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

If you have sold or otherwise transferred all your shares in Karrie International Holdings Limited (the “Company”), you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or transferee.

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KARRIE INTERNATIONAL HOLDINGS LIMITED

嘉利國際控股有限公司*

(incorporated in Bermuda with limited liability)

(Stock code: 1050)

**DISCLOSEABLE AND CONNECTED TRANSACTION —
ACQUISITION OF THE SALE SHARES INVOLVING ISSUE OF
CONSIDERATION SHARES UNDER SPECIFIC MANDATE
AND
NOTICE OF SPECIAL GENERAL MEETING**

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



A letter from the Board is set out on pages 4 to 23 of this circular. A letter from the Independent Board Committee is set out on page 24 of this circular. A letter from Guangdong Securities containing its advice to the Independent Board Committee and the Shareholders is set out on pages 25 to 48 of this circular.

A notice convening the special general meeting of the Company (the “SGM”) to be held on Friday, 22 June 2012 at 9:00 a.m. at Fountain Room 1, Lobby Level, Hong Kong Gold Coast Hotel, 1 Castle Peak Road, Gold Coast, Hong Kong is set out on pages 58 to 60 of this circular. A form of proxy for use at the SGM is also enclosed. Whether or not you intend to attend the SGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it together with the power of attorney or other authority, if any, under which it is signed, or a certified copy of that power or authority to the Company’s principal place of business in Hong Kong at 10th Floor, Southeast Industrial Building, 611–619 Castle Peak Road, Tsuen Wan, New Territories, Hong Kong not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude any member from attending and voting in person at the SGM or any adjournment thereof should you so wish.

* For identification purpose only

CONTENTS

	<i>Page</i>
Definitions	1
Letter from the Board	4
Letter from the Independent Board Committee	24
Letter from Guangdong Securities	25
Appendix — General information	49
Notice of SGM	58

DEFINITIONS

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

“Acquisition”	the acquisition of the Sale Shares by the Purchaser from the Vendor pursuant to the terms and conditions of the Agreement
“Agreement”	the sale and purchase agreement, including its amendments or replacement, entered into between the Purchaser and Vendor in relation to the Acquisition
“Angel Love”	Angel Love Studio (HK) Company Limited, whose entire issued share capital is beneficially owned by the Vendor
“Angel Love Share(s)”	100 fully paid up shares of HK\$1 par value in the capital of Angel Love beneficially owned by the Vendor and which comprise the entire issued share capital of Angel Love
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors of the Company
“Business Day(s)”	a day (not being a Saturday or days on which a typhoon signal No. 8 or above or black rainstorm warning is hosted in Hong Kong at 10:00 a.m.) on which banks are generally open for general banking business in Hong Kong
“Company”	Karrie International Holdings Limited (stock code: 1050), a company incorporated in the Bermuda with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Acquisition in accordance with the terms and conditions of the Agreement
“connected person(s)”	has the meaning ascribed to it in the Listing Rules, and “connected” shall be construed accordingly
“Consideration”	the aggregate of the Equity Consideration and Debt Consideration
“Consideration Shares”	130,000,000 shares of HK\$0.1 par value in the capital of the Company for full and final settlement of the Consideration
“Debt”	all amounts (whether principal, interest or otherwise) which Angel Love owes to the Vendor as at the Date of Completion
“Debt Consideration”	the consideration payable for the Debt, being HK\$10,000,000
“Directors”	the directors of the Company

DEFINITIONS

“Equity Consideration”	the consideration payable for the Sale Shares, being HK\$35,000,000
“Group”	the Company and its subsidiaries
“Guangdong Securities” or “Independent Financial Adviser”	Guangdong Securities Limited, a licensed corporation to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO and the independent financial adviser to advise the Independent Board Committee and the independent Shareholders in relation to the Agreement
“Hong Kong”	The Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent board committee of the Company, comprising all the independent non-executive Directors
“Independent Shareholders”	Shareholders other than the Vendor and his associates
“Issue Price”	HK\$0.346 per Share
“Last Trading Day”	16 March 2012, being the last trading day of the Shares prior to the date of the Agreement
“Latest Practicable Date”	28 May 2012, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Ho”	Mr. Ho Cheuk Fai, the Chairman of the Board, an executive Director and a substantial shareholder of the Company
“One Travel”	The One Travel Co., Limited, a company incorporated under the laws of Hong Kong, whose entire issued share capital is legally and beneficially owned by the Vendor
“One Travel Share(s)”	750,000 fully paid up shares of HK\$1 par value in the capital of One Travel beneficially owned by the Vendor and which comprise the entire issued share capital of One Travel
“PRC”	the People’s Republic of China, which for the purpose of this circular, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan

DEFINITIONS

“Purchaser”	Kar Yick Development Company Limited (嘉億發展有限公司), a company incorporated under the laws of Hong Kong with limited liability, an indirect wholly-owned subsidiary of the Company
“Sale Share(s)”	collectively the Angel Love Shares and One Travel Shares
“SFO”	Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of par value of HK\$0.1 each in the issued share capital of the Company
“Shareholders”	shareholders of the Company
“SGM”	the special general meeting of the Shareholder to be convened by the Company to consider and approve, inter alia, the Agreement and issue of Consideration Shares
“Specific Mandate”	the issue mandate to be granted to the Directors to allot and issue the Consideration Shares at the special general meeting of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Companies”	One Travel, Angel Love and its subsidiaries
“Vendor”	The Wedding City Company Limited, a company incorporated under the laws of Hong Kong with limited liability, of which Mr. Ho, the Chairman of the Board, an executive Director and a substantial shareholder of the Company, and his spouse, Ms. Ho Po Chu, are its substantial shareholders
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.



KARRIE INTERNATIONAL HOLDINGS LIMITED

嘉利國際控股有限公司*

(incorporated in Bermuda with limited liability)

(Stock code: 1050)

Executive Directors:

Mr. Ho Cheuk Fai (*Chairman and CEO*)

Mr. Lee Shu Ki

Ms. Chan Ming Mui, Silvia

Non-executive Director:

Mr. Ho Cheuk Ming (*Non-executive Director
and Deputy Chairman*)

Independent Non-executive Directors:

Mr. So Wai Chun

Mr. Chan Sui Sum, Raymond

Mr. Fong Hoi Shing

Registered Office:

Clarendon House

2 Church Street

Hamilton HM11

Bermuda

Principal place of

business in Hong Kong

10th Floor

Southeast Industrial Building

611–619 Castle Peak Road

Tsuen Wan

New Territories

Hong Kong

1 June 2012

*To the Shareholders and, for information only,
the holders of the share options of the Company*

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION —
ACQUISITION OF THE SALE SHARES INVOLVING ISSUE OF
CONSIDERATION SHARES UNDER SPECIFIC MANDATE
AND
NOTICE OF SPECIAL GENERAL MEETING**

1. INTRODUCTION

The Board refers to the announcement of the Company dated 16 March 2012 that on 16 March 2012, (after trading hours), the Purchaser (being an indirect wholly-owned subsidiary of the Company) and the Vendor entered into the Agreement pursuant to which the Vendor has conditionally agreed, as beneficial owner to sell and the Purchaser has

* *For identification purpose only*

LETTER FROM THE BOARD

agreed to purchase the Sale Shares and the Debt at the Consideration which will be satisfied by the Company by the allotment and issue of Consideration Shares to the Vendor or its nominees at the Issue Price upon Completion. Upon completion of the Acquisition, the Target Companies will become indirect wholly owned subsidiaries of the Company and the financial results of the Target Companies will be consolidated into the consolidated financial statements of the Company.

The purpose of this circular is to provide you with, among other things, (i) details of the Agreement; (ii) the recommendation of the Independent Board Committee to the Independent Shareholders on the terms of the Agreement and the transactions contemplated thereunder; (iii) a letter of advice from Guangdong Securities containing its advice to the Independent Board Committee and the Independent Shareholders; and (iv) a notice of the SGM.

2. THE AGREEMENT

Date : 16 March 2012 (after trading hours)

Parties :

Vendor : The Wedding City Company Limited, a company incorporated under the laws of Hong Kong with limited liability, of which Mr. Ho, the Chairman of the Board, an executive Director and a substantial shareholder of the Company, and his spouse, Ms. Ho Po Chu, are substantial shareholders of the Vendor. Mr. Ho holds 90% and Ms. Ho Po Chu holds 10% shares in the Vendor.

Purchaser : Kar Yick Development Company Limited (嘉億發展有限公司), a company incorporated under the laws of Hong Kong with limited liability.

Asset to be acquired

Pursuant to the Agreement, the Company has conditionally agreed to acquire and the Vendor has conditionally agreed to dispose of the Sale Shares (being the entire issued share capital of the Target Companies) and the Debt. As confirmed and advised by the Target Companies, the total principal amount of the Debt is HK\$10,000,000 without interest. As the Debt does not bear any interest, to the best knowledge of the Company, it is expected that such amount will not increase substantially from the Latest Practicable Date to the Completion Date.

Consideration

The Consideration is the aggregate of the Equity Consideration and the Debt Consideration, being HK\$45,000,000 and will be satisfied by the Company by way of allotment and issue of 130,000,000 Consideration Shares to the Vendor or its nominees at the Issue Price of HK\$0.346 per Share upon Completion.

LETTER FROM THE BOARD

The Consideration was determined after arm's length negotiations between the Vendor and the Purchaser by reference to the further business and growth potential of the Target Companies in the attractive sector of economy, i.e. the favourable and booming consumer market as mentioned in paragraph no.3 "Reasons for and benefits of the Acquisition" below.

