors: Poon Kai Chak	11 Sept 2002	4.97	6,500,000		11 Sept 2002 - 10 Sept 2012
	26 Mar 2004	5.60	3,000,000		26 Mar 2004 - 25 Mar 2014
			<u>9,500,000</u>		
Poon Kei Chak	11 Sept 2002	4.97	6,000,000		11 Sept 2002 - 10 Sept 2012
	26 Mar 2004	5.60	3,000,000		26 Mar 2004 - 25 Mar 2014
			<u>9,000,000</u>		
Poon Kwan Chak	11 Sept 2002	4.97	3,000,000		11 Sept 2002 - 10 Sept 2012
	26 Mar 2004	5.60	6,000,000		26 Mar 2004 - 25 Mar 2014
			<u>9,000,000</u>		
Ting Kit Chung	11 Sept 2002	4.97	3,000,000		11 Sept 2002 - 10 Sept 2012
	26 Mar 2004	5.60	6,000,000		26 Mar 2004 - 25 Mar 2014
			<u>9,000,000</u>		
			<u>36,500,000</u>		

Name or category of participant	Date of grant of share options*	Exercise price of share options** HK\$ per share	Number of share options outstanding as at the Latest Practicable Date	Exercise period	
Independent non-executive directors:	Au Son Yiu	11 Sept 2002	4.97	200,000	11 Sept 2002 - 10 Sept 2012
		26 Mar 2004	5.60	<u>200,000</u>	26 Mar 2004 - 25 Mar 2014
			<u>400,000</u>		
	Cheng Shu Wing	11 Sept 2002	4.97	200,000	11 Sept 2002 - 10 Sept 2012
		26 Mar 2004	5.60	<u>200,000</u>	26 Mar 2004 - 25 Mar 2014
			<u>400,000</u>		
	Wong Tze Kin, David	26 Mar 2004	5.60	<u>200,000</u>	26 Mar 2004 - 25 Mar 2014
			<u>1,000,000</u>		

Notes:

* The vesting period of the share options is from the date of the grant until the commencement of the exercise period.

** The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors, chief executive of the Company nor their associates had or was deemed to have any interests or short position in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which has been recorded in the register maintained by the Company pursuant to Section 352 of the SFO or which has been notified to the Company and the Stock Exchange pursuant to the above mentioned Model Code of the Listing Rules.

(II) Shareholder's Interests*Disclosure of interest by Substantial Shareholders*

As at the Latest Practicable Date, so far as was known to any Director and chief executive of the Company, no person (other than a Director or chief executive of the Company or their respective associates) had any interest or short position in the Shares and underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company.

(i) Long positions in ordinary shares of the Company:

Name	Capacity	Number of ordinary shares held	Percentage of the Company's issued share capital
Perfection (PTC) Inc.	Trustee	625,250,104	46.84
Farrow Star Limited	Through controlled corporation	456,450,000	34.19
	Directly owned	168,800,104	12.65
		625,250,104	46.84
Giant Wizard Corporation	Directly owned	456,450,000	34.19
FMR LLC	Through controlled corporation	79,930,001	5.99
Heung Mi Kuen Miraner	Through spouse	22,977,200	1.72
	Through controlled corporation	41,922,000	3.14
		64,899,200	4.86

(ii) Long positions in share options of the Company:

Name	Capacity	Number of shares options held	Percentage of the Company's issued share capital
Heung Mi Kuen Miraner	Through spouse	9,000,000	0.67

Save as disclosed above, as at the Latest Practicable Date, the Directors and the chief executive of the Company are not aware of any other persons (not being a Director or chief executive of the Company, who had an interest or short position in the Shares or the underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, 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 had any options in respect of such capital.

3. DIRECTORS' INTERESTS IN COMPETING BUSINESSES

As at the Latest Practicable Date, none of the Directors is directly or indirectly interested in any business that constitutes or may constitute a competing business of the Company.

4. SERVICE CONTRACTS

As at the Latest Practicable Date, so far as the Directors were aware, none of the Directors has entered into or proposed to enter into any service contract with the Company or any other member of the Group (excluding contracts expiring or determinable by the Company or any member of the Group within one year without payment of compensation, other than statutory compensation).

5. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation, arbitration or claims of material importance and, so far as the Directors are aware, no litigation or claim of material importance is pending or threatened by or against any member of the Group.

6. MATERIAL ADVERSE CHANGE

The Directors are of the opinion that there has not been any material change in the financial or trading position of the Group since 31 March 2010, being the date to which the latest published audited accounts of the Group were made up.

7. EXPERT AND CONSENT

The following is the qualification of the expert who has given opinions or advice which are contained in this circular:

Name	Qualification
OSK Capital Hong Kong Limited	A corporation licensed to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO

OSK Capital has given and has not withdrawn its written consent to the issue of this circular, with the inclusion of its letter as set out in this circular and reference to its name in the form and context in which it appears.

As at the Latest Practicable Date, OSK Capital was not beneficially interested in the share capital of any member of the Group, nor did it has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

8. INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE IN SUBSTANTIAL SHAREHOLDERS OF THE COMPANY

As at the Latest Practicable Date, save as disclosed below, none of the Directors was a director or employee of a company which had an interest or short position in the shares and underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of Director	Name of company which had such discloseable interest or short position	Position within such company
Poon Bun Chak	Perfection (PTC) Inc.	Director
	Farrow Star Limited	Director
	Giant Wizard Corporation	Director
Poon Kei Chak	Treasure Link International Holdings Limited	Director

9. GENERAL

- (a) The company secretary of the Company is Mr. Chan Chi Hon who is a fellow member of the Hong Kong Institute of Certified Public Accountants.
- (b) The qualified accountant of the Company is Mr. Chan Chi Hon who is a fellow member of the Hong Kong Institute of Certified Public Accountants.
- (c) The registered office of the Company is situate at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.
- (d) The head office and principal place of business of the Company in Hong Kong is situate at 16th Floor, Metroplaza, Tower II, 223 Hing Fong Road, Kwai Chung, New Territories, Hong Kong.
- (e) The principal share registrar and transfer office of the Company is Butterfield Fulcrum Group (Bermuda) Limited whose office is situate at Rosebank Centre, 11 Bermudiana Road, Pembroke HM08, Bermuda. The Hong Kong branch share registrar and transfer office of the Company is Tricor Tengis Limited whose office is situate at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

- (f) The English text of this circular shall prevail over the Chinese text in case of inconsistency.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours from 9:00 a.m. to 5:00 p.m. (other than Saturdays, Sundays and public holidays) at the principal place of business of the Company in Hong Kong from the date of this circular up to and including 2 November 2010:

- (a) the letter from OSK Capital, the text of which is set out on pages 14 to 26 of this circular;
- (b) the letter from the Independent Board Committee, the text of which is set out on pages 12 to 13 of this circular;
- (c) the Agreement; and
- (d) a copy of this circular.