Having considered the factors described in the paragraph no.3 "Reasons for and benefits of the acquisition" below, the Directors (including the independent non-executive Directors) are of the view that the Consideration is fair and reasonable and on normal commercial terms and that the entering into of the Agreement is in the interests of the Company and the Shareholders as a whole.

Consideration Shares

A total of 130,000,000 Consideration Shares will be issued under the Specific Mandate to be approved by the Shareholders at the SGM, by the Company to the Vendor or its nominees upon Completion pursuant to the Agreement. Assuming there is no change in the issued share capital of the Company from the date of this circular and up to the Completion, the Consideration Shares represents:

- (a) approximately 14.98% of the issued share capital of the Company as at the date of this circular; and
- (b) approximately 13.02% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares upon Completion.

The Consideration Shares will, upon issue and credited as fully paid, rank pari passu in all respect with all the existing Shares then in issue. Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

Issue Price

The Issue Price of the Consideration Shares at HK\$0.346 per Share was determined based on arm's length negotiation between the Company and the Vendor with reference to the prevailing market price of the Shares, and represents:

- (a) a premium of approximately 0.29% to the closing price of HK\$0.345 per Share as quoted on the Hong Kong Stock Exchange on the Last Trading Day;
- (b) a premium of approximately 0.87% over the average closing price of approximately HK\$0.343 per Share as quoted on the Stock Exchange for the 5 consecutive trading days up to and including the Last Trading Day; and
- (c) a premium of approximately 1.47% over the average closing price of approximately HK\$0.341 per Share as quoted on the Stock Exchange for the 20 consecutive trading days up to and including the Last Trading Day.

LETTER FROM THE BOARD

As advised by the Vendor, the original acquisition cost incurred for and the amount of working capital of the Target Companies financed by the Vendor, i.e. the Debt was approximately HK\$10,400,000 in total.

The Directors (including the independent non-executive Directors) are of the view that the Consideration including the Issue Price for the Consideration Shares is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

The unaudited combined net assets of the Target Companies would be adjusted to HK\$3,360,000 upon Completion after taken into the Debt to be acquired by the Group.

The Directors are further of the view that the Consideration which would be at a premium to the unaudited combined net assets of the Target Companies with (i) a short operating history; and (ii) loss making position is fair and reasonable and in the interests of the Company and its shareholders. The basis of the Directors' view is that the Acquisition would save the Group's time and cost of starting up a wedding services business from scratch. As shown by the growth in the combined revenue of the Target Companies shortly after their establishment, the Target Companies have demonstrated further business and growth potential and also established their brand names and already accumulated their customers for the wedding services business. Further the Acquisition will also not result into significant immediate cash outflows from the Group as the Consideration will be satisfied by way of the issue and allotment of the Consideration Shares.

Conditions precedent

Completion of the Acquisition is conditional upon each of the following conditions being satisfied (or, where applicable, waived by the Purchaser except for conditions (b), (d) and (h)):

- (a) the Vendor has a good title to the Sale Shares and the Debt free from Encumbrances on Completion and is the sole beneficial owner of the Sale Shares and the Debt on Completion;
- (b) Listing Committee of the Stock Exchange granting listing of, and permission to deal, in the Consideration Shares;
- (c) the board of directors and the member(s) of the Target Companies have respectively duly approved (i) the entry into of the Agreement; and (ii) the transactions contemplated under the Agreement in accordance with the constitutional documents, the applicable law and the Purchaser (as the case may be) has received the certified copy of the relevant resolutions;

LETTER FROM THE BOARD

- (d) the passing of the resolution(s) by the independent shareholders, as defined in the Listing Rules, of the Company at a special general meeting to approve the Agreement and the transactions contemplated thereby, including but not limited to, the allotment and issue of the Consideration Shares to the Vendor or its nominees;
- (e) the Purchaser having been satisfied with the results of the due diligence conducted by the Purchaser on the Target Companies;
- (f) no event having occurred since the date hereof to Completion, the consequence of which is to materially and adversely affect the financial position, business or property, results of operations or business prospects of the Target Companies;
- (g) no material breach of the warranties and the warranties remaining true and accurate in all respects and not misleading at Completion as if repeated at Completion and at all times between the date of the Agreement and Completion, and the Vendor having complied with all of its obligations under the Agreement; and
- (h) The Bermuda Monetary Authority granting consent to the issue and allotment of the Consideration Shares (if required).

Completion

Completion shall take place not later than fifth Business Day after the Agreement has become unconditional being a date not later than the long stop date on 31 May 2012. If the Conditions have not been fulfilled by the Vendor (other than the clauses waived by the Purchaser on or before 31 May 2012 (or such other date as the parties may agree)), the Agreement shall lapse and have no further effect, and the parties shall be released from all obligations under it.

3. REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in the manufacturing and sales of industrial products and provision of manufacturing services. As a result of the recent global economic downturn and constantly increasing production costs and competition, growth of the manufacturing sector globally is unlikely to be very substantial and thus the Group's growth in such circumstances is unlikely to be very substantial in the medium term. The Company is of the view that it is not enough to remain at its current size without further investment and development. To the best knowledge of the Company, the Company has not entered, and does not propose to enter, into any agreement, arrangement, understanding or undertaking, whether formal or informal and whether express or implied, and negotiation (whether concluded or not) and has no intention to dispose of or downsize its existing business.

LETTER FROM THE BOARD

The Company aims to tap into the currently favorable consumer market and the increase in personal spending of consumer-related business in Hong Kong which with statistics offering significant future growth in Greater China Region. It is the Company's strategy to ride on this favourable industry which fundamentally scales new heights via organic and acquisition growths. According to Census and Statistical Department of Hong Kong Government, over 52,600 couples who have registered marriage in 2010, the compound annual growth rate (CAGR) of marriage registration from year 2000 to 2010 is about 5.46%. According to independent data and statistics in 2011, the average spending on a wedding by each couple in Hong Kong is approximately HK\$270,000, compared to around HK\$210,000 in 2007, which shows a steady increase of spending on wedding. The independent data and statistics were obtained from a website of a Hong Kong online information portal, an independent third party, which conducted a wedding consumption survey in or around November 2011. The website did not provide its methods for conducting the survey therefore the Company has no means of ascertaining its credentials. Wedding photography and wedding event planning are now becoming a necessity instead of a luxury consumption and are highly emphasized constitute of the whole wedding celebration process. Thus, it stimulates the diversified development of the industry. With the increasing amount of tourists to Hong Kong, including those from mainland China, with the Acquisition, the Company will be well equipped with an existing store to tap into the market. From time to time the Target Companies participate in wedding exhibitions, combining a wide selection of wedding related goods as well as wedding photography tour packages developed with mainland photography companies, the Target Companies are able to attract tourists and therefore it will be well positioned to capture growth opportunity on the industry in the Greater China market. Together with the estimated size of the wedding services market is a substantial amount of HK\$12.8 billion for the Year 2010 and also management's experience of the Target Companies as mentioned below, it is anticipated that the market size of the industry has been continuing and will continue to expand, the Company is of the view that the Target Companies will make profit in the long run though they have been loss making in the past.

The Board believes that, through the Acquisition, such entering into the consumer industry (wedding) will strengthen its customer and earning base, without going through start-up from scratch. As projected by the Directors, the work involved in starting up a wedding business, and in particular, a one-stop "wedding supermarket", from scratch would be substantial, including but not limited to renting properties, hiring staff, marketing, designing logo, registering trademark, establishing business ties in relation to providing wedding, travel and photography services therefore involving time and cost. Although the Board considered that the level of entry barrier in the wedding business is relatively low, in light of the above, the Acquisition will save the Company time and cost for entering into the wedding services market, and enable the Company to make use of existing business ties and reputation of the Target Companies. Having operated for two years, the Target Companies have established goodwill within the market. The shop in Mongkok is also located on Nathan Road with a large LCD display outside. The Acquisition will be cost saving for the Company as it will save the Company time and effort in finding a good location for the shop, recruiting experienced staff and developing goodwill. Therefore, it is in the interests of the Company's shareholders to acquire the Target Companies, though they are loss making and have a short operating history.

LETTER FROM THE BOARD

The loss making history of the Target Companies in the past is due to the initial sunk and development cost, rental and related expenditure and staff salaries. The Target Companies need time to develop their brand name and accumulate their customers. A new company would have only a few walk-in customers without a solid customer base to ensure its revenue. The Acquisition would save much time and effort to accumulate a customer base. Although the primary sales are one-off transactions, a customer base may introduce secondary sales or new customers. Through the services provided by experienced staff, the reputation of providing quality service will spread by word of mouth and bring new customers. The Company has confidence that in the long run the Target Companies will achieve a stable income as in general couples usually take several sets of wedding photos and willingly spend a substantial amount in order to celebrate their wedding ceremony, in addition, they are more willing to spend on taking family photos with their parents and children in future. Further, according to the unaudited financial statements of the Target Companies as at 31 December 2011, the combined revenue of the Target Companies had increased significantly in the space of one year from 2010 to 2011 which further demonstrates that in the long run the Target Companies will likely bring a stable income for the Company. The Company has resources as well as confidence to invest and develop the Target Companies and generate positive return.

The Directors and the Vendor had not considered terms such as profit guarantee. The reason is that, upon completion, Mr. Ho remains the holder of 73.56% of the issued Shares in the Company, therefore any losses incurred by the Target Companies will be borne by him and the other shareholders as the interest of Mr. Ho is merged with the other shareholders of the Company. Although initially the Company will share part of the losses, if any, of the Target Companies, the Company is of the view that the Target Companies have potential and there is opportunity that despite their current losses they will, in the long run, make profit and provide a stable income. Therefore the Acquisition is in the interest of the Shareholders as a whole, including the minority shareholders.

Accordingly, the Company welcomed every investment opportunities which are beneficial to its long term development, with an aim to generate the best return from investments and generate the best returns to the investors of the Company. The Board believes that the Acquisition is a good opportunity for the Company to achieve long term stable income with great growth potential.

Based on the above, the Directors (including the independent non-executive Directors) agreed that the terms of the Acquisition are fair and reasonable and that the Acquisition is in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

4. EFFECT OF THE ACQUISITION ON THE SHAREHOLDING STRUCTURE

Assuming there is no change in the issued share capital of, and the shareholding in, the Company from the date of this circular and up to the Completion pursuant to the Agreement, the shareholding structure of the Company (a) as at the date of this circular; and (b) immediately after Completion and including issue of the Consideration Shares will be as follows:

Name of Shareholders	As at the date of this circular		Immediately after Completion (inclusive of the Consideration Shares, assuming the Consideration Shares are issued to Mr. Ho)	
	<i>Number of Shares</i>	<i>Approximate %</i>	<i>Number of Shares</i>	<i>Approximate %</i>
Mr. Ho (<i>Notes 1 and 2</i>)	604,160,000	69.60	734,160,000	73.56
Other Directors:				
Mr. Lee Shu Ki (<i>Note 3</i>)	3,500,000	0.40	3,500,000	0.35
Ms. Chan Ming Mui, Silvia (<i>Note 4</i>)	1,200,000	0.14	1,200,000	0.12
Public Shareholders:	<u>259,237,600</u>	<u>29.86</u>	<u>259,237,600</u>	<u>25.97</u>
Total	<u>868,097,600</u>	<u>100.00</u>	<u>998,097,600</u>	<u>100.00</u>

Notes:

1. The personal interests of Mr. Ho comprise 139,356,000 Shares. Mr. Ho is deemed to be interested in (a) 56,000,000 Shares held by his spouse, Ms. Ho Po Chu, as beneficial owner and (b) 408,804,000 Shares in which his children under 18 are interested. Such 408,804,000 Shares in which his children under 18 are interested duplicate with his interests as founder of The Ho Family Trust in the same block of Shares referred to in Note 2 below.
2. The 408,804,000 Shares comprised (i) 243,804,000 Shares held by New Sense Enterprises Limited (“**New Sense**”), and (ii) 165,000,000 Shares held by Castfast Properties Development Co., Ltd. (“**Castfast Properties**”), 87% of the issued share capital of which is beneficially owned by Honford Investments Limited (“**Honford Investments**”), which in turn is wholly-owned by Equity Trust (BVI) Limited (“**Equity Trust**”) as trustee for a discretionary trust, The Ho Family Trust. Mr. Ho is deemed to be interested in these 408,804,000 Shares as founder of The Ho Family Trust. Ms. Ho Po Chu, Mr. Ho Cheuk Ming and Mr. Ho’s children under 18 are the discretionary objects of The Ho Family Trust and are thus deemed to be interested in the 408,804,000 Shares held under The Ho Family Trust. Therefore, the interests of Mr. Ho, Ms. Ho Po Chu and Mr. Ho Cheuk Ming in the 408,804,000 Shares duplicate with each other.
3. The personal interests of Mr. Lee Shu Ki comprise 1,400,000 ordinary shares and 2,100,000 outstanding share options.
4. The personal interests of Ms. Chan Ming Mui, Silvia are 1,200,000 outstanding share options.

LETTER FROM THE BOARD

Disadvantages of the Acquisition to the Company

The issue of the Consideration Shares in consideration for the Acquisition will cause dilution in the Company shares. There are also associated business risks with the wedding business, including:

- The Target Companies' business relies on the performance of the retail shops;
- The Target Companies' revenue is affected by seasonality factor;
- The Target Companies operate in a competitive market with low entry barriers which may result in lower profit margins; and
- The Target Companies' business depends on its ability to maintain stable and adequate supply of quality and stylish inventories (i.e. wedding gown etc.) to meet consumer demand for its products, which may be subject to its ability to maintain an optimal level of inventories and its ability to obtain sufficient quantities of quality and stylish inventory for sale to its customers in a timely manner or at acceptable prices.

5. INFORMATION ON THE PARTIES

The Company

The Company and its subsidiaries are principally engaged in the manufacturing and sales of computer casings, office automation products, video cassette housings, moulds, plastic and metal parts and provision of electronic manufacturing services.

The Vendor

The Vendor is the sole registered and beneficial owner of all the entire issued shares in One Travel and is the sole beneficial owner of all the entire issued shares in Angel Love and all the amounts owed by Angel Love to the Vendor.

The Target Companies

Angel Love was incorporated on 18 March 2010 and is principally engaged in wedding gown and photography businesses. Angel Love also owns all the issued shares of both My Affection Limited and Dreamy Bridal Limited. My Affection Limited was incorporated on 27 January 2011 and is principally engaged in wedding planning business. Dreamy Bridal Limited was incorporated on 15 October 2010 and is principally engaged in wedding photography business. One Travel was incorporated on 7 December 2009 and is principally engaged in provisions of wedding related travel services. Currently the Target Companies have two stores located in Mongkok and Tsuen Wan, and have 14 permanent staff with the aim to recruit more staff.

The Target Companies are wedding gown and photography company that provides comprehensive one-shop wedding services in Hong Kong. The Target Companies have experienced management expertise in the wedding gown,

LETTER FROM THE BOARD

photography and related businesses. The Target Companies have a creative idea of wedding shore — “wedding supermarket” which offers nearly all of the commodities and services related to wedding from wedding dresses, jewelries, photography to live bands, car, flowers and gifts. The Target Companies aim to attract high to middle level customers by establishing a big selection of over 2,000 beautifully designed wedding dresses in Hong Kong.

Business Model

The business model of the Target Companies makes wedding bridal gown and dress more accessible and available. The Target Companies will provide rentals for all the necessary dresses required for a wedding including the bridal gown, bridesmaid, matron or maid of honor, and flower girl dresses which are diligently sourced by the Target Companies. For the bride and others if they so choose, the dresses can be purchased. However, most customers will be overjoyed with the option of renting these one time pieces of clothing. The bridesmaid’s dresses are particularly useful for rental since usually the bride will choose the dress to be wore by the bridesmaids, the bridesmaids do not get a choice in the dress they will wear, and even if they do not have to pay for the dress themselves, the dress usually is only worn once and then is stored in the back of the closet for many years, so it is not a good investment to purchase. Emphasis will be put on both quantity and quality. The Target Companies will purchase a large number of gowns and suits in diversified styles so as to provide plenty of choices to potential customers and satisfy the tastes of different brides. Moreover, depending on the quality and thus package prices, the Target Companies will grade the gowns in different categories in order to meet the needs of customers with different budgets. The Target Companies also rent out shoes, head pieces and veils etc.

In addition to providing the wedding party with the ability to rent all the necessary clothing pieces and accessories, the Target Companies have established strategic partnerships with leading local wedding related service providers. After conducting thorough research by the Target Companies, middle to high end service providers are selected as partners based on their reputation and the quality of their service provided at a reasonable price. These major business partners provide services or products in connection with, including without limitation, wedding gifts, jewelries, bridal make up, wedding shoes, florist, wine, catering, wedding cake, Chinese dried seafood, photography, photo album printing, wedding celebrant service, wedding planning, invitation cards, overseas travelling arrangements for the honeymoon, decoration and live music etc. All of these popular service providers are researched with reference to relevant independent surveys on the internet and tested on a trial basis through prior business cooperation to ensure top-level service. Not only do these partnerships and alliances provide a one stop shopping option for customers where all preparations can be accomplished at the Target Companies, but the Target Companies will earn a share of profit or commission on the referrals creating an additional revenue source. The profit sharing and commission arrangements between the Target Companies and their partners and alliances are negotiated on a case by case basis.

LETTER FROM THE BOARD

One Travel arranges bookings for hotels, air tickets and ocean cruise tour, car rental and delivery, and organises overseas photo shooting and sight-seeing package as well as arranging tourists from the PRC to come to Hong Kong for wedding photo shooting and travel. It builds partnerships/alliance with some smaller travel agents with a quota amount of tours that the partner/ally agent has to meet, refer to and provide for One Travel so that if the smaller agent is unable to achieve the targeted tour number, One Travel can deduct the partnership deposit (ie. a fixed sum of money) in accordance with the partnership/alliance agreement.

In this regard, revenue of One Travel is secured and the travel agents also secure a better discount in terms of air-tickets, hotel rates, sight-visit tickets, and most importantly wedding and related services provided by Angel Love.

This business model is designed to aim at providing a platform (the wedding supermarket) for its customers to purchase wedding related products and shop for related services at its retail shops. By aggregating a complete range of wedding services under one roof, the Target Companies will offer its customers the ease of one-stop shopping.

As advised by the Vendor, to their best knowledge, the suppliers and customers of the Target Companies are independent third parties and not connected with the Company and its connected persons.

The Board has been looking for investment opportunities that can bring long term economic benefits to the Group, with respect to the Acquisition, to the Company's best knowledge, Mr. Ho Man Chung, Philip has discussed with Mr. Ho on the proposal which then finally put the Acquisition into a reality. Mr. Ho Man Chung, Philip, is the General Manager of Properties Development of the Group and is responsible for the properties business development and non-manufacturing business. Before he joined the Group in 2011, he was engaged in entertainment and film industries for more than 12 years and has over 20 years' experience in project planning, operation and management of hotel, entertainment and relevant industries. He has expertise in various projects development and management, especially in entertainment business and property development. As part of his duties as General Manager of Properties Development, he and Mr. Ho initiated the discussion on the Acquisition as an opportunity to bring long term economic benefits to the Group, and they have discussed the possibility of Mr. Ho's disposal of his interest in the Target Companies to the Group. He has no relationship with Mr. Ho or his associates. The Company is aware of the Target Companies' wedding business with its potential growth opportunity, notwithstanding its temporarily short loss-making history.

LETTER FROM THE BOARD

Key Financial Information

Set out below is the combined key financial information, as provided by the Vendor, on the Target Companies based on its unaudited consolidated financial statements for the two financial years ended 31 December 2011:

	Year Ended 31 December	
	2011	2010
	<i>HK\$</i>	<i>HK\$</i>
	(unaudited)	(unaudited)
Revenue	4,498,664	1,428,195
Loss before taxation and extraordinary items	3,399,805	3,990,100
Loss after taxation and extraordinary items	3,399,805	3,990,100

According to the unaudited financial statements of the Target Companies as at 31 December 2011, the combined net liabilities of the Target Companies was approximately HK\$6,640,000.

Set out below are the major items of the unaudited profit and loss statements of One Travel for the period/year ended 31 December 2010 and 31 December 2011:

Revenue Type	2011	2010
	<i>(HK\$)</i>	<i>(HK\$)</i>
Agency	2,102,522	600,864
Individual Customers	460,520	221,135
Others	<u>103,235</u>	<u>25,807</u>
Total	<u><u>2,666,277</u></u>	<u><u>847,806</u></u>

Revenue from agency is income received from sales of travel packages to other travel agencies. Revenue from individual customers came from sales to walk-in customers and referrals. Others are sundry income.

Set out below are the major items of the unaudited profit and loss statements of Angel Love for the period/year ended 31 December 2010 and 31 December 2011:

Revenue Type	2011 Total	2010 Total
	<i>(HK\$)</i>	<i>(HK\$)</i>
Sale and rental of bridal gowns/jewelries	591,596	191,702
Photography and exhibition	1,230,541	384,731
Consignment sale	<u>10,250</u>	<u>3,956</u>
Total	<u><u>1,832,387</u></u>	<u><u>580,389</u></u>

LETTER FROM THE BOARD

Set out below are the major expenses in the unaudited profit and loss statements of the Target Companies for the period/year ended 31 December 2010 and 31 December 2011:

Major Expenses	2011 <i>(HK\$)</i>	2010 <i>(HK\$)</i>
Rental	2,703,000	1,618,000
Salaries	1,385,000	1,343,000

The gross profit margin of Angel Love is 70% in 2010, and 71% in 2011. The gross profit margin of One Travel is 41.9% in 2010, and 32.8% in 2011. The decrease is mainly due to receiving many large orders and offering special prices.

The Target Companies have suffered loss mainly due to initial sunk and development cost, rental and related expenditure and staff salaries which are the major items in their profit and loss accounts for the past two years. Sunk costs are retrospective costs that have already been incurred and cannot be recovered. Development costs are those costs incurred from initiation to implementation a project. The sunk and development costs incurred are mainly salaries and rental costs in the first year, development stage. In the normal course of operation, salaries and rental costs are operating costs. To explore the market, Target Companies have to start up their business in reputable wedding shopping malls with higher rental cost. The salary is another major item of expenditure. The situation continued in the second year of operations. The Target Companies have been in the stage of investment in its operations so as to achieve growth and acquire a larger market share.

According to the valuation report prepared by Stirling Appraisals Limited (“SAL”) recently, fair market value of the 100% equity interest in the Target Companies was approximately HK\$46.50 million as at the date to be determined by the valuer. The Directors have not taken into account the said valuation in assessing the fairness and reasonableness of the consideration because at the time of negotiation, the said valuation was not yet available for assessment of the Consideration.

In preparation of the valuation report, parameters have been estimated including:

- (i) The growth rates for revenue in individual items of income from sales of products and provisions of services within the same store (the Same Store Sales, 同店銷售) will be in the range of 5% to 20% per annum. After considering (i) the above growth rates, (ii) the historical performance of the Target Companies, (iii) increase in sales volume due to additional number of shops and shop area being rented and (iv) the expected effect of marketing and advertising efforts, the percentage of increase in total revenue of the Target Companies will be approximately 382%, 148%, 15%, 11% and 5% in the year 2013, 2014, 2015, 2016 and 2017 respectively.

LETTER FROM THE BOARD

- (ii) The cost of equity has been adopted as the discount rate for the valuation report. The cost of equity has been determined using the Capital Asset Pricing Model (CAPM). The discount rate of 23.05% per annum has been arrived with reference to factors including information in respect of seven (7) publicly listed companies engaged in the wedding services businesses that are considered to be comparable to the Target Companies. The discount rate is arrived as follows:

The Comparable Companies

The market value of the Appraised Companies was determined with reference to the information in respect of publicly listed companies that are considered to be comparable to the Appraised Companies (referred to as the “Comparable Companies”). Details of the Comparable Companies are as follows:

List of the Comparable Companies	Bloomberg Ticker
1. Best Bridal Inc.	2418 JP
2. Take and Give. Need Co., Ltd	4331 JP
3. Escrit, Inc.	2196 JP
4. Watabe Wedding Corporation	4696 JP
5. Novarese Inc.	2128 JP
6. IKK Inc.	2198 JP
7. Kuraudia Co., Ltd	3607 JP

The selection criteria of the above companies are:

- i. Actively traded in stock exchanges
- ii. Principally engaged in business related solely to wedding services and products
- iii. Principally engaged in business within Asia

The comparable companies are considered appropriate by SAL because:

- i. They are operating in similar geographical locations
- ii. They are principally engaged in similar nature of business
- iii. They represent an exhaustive list of comparable companies under the selection criteria based on the best knowledge of SAL.

The yield rate of the 10-year Government Bond of 2.21% was adopted as the risk-free rate.

LETTER FROM THE BOARD

The market risk premium of 6.38% was determined by the market risk premium of the United States and the country risk premium of Hong Kong.

The beta coefficient of the Appraised Companies of 1.31 was determined by the median of the unlevered betas of the Comparable Companies, then being relevered based on the specific corporate tax rate and the weight of debt applied to the Appraised Companies.

By considering the size, stage of development, future planning, management and other specific features of the Appraised Companies, the cost of equity was calculated as 23.05%.

- (iii) As mentioned below, the Group plans to invest approximately HK\$12,500,000 for 2,000 bridal gown and renovation for its retail shops for its businesses in 2012 and 2013, in order to achieve these targets of business growth.

The future revenue has been estimated to be increased from the initially annualized figure of HK\$6,700,000 in 2012 based on the above forecasted revenue growth to approximately HK\$32 million, HK\$80 million, HK\$92 million, HK\$102 million and HK\$107 million in the year 2013, 2014, 2015, 2016 and 2017 respectively.

- (iv) The gross profit margin in the range of 40% to 60% has been estimated based on the existing operation and also by the experience of Management of the Target Companies.
- (v) The major expenses were salaries and rental. Salaries have been estimated to be increased from HK\$1,600,000 to around HK\$6,800,000 per year according to headcounts required at each stage of the Target Companies' development, the skills involved and the appropriate level of remuneration. Rental has been estimated to be increased from HK\$4,000,000 to around HK\$10,800,000 based on existing contracts signed for the existing shops and the expected rental of the preferred shop location for the Wedding Supermarket.
- (vi) Discounted cash flows have been prepared for the period from 2012 to 2017.

Industry Overview

According to an independent survey published in or about 2011 by a website of a Hong Kong online information portal, an independent third party, the estimated size of the wedding services market is a substantial amount of HK\$12.8 billion for the Year 2010. The website did not provide its methods for conducting the survey therefore the Company has no means of ascertaining its credentials. The Target Companies' portion in the business sector is comparatively small for the time being. They face indirect competitions from independent traditional gown and photography shops which are of different company sizes. The Target Companies' competitive strength is to offer a

LETTER FROM THE BOARD

bigger range of selection of wedding gown, commodities and services. The Target Companies' strength is that their shops have been opened for 2 years and the brand names "Angel Love 天使之恋" and "The One Travel 一元旅遊" have already built up some popularity in public. The Target Companies are currently at their growth phase. Also, some of the staff is very experienced in the field and well trained. The shop manager has over 20 years' experience in selling bridal dresses in famous wedding studios. The make-up artist has 5 years' experience and the photographer has over 3 years' wedding photography experience and is the winner of several photography prizes. In addition, the Target Companies are supported by front-desk staff responsible for sales and customer service, and back-office staff who are involved in business development, marketing and event planning, design, and the purchase of wedding-related goods and accessories for the Target Companies. These supporting staff have experience ranging from 3 to 10 years in their respective fields. The direction of the Target Companies is to offer a bigger range of selection of wedding gown, commodities and services. The number of headcounts of the Target Companies will be gradually increased from 14 in year 2012 to 28 in year 2013 and the number of new shops will be increased by one to two which the Target Companies have current plans to set up in traditional districts for retail business like Tsimshatsui, Wanchai, Causeway Bay or Mongkok etc.

Advertising and Promotion Strategies

The Target Companies have made use of the internet to promote the brand name and develop a reputation including the use of Facebook, Yahoo and Google search engines, and wedding related website. Further, they placed adverts in wedding magazines as well as outdoor advert. Information leaflets of the Target Companies are also available at some hotels and resorts in China, as part of a marketing co-operation.

In addition, the Target Companies have held activities and regularly engaged in large wedding exhibitions to promote the brand name and develop a reputation, including a spokesperson selection competition in 2009, a wedding festival in Olympian City in 2009, and in 2010 an event where, at the price of one dollar, a selection of 102 couples were provided with hotel, wedding wear, and photography services as well as parade, cocktail party and an evening party to conduct the marriage ceremonies of the 102 couples. The evening party hired celebrities to host the event and perform which was well reported by the press.

In 2011, the Target Companies placed adverts in wedding magazines as well as outdoor adverts. Information leaflets of the Target Companies are also made available at some hotels and resorts in China as part of promotional and marketing campaigns. In addition, the Target Companies participated in various wedding exhibitions as to enhance its market reputation. Routine promotional strategies include the use of internet (such as Facebook, Yahoo, Google search engines) and wedding related website.

LETTER FROM THE BOARD

The Target Companies will hire celebrities as image endorsers to enhance popularity. The Target Companies will be targeting its customers through advertising in various websites, magazines, MTR/bus stop light boxes, outdoor billboard and TV commercials. The aim is to naturally relate the Target Companies' brands to wedding in the public's minds.

Applicable Laws and Regulations

There is no law and regulation in Hong Kong that specifically governs the rental of bridal gown and other wedding dress etc. The only certificate, licence, permit or approval relevant to the operation of the existing businesses of the Target Companies is a business registration certificate issued by the Inland Revenue Department of the Hong Kong Government.

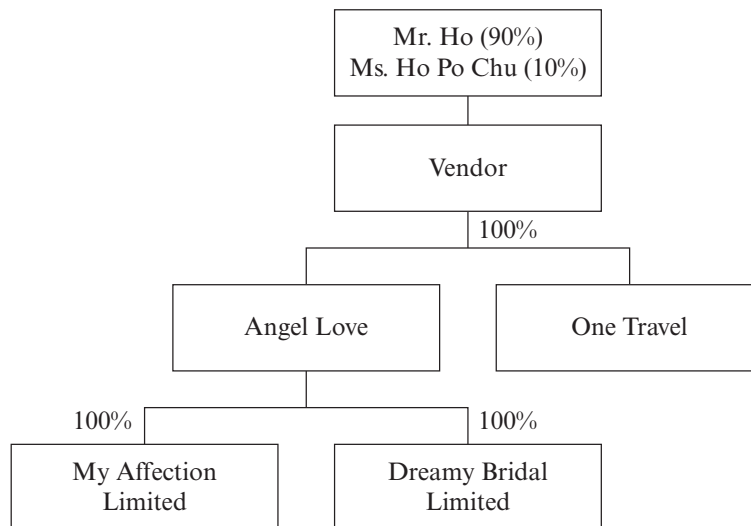
Future Plan

The Target Companies plan to invest approximately HK\$12,500,000 for 2,000 bridal gown and renovation for its retail shops for its businesses in 2012 and 2013, and it will be financed by the Company's internal resources.

Group Structure of the Target Companies

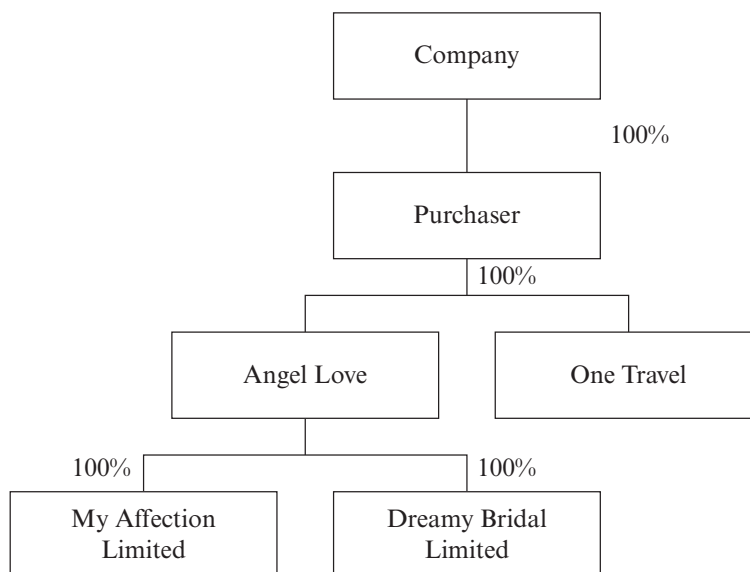
The following charts show the shareholding Structure of the Target Companies as at the Latest Practicable Date and immediately upon Completion.

Before the Acquisition



LETTER FROM THE BOARD

After the Acquisition



6. LISTING RULES IMPLICATIONS

As the applicable percentage ratios calculated in accordance with the Listing Rules in relation to the Acquisition are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction of the Company pursuant to Rule 14.06 of the Listing Rules and is only subject to the reporting and announcement requirements under the Listing Rules.

Mr. Ho, the Chairman of the Board, an executive Director and a substantial shareholder of the Company, is a substantial shareholder of the Vendor, which is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Acquisition constitutes a connected transaction for the Company under the Listing Rules. Completion of the Acquisition involving the transactions contemplated under the Agreement and the issue of the Consideration Shares under the Specific Mandate is therefore subject to, reporting, announcement and, approval of the Independent Shareholders by way of poll at the SGM. The Vendor, Mr. Ho and their respective associates, holding the following number of shares and percentage of shareholding, shall abstain from voting at the SGM to be convened to consider and, if thought fit, to approve the Agreement and the transaction contemplated thereunder.

Name of Shareholder	Number of Shares	Percentage of Shareholding (approximately)
Mr. Ho Cheuk Fai	139,356,000	16.05%
Ms. Ho Po Chu, spouse of Mr. Ho Cheuk Fai	55,100,000	6.35%
New Sense Enterprises Limited	243,804,000	28.08%
Castfast Properties Development Co., Ltd	165,000,000	19%
Mr. Ho Cheuk Ming, younger brother of Mr. Ho Cheuk Fai	12,104,000	1.39%

LETTER FROM THE BOARD

As Mr. Ho has a material interest in the transactions contemplated under the Agreement, he did not attend the board meeting to approve the Agreement and the transactions contemplated thereunder.

An Independent Board Committee has been established to make recommendation to the Independent Shareholders regarding the Agreement and the transactions contemplated thereunder. Guangdong Securities has been appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Agreement and the transactions contemplated thereunder.

7. SGM

The SGM will be held at Fountain Room 1, Lobby Level, Hong Kong Gold Coast Hotel, 1 Castle Peak Road, Gold Coast, Hong Kong on Friday, 22 June 2012 at 9:00 a.m., at which a resolution will be proposed to the Shareholders to consider and, if thought fit, approve the Agreement and the transactions contemplated thereunder. The notice of the SGM is set out on pages 58 to 60 of this circular. Votes of the Independent Shareholders will be taken at the SGM on a poll and results of voting at the SGM will be announced by the Company in accordance with the Listing Rules.

A form of proxy for use at the SGM is enclosed. Whether or not you intend to attend the SGM in person, you are advised to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it together with the power of attorney or other authority, if any, under which it is signed, or a certified copy of that power or authority to the Company's principal place of business in Hong Kong at 10th Floor, Southeast Industrial Building, 611-619 Castle Peak Road, Tsuen Wan, New Territories, Hong Kong not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude any member from attending and voting in person at the SGM or any adjournment thereof should you so wish.

The Independent Board Committee, comprising all the independent non-executive Directors namely Mr. So Wai Chun, Mr. Chan Sui Sum, Raymond and Mr. Fong Hoi Shing, has been established to advise the Independent Shareholders on the Agreement. Guangdong Securities has been appointed as the independent financial adviser by the Company with the approval of the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in this regard.

8. RECOMMENDATION

The Board considers the respective terms of the Agreement are fair and reasonable, on normal commercial terms and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Agreement and the transactions contemplated thereunder.

LETTER FROM THE BOARD

9. ADDITIONAL INFORMATION

Your attention is also drawn to the letter from Guangdong Securities, which contains its advice and recommendation to the independent board committee and the Shareholders in connection with the terms of the Agreement and the transactions contemplated thereunder, the letter from the independent board committee which sets out its recommendation to the Shareholders in relation to the terms of the Agreement and to the additional information set out in the appendices to this circular.

Having taken into account the advice of Guangdong Securities, the Independent Board Committee considers that the Agreement is in the interests of the Group and the Shareholders as a whole and the terms thereof are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Agreement and the transactions contemplated thereunder.

Your attention is also drawn to the information set out in the Appendix to this circular.

If any of the conditions precedent to the completion under the Agreement is not satisfied the Acquisition will lapse and will not proceed.

Shareholders and potential investors of the Company should exercise caution when dealing in the Shares or any other securities of the Company.

Yours faithfully,
By order of the Board
KARRIE INTERNATIONAL HOLDINGS LIMITED
Lee Shu Ki
Executive Director



KARRIE INTERNATIONAL HOLDINGS LIMITED

嘉利國際控股有限公司*

(incorporated in Bermuda with limited liability)

(Stock code: 1050)

To the Shareholders

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION —
ACQUISITION OF THE SALE SHARES INVOLVING ISSUE OF
CONSIDERATION SHARES UNDER SPECIFIC MANDATE**

We refer to the circular (“**Circular**”) issued by the Company to its Shareholders dated 1 June 2012 of which this letter forms part. Capitalised terms defined in the Circular shall have the same meanings in this letter unless the context otherwise requires.

We have been appointed by the Board to consider the terms of the Agreement. Guangdong Securities has been appointed as the independent financial adviser to advise us and the independent Shareholders of the Company in this respect.

We wish to draw your attention to the letter from the Board and the letter from Guangdong Securities set out in the Circular. Having considered the principal factors and reasons considered by, and the advice of, Guangdong Securities set out in its letter of advice contained in the Circular, we consider that the terms of the Agreement are fair and reasonable in so far as the independent Shareholders of the Company are concerned and that the acquisition of the Target Companies is entered into on normal commercial terms and is in the interests of the Company and the Shareholders as a whole.

Yours faithfully,

For and on behalf of

**The Independent Board Committee of
Karrie International Holdings Limited**

Mr. So Wai Chun Mr. Chan Sui Sum Raymond Mr. Fong Hoi Shing

Independent Non-executive Directors

* *For identification purpose only*

LETTER FROM GUANGDONG SECURITIES

Set out below is the text of a letter received from Guangdong Securities, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition for the purpose of inclusion in this circular.



Units 2505-06, 25/F.
Low Block of Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

1 June 2012

*To: The independent board committee and the independent shareholders
of Karrie International Holdings Limited*

Dear Sirs,

DISCLOSEABLE AND CONNECTED TRANSACTION — ACQUISITION OF THE SALE SHARES INVOLVING ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 1 June 2012 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

The Company announced on 16 March 2012 that the Purchaser (being an indirect wholly-owned subsidiary of the Company) and the Vendor entered into the Agreement on even date. Pursuant to the Agreement, the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Sale Shares and the Debt at the total Consideration of HK\$45,000,000, comprising the Equity Consideration of HK\$35,000,000 and the Debt Consideration of HK\$10,000,000. The Consideration will be satisfied by the Company by way of the allotment and issue of 130,000,000 Consideration Shares under the Specific Mandate to the Vendor (or its nominees) at the Issue Price of HK\$0.346 per Share upon Completion.

The Sale Shares represent the entire issued share capital of each of Angel Love and One Travel. Upon Completion, the Target Companies will become indirect wholly-owned subsidiaries of the Company and their financial results will be fully consolidated into the consolidated financial statements of the Company.

According to the Board Letter, the Acquisition constitutes a discloseable transaction and a share transaction for the Company under Chapter 14 of the Listing Rules. In addition, as Mr. Ho (being the Chairman of the Board, an executive Director and a

LETTER FROM GUANGDONG SECURITIES

substantial shareholder (as defined in the Listing Rules) of the Company) is a substantial shareholder of the Vendor, the Vendor is a connected person of the Company under Chapter 14A of the Listing Rules, and accordingly, the Acquisition constitutes a connected transaction for the Company under the Listing Rules. Completion of the Acquisition involving the transactions contemplated under the Agreement and the issue of the Consideration Shares under the Specific Mandate is therefore subject to reporting, announcement and approval of the Independent Shareholders by way of poll at the SGM. The Vendor, Mr. Ho and their respective associates shall abstain from voting at the SGM to be convened to consider and, if thought fit, to approve the Agreement and the transaction contemplated thereunder.

An Independent Board Committee comprising Mr. So Wai Chun, Mr. Chan Sui Sum, Raymond and Mr. Fong Hoi Shing (all being independent non-executive Directors) has been formed to advise the Independent Shareholders on (i) whether the terms of the Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the Acquisition is in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the resolution(s) to approve the Agreement and the transactions contemplated thereunder at the SGM. We, Guangdong Securities Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

LETTER FROM GUANGDONG SECURITIES

We have not made any independent evaluation or appraisal of the assets and liabilities of the Group or the Target Companies and we have not been furnished with any such evaluation or appraisal, save as and except for the valuation report on the fair market value of the 100% equity interest in the Target Companies (the “**Valuation Report**”). The Valuation Report was prepared by Stirling Appraisals Limited (“**SAL**”). Since we are not experts in the valuation of land and/or properties and/or business, we have relied solely upon the Valuation Report for the fair market value of the 100% equity interest in the Target Companies as at 31 March 2012 (the “**Valuation**”). Shareholders should also note that since the Valuation involves various basis and assumptions, it may or may not accurately reflect the true market value of the 100% equity interest in the Target Companies.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, that there are no other facts the omission of which would make any statement in the Circular misleading.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, the Target Companies, the Vendor, the Purchaser, Mr. Ho or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Acquisition. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, the sole responsibility of Guangdong Securities is to ensure that such information has been correctly extracted from the relevant sources.

LETTER FROM GUANGDONG SECURITIES

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Acquisition, we have taken into consideration the following principal factors and reasons:

Background of the Acquisition

Information on the Group

As referred to in the Board Letter, the Group is principally engaged in the manufacturing and sales of industrial products and provision of manufacturing services.

Set out below is a table showing the key financial data of the Group from the 2002/03 financial year up to the interim period ended 30 September 2011 as extracted from the interim report of the Company for the six months ended 30 September 2011 (the “**2011 Interim Report**”):

Financial year	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011 interim
Gross profit margin (%)	15.0	13.7	12.4	10.7	9.1	6.4	7.2	6.8	7.4	7.7
Net profit margin (%)	6.9	5.3	5.7	5.2	3.8	0.5	0.8	0.4	0.8	0.5
<i>(HK\$ million)</i>										
Turnover/Revenue	1,738	1,693	2,563	3,597	3,328	2,803	2,464	2,245	2,605	1,114
Profit for the year/period	120	90	147	186	125	13	20	9	22	6

From the above table, we noted that the Group’s turnover/revenue as well as profit for the year had both reached the peak during the 2005/06 financial year and have been shrinking considerably since then. The Group’s net profit margin has also dropped to below 1% since the 2007/08 financial year. According to the Directors, in light of the recent global economic downturn together with the persistent rising costs of production and competition, it was expected that the growth of the Group in the manufacturing sector will not be very substantial in the medium term.

As detailed in the 2011 Interim Report and as further confirmed by the Directors, the Group will continue to improve its industrial techniques to increase its competitiveness and to strengthen its existing business to achieve steady growth under the aforesaid situation. At the same time, the Group will explore into different opportunities to diversify its business and to maximise Shareholders’ returns. In this regard, the Directors advised us that given that (i) Mr. Ho has been investing in the development of a wedding theme city with all accessory facilities such as hotels, supermarkets, shopping mall, residential properties and various leisure facilities in Fenggang Town, Dongguan, the PRC since 2001, and this “Wedding City” has stimulated the economic development of the surrounding areas in Fenggang Town and received positive economic results and supports from the local economy; and (ii) the Target Companies, as disclosed under the sub-section headed “Competitive strengths and future development plan” of this letter, are managed and operated by a team of experienced staff, the Directors are confident that the Group will have sufficient experience and expertise to diversify into the wedding services business despite that the other Directors (except for Mr. Ho) do not have prior relevant experience.

LETTER FROM GUANGDONG SECURITIES

For our due diligence purpose, we have requested and were provided with the personal profile of Mr. Ho together with the key staff team members of the Target Companies and we have also conducted telephone interviews with each of them. After performing the above due diligence work, we concur with the Directors that the Target Companies are managed and operated by a team of experienced staff; while Mr. Ho possesses the relevant experience and expertise to assist the Group to diversify into the wedding services related business.

On the other hand, since Mr. Ho has executed a non-competition undertaking in favour of the Company, confirming that with effect from the Completion, Mr. Ho shall not, and shall procure that his associates shall not (i) directly or indirectly engage, participate or hold any right or interest in or render any services to or otherwise be involved in any business in competition with or likely to be in competition with the existing business activity of the Target Companies or be in competition with the Target Companies in any business activities which the Target Companies may undertake in the future in Hong Kong; and (ii) take any direct or indirect action which constitutes an interference with or a disruption to the business activities of the Target Companies, including but not limited to solicitation of customers, suppliers and staff of the Group, we concur with the Directors that Mr. Ho's other wedding services business in Dongguan would not directly compete with the Target Companies' wedding services business in Hong Kong.

Information on the Target Companies

(a) Business overview

The Target Companies include Angel Love and its direct wholly-owned subsidiaries, being My Affection Limited and Dreamy Bridal Limited, and One Travel. Angel Love was incorporated on 18 March 2010. My Affection Limited and Dreamy Bridal Limited were incorporated on 27 January 2011 and 15 October 2010 respectively. One Travel was incorporated on 7 December 2009.

With reference to the Board Letter, Angel Love is principally engaged in the wedding gown and photography businesses; My Affection Limited is principally engaged in the wedding planning business; Dreamy Bridal Limited is principally engaged in the wedding photography business; whereas One Travel is principally engaged in the provision of wedding-related travel services, such as arranging bookings for hotels, air tickets and ocean cruise tour, car rental and delivery, organise overseas photo shooting and sight-seeing package. The Target Companies are wedding gown and photography companies which provide comprehensive one-shop wedding services in Hong Kong. The Target Companies have a creative idea of wedding store — “wedding supermarket” which offers nearly all the commodities and services related to wedding from wedding dresses, jewellerys, photography to live bands, car, flowers and gifts). The Target Companies aim to attract high to middle income customers by establishing a big selection of over 2,000 beautifully designed wedding dresses in Hong Kong. The average spending of the customer of the Target Companies was around HK\$8,000 in both 2010 and 2011.

In order to provide a one stop shopping option for customers, the Target Companies have also established strategic partnerships with leading local wedding-related service (such as wedding gifts, bridal make-up, wine, wedding cake, photo album printing, wedding

LETTER FROM GUANGDONG SECURITIES

celebrant service, invitation cards, florist, overseas travelling, decoration, live music and photography) providers with usual term of one year, whereby the Target Companies can earn a share of profit or receive commission on the successful referrals from the relevant local wedding-related service providers on a case by case basis.

Shareholders may refer to the sub-section headed “The Target Companies” of the Board Letter for further information regarding the business and operations of the Target Companies.

(b) Financial overview

Set out below are the combined key financial information on the Target Companies based on their respective unaudited financial statements for the two years ended 31 December 2011:

	For the year ended 31 December 2011	For the year ended 31 December 2010
	<i>HK\$</i>	<i>HK\$</i>
	(unaudited)	(unaudited)
Revenue	4,498,664	1,428,195
Loss before taxation and extraordinary items	(3,399,805)	(3,990,100)
Loss after taxation and extraordinary items	(3,399,805)	(3,990,100)

According to the unaudited financial statements of the Target Companies as at 31 December 2011, the combined net liabilities of the Target Companies were approximately HK\$6,640,000 as at 31 December 2011.

We noted from the above table that the Target Companies’ combined revenue had been increasing significantly by more than 215% from approximately HK\$1.43 million for the year ended 31 December 2010 to approximately HK\$4.50 million for the year ended 31 December 2011. According to the management of the Target Companies, leveraging on (i) the brand new and unique idea of wedding store; (ii) the outstanding one-shop wedding services offered; and (iii) the established strategic partnerships with local wedding-related service providers, the Target Companies have been successful in gaining reputation and building up customers’ confidence, and hence are able to capture the business potentials of the wedding services market in Hong Kong. For the same reason, the Target Companies had recorded robust growth in their combined revenue from 2010 to 2011. As further depicted by the following tables, both of Angel Love and One Travel enjoyed higher revenue from all revenue sources, including but not limited to sale and rental of bridal gowns/jewelleries, photography and exhibition, consignment sale, revenue from agency and individual customers.

LETTER FROM GUANGDONG SECURITIES

Set out below are the breakdown of revenue of Angel Love and One Travel respectively for the year ended 31 December 2011 and the period/year ended 31 December 2010 for Shareholders' information:

Angel Love	For the year ended 31 December 2011	From 18 March 2010 (date of incorporation) to 31 December 2010
	<i>HK\$</i>	<i>HK\$</i>
	(unaudited)	(unaudited)
<i>Revenue</i>		
Sale and rental of bridal gowns/ jewelleries	591,596	191,702
Photography and exhibition	1,230,541	384,731
Consignment sale	10,250	3,956
One Travel	For the year ended 31 December 2011	For the year ended 31 December 2010
	<i>HK\$</i>	<i>HK\$</i>
	(unaudited)	(unaudited)
<i>Revenue</i>		
Agency (<i>Note 1</i>)	2,102,522	600,864
Individual customers (<i>Note 2</i>)	460,520	221,135
Others (<i>Note 3</i>)	103,235	25,807

Notes:

1. With reference to the Board Letter, revenue from agency was income received from sales of travel packages to other travel agencies.
2. With reference to the Board Letter, revenue from individual customers came from sales to walk-in customers and referrals.
3. With reference to the Board Letter, others are sundry income.

The Target Companies had been loss making for the two years ended 31 December 2011. As advised by the management of the Target Companies and demonstrated by the table which follows, rental and salaries are the major items in the Target Companies' profit and loss accounts for the past two financial years. To explore into the wedding services market, the Target Companies had to start up their business in reputable wedding shopping malls with higher rental cost. Staff salary was another major item of expenditure. Due to the fact that the Target Companies were only in the initial stage of development and had not yet been able to generate sufficient revenue to cover their costs of operations, the Target Companies suffered from losses in their first two years of operations. The management of the Target Companies is of the view that the Target Companies have been in the stage of investment in their operations so as to achieve growth and acquire a larger market share.

LETTER FROM GUANGDONG SECURITIES

Set out below are the breakdown of the major expenses in the unaudited profit and loss statements of the Target Companies for the two years ended 31 December 2011:

	For the year ended 31 December 2011	For the year ended 31 December 2010
	<i>HK\$</i>	<i>HK\$</i>
	(unaudited)	(unaudited)
<i>Major expenses</i>		
Rental	2,703,000	1,618,000
Salaries	1,385,000	1,343,000

Based on (i) the positive outlook of the wedding services market in Hong Kong as being set forth under the section headed “Outlook of the wedding services market in Hong Kong” of this letter; (ii) the considerable expansion in the combined revenue of the Target Companies since their establishment; (iii) the improving loss making condition of the Target Companies from 2010 to 2011; and (iv) the competitive strengths together with the future development plan of the Target Companies as set forth in the below sub-section of this letter, the management of the Target Companies expected that the Target Companies will continue to revive their current loss making position in the near future.

(c) Competitive strengths and future development plan

Marriage is one of the several most important decisions in one’s whole life for traditional Chinese. Choosing wedding gowns and dresses is the first step to start wedding preparation which is enjoyable but also time-consuming and complicated. As represented by the management of the Target Companies, there is an inevitable trend for new couples (especially in Hong Kong) to look for a comprehensive wedding company where they are able to purchase and plan the whole wedding process, including choosing wedding dresses, shoes, jewellerys, make-up, taking wedding photos, booking honey moon travel, ordering wedding cake and food, gifts and consulting wedding planners.

Upon our enquiry with the management of the Target Companies, we understand that the Target Companies face indirect competition from independent traditional gown and photographer shops which are of different company sizes. Nonetheless, the management of the Target Companies believe that the Target Companies have the following competitive strengths and the Target Companies have formulated the following development strategies to capture the business potentials of the wedding services market in Hong Kong:

Competitive strengths:

- (1) Angel Love has around 2,000 beautifully designed gowns and evening dresses in stock and allows customers the flexibility to buy or rent and to choose from middle price to high price costumes to cater for customers of all income levels. According to the management of the Target Companies, the existing competitors of Angel Love are operating in relatively small scale with less than 1,000 gowns and evening dresses for clients to choose from.

LETTER FROM GUANGDONG SECURITIES

- (2) Angel Love offers exclusive tailor-made artistic products such as picture frames, wedding favour candy box and wedding cake topper with the couple's face which are produced at relatively low costs. As such, those products can be sold at competitive prices to the customers as compared with other market competitors.
- (3) One Travel will help to arrange bookings for hotels, air tickets and ocean cruise tour, car rental and delivery, organise overseas photo shooting and sight-seeing package and arrange tourists from the PRC to Hong Kong for wedding shooting and travel.
- (4) The Target Companies provide comprehensive one-shop wedding services not only save time for customers but also make them enjoy bulk purchase and discount from the strategic partners of the Target Companies which may not be available if the customers go to the individual store themselves. The reason for this is that the Target Companies, as the intermediary agent, will gather the purchase orders from their different customers and refer them to the strategic partners as a batch to get bargaining discount.
- (5) The Target Companies are managed and operated by a team of experienced staff. Members of the senior management of the Target Companies have more than ten years' experience in the wedding services market and are well-known in this field. The shop manager has over 20 years' experience in selling bridal dresses in famous wedding studios. The make-up artist and photographer have over five years' and three years' experience respectively in their specialty. The photographer was also winner of a few photography prizes. Moreover, the Target Companies are supported by front-desk staff responsible for sales and customer service, and back-office staff involving in business development, marketing and event planning, design, and purchase of wedding-related goods and accessories for the Target Companies.

Development strategies:

- (1) To further enrich the "wedding supermarket" concept by expanding the types and scope of wedding services the Target Companies offer. Angel Love currently operates a wedding photographer shop in Hong Kong and it plans to rent a new office and retail space of over 10,000 square feet together with an indoor site for storage of wedding dresses etc., sales of wedding accessories and commodities, and wedding photography with over 20,000 square feet in Hong Kong.
- (2) To promote the Target Companies' brand names of "Angel Love 天使之戀" and "The One Travel 一元旅遊" in Hong Kong mainly by advertisements via various channels like wedding magazines, internet websites, light boxes at public transport stations, outdoor billboard, television and wedding expo.
- (3) To strengthen the Target Companies' strategic partnership relations with other local wedding-related service providers to provide a one stop shopping option for the customers.

LETTER FROM GUANGDONG SECURITIES

Outlook of the wedding services market in Hong Kong

The following table illustrates the (i) total number of marriages; (ii) private consumption expenditure; and (iii) gross national disposable income, of Hong Kong from 2007 to 2011:

	Total number of marriages	Private consumption expenditure <i>(HK\$ million)</i>	Gross national disposable income <i>(HK\$ million)</i>
2007	47,453	972,028	1,639,918
2008	47,331	1,022,862	1,734,462
2009	51,175	1,012,774	1,640,757
2010	52,558	1,091,524	1,743,111
2011	57,900 <i>(Note)</i>	1,232,205	1,923,356

Sources: Census and Statistics Department of Hong Kong & National Bureau of Statistics of China

Note: Provisional figure

From the above table, we noted that the total number of marriages, private consumption expenditure and gross national disposable income of Hong Kong increased by approximately 22.02%, 26.77% and 17.28% respectively from 2007 to 2011.

Furthermore, according to ESD Life (www.esdlife.com), the estimated average expenses on wedding was HK\$267,256 in 2011, representing an increase of approximately 27.69% as compared to the estimated average expenses on wedding of HK\$209,298 in 2007.

Taking into account the above favourable statistics regarding the wedding services market in Hong Kong, we concur with the Directors that the outlook of the wedding services market in Hong Kong would likely to be positive.

Reasons for the Acquisition

As referred to in the Board Letter and as aforementioned, it was expected that growth of the Group in the manufacturing sector will not be very substantial in the medium term.

As extracted from the Board Letter, the Company aims to tap into the currently favourable consumer market and the increase in personal spending of consumer-related business in Hong Kong. Wedding photography and wedding event planning are now becoming necessities instead of luxury consumption and are highly emphasised in the whole wedding celebration process. Thus, it stimulates the diversified development of the industry.

The Board believes that, through the Acquisition, such entering into of the consumer industry (wedding) will strengthen its customer and earning base, without going through start-up from scratch. As projected by the Directors, the work involved in starting up a wedding services business, and in particular, a one-stop “wedding supermarket”, from

LETTER FROM GUANGDONG SECURITIES

scratch would be substantial, including but not limited to renting properties, hiring staff, marketing, designing logo, registering trademark, establishing business ties in relation to the provision of wedding, travel and photography services, in turn involving time and cost which cannot be simply calculated and compared in monetary terms. Although the Board considers that the level of entry barrier in the wedding services business is relatively low, in light of the above, the Directors are of the view that the Acquisition will save the Company time and cost for entering into the wedding services market, and enable the Company to make use of the existing business ties and reputation of the Target Companies. Having operated for around two years, the Target Companies have established goodwill within the market. The shop in Mongkok is located on Nathan Road with a large LCD display outside. The Directors believe that the Acquisition will be cost saving for the Company as it will save the Company time and effort in finding a good location for the shop, recruiting experienced staff and developing goodwill. As a result, it is in the interest of the Shareholders to acquire the Target Companies despite that they are loss making and have a short operating history.

As set out in the Board Letter, the Target Companies need time to develop their brand names and accumulate their customers. A new company would have only a few walk-in customers without a solid customer base to ensure its revenue. The Acquisition would save much time and effort to accumulate a customer base. Although the primary sales are one-off transactions, a customer base may introduce secondary sales or new customers. Through the services provided by experienced staff, the reputation of providing quality service will spread by word of mouth and bring new customers. According to the Directors, the Company has confidence that in the long run the Target Companies will achieve a stable income as in general couples usually take several sets of wedding photos and willingly spend a substantial amount in order to celebrate their wedding ceremony. Furthermore, with reference to the unaudited financial statements of the Target Companies as at 31 December 2011, the combined revenue of the Target Companies had increased significantly from 2010 to 2011, which further demonstrates that in the long run the Target Companies will likely to bring a stable income for the Company. As advised by the Directors, the Company has resources as well as confidence to invest and develop the Target Companies and generate positive return.

As further advised by the Directors, the Directors and the Vendor had not considered terms such as profit guarantee. The reason is that, immediately upon Completion (assuming that no other event has taken place), Mr. Ho will become the holder of approximately 73.56% of the issued share capital of the Company, therefore any losses incurred by the Target Companies will be borne by Mr. Ho and the other Shareholders as the interest of Mr. Ho is merged with the other Shareholders. Although the Company will share part of the losses of the Target Companies (if any) initially, the Directors are confident that the Target Companies have potential and there is opportunity that despite their current losses, the Target Companies will be profit making and provide stable income to the Group.

The Company welcomed every investment opportunities which are beneficial to its long-term development, with an aim to generate the best return from investments and generate the best returns to the investors of the Company. The Board believes that the Acquisition is a good opportunity for the Company to achieve long-term stable income with

LETTER FROM GUANGDONG SECURITIES

great growth potential. Based on the above, the Board agreed that the terms of the Acquisition are fair and reasonable and that although the Acquisition is not in the ordinary and usual course of business of the Company, it is in the interests of the Company and the Shareholders as a whole.

Taking note of (i) the business growth of the Group in the manufacturing sector which has already leveled-off and the minimal historical profitability of this sector; (ii) the robust growth in the combined revenue of the Target Companies shortly after their establishment for around two years which may serve as a proof that the Target Companies have gradually developed their brand names and accumulated their customers; (iii) that as represented by the management of the Target Companies, the Target Companies have been in the stage of investment in their operations so as to achieve growth and acquire a larger market share which accounted for their loss making condition in the past two years, but such loss making condition has already been improving; (iv) the competitive strengths together with the future development plan of the Target Companies to capture the business potentials of the wedding services market in Hong Kong; (v) the positive outlook of the wedding services market in Hong Kong with low level of entry barrier; (vi) the benefits of the Acquisition as compared with starting up a wedding services business from scratch as aforementioned (including but not limited to the established goodwill of the Target Companies) and which as represented by the Board cannot be simply calculated and compared in monetary terms; and (vii) the Acquisition would not require significant immediate cash outflow from the Group as the Consideration will be satisfied by way of the allotment and issue of the Consideration Shares, we concur with the Directors that the Acquisition is in the interests of the Company and the Shareholders as a whole.

As for profit guarantee, we consider that in light of that the Target Companies are loss making, it would be in the best interest of the Shareholders if the Agreement could have included certain profit guarantee arrangement. Nevertheless, as the terms of the Agreement were set after arm's length negotiations between the Vendor and the Purchaser and whether or not a profit guarantee is included in the Agreement is rather an outcome of commercial bargains between the Vendor and the Purchaser, and as a matter of fact (based on our independent research, under which we have identified more than 15 merger and acquisition transactions which are notifiable and/or connected transactions with no profit guarantee as announced by listed companies in Hong Kong within the one-month period prior to the Last Trading Day, representing the most recent market practice), the non-inclusion of profit guarantee in a sale and purchase agreement is not exceptional in the market; having also considered the Company's viewpoint with regard to profit guarantee as aforementioned, we consider that it is acceptable that the Agreement does not contain any profit guarantee arrangement.

Principal terms of the Agreement

On 16 March 2012, the Purchaser and the Vendor entered into the Agreement, pursuant to which the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Sale Shares and the Debt of HK\$10,000,000 as at the

LETTER FROM GUANGDONG SECURITIES

Latest Practicable Date at the Consideration. As referred to in the Board Letter, it is expected that the amount of the Debt will not increase substantially from the Latest Practicable Date to the Completion Date.

The Consideration will be satisfied by the Company by way of the allotment and issue of the Consideration Shares to the Vendor (or its nominees) at the Issue Price upon Completion.

The Consideration

The Consideration is the aggregate of the Equity Consideration of HK\$35,000,000 and the Debt Consideration of HK\$10,000,000, being HK\$45,000,000 and will be satisfied by the Company by way of the allotment and issue of 130,000,000 Consideration Shares to the Vendor or its nominees at the Issue Price of HK\$0.346 per Share upon Completion.

As confirmed by the Directors, the Consideration was determined after arm's length negotiations between the Vendor and the Purchaser by reference to the further business and growth potential of the Target Companies in the attractive sector of economy, i.e. the favourable and booming consumer market as mentioned under the section headed "Reasons for and benefits of the Acquisition" of the Board Letter.

The trade multiples analyses for the Acquisition

There are two commonly adopted trading multiples analyses which can normally be applied to assess the value of companies, and they are the price to earnings ratio and the price to book ratio. The Target Companies recorded combined net losses and net liabilities during their latest financial year. With this being the case, the trading multiples analyses are rather inapplicable for assessing the Consideration.

The Valuation

According to the Valuation Report, the fair market value of the 100% equity interest in the Target Companies was approximately HK\$46.50 million as at 31 March 2012. The Consideration thus represents a discount to the Valuation.

The Valuation was prepared by SAL using the discounted cash flow method under the income approach. In such case, it is stipulated under Rule 14.62 of the Listing Rules that the Company is required to obtain (i) a letter from its auditors or reporting accountants confirming that they have reviewed the accounting policies and calculations for the forecast and containing in the Valuation Report; and (ii) a report from its financial advisers confirming that they are satisfied that the forecast in the Valuation has been made by the Directors after due and careful enquiry, if no financial advisers have been appointed in connection with the transaction (as in the case of the Acquisition), the Company must provide a letter from the Board confirming they have made the forecast after due and careful enquiry. We consider that the above stipulation of the Listing Rules could safeguard the interest of the Shareholders and we noted that the Company has complied with the said requirements.

LETTER FROM GUANGDONG SECURITIES

For our due diligence purpose, we have reviewed and enquired into SAL's qualification and experience in relation to the performance of the Valuation. From the information provided by SAL, we noted that the director in charge of the Valuation possesses over 14 years of relevant business valuation experience. Besides that, SAL has handful of experience in performing valuation for transactions of listed companies as well as the initial public offering cases in Hong Kong.

For our due diligence purpose, we have also enquired into SAL regarding the methodology of, and basis and assumptions adopted for the Valuation. As extracted from the Board Letter and further confirmed by SAL, parameters which had been estimated in the preparation of the Valuation Report include:

- (i) The growth rates in the range of 5% to 20% per annum which have been estimated after considering the historical performance of the Target Companies, additional shop space being rented and the expected effect of marketing and advertising efforts. For details, please refer to the sub-section headed "Key financial information" of the Board Letter.
- (ii) The cost of equity has been adopted as the discount rate for the Valuation Report. The cost of equity has been determined using the Capital Asset Pricing Model (CAPM). The discount rate of 23.05% per annum has been arrived with reference to factors including information in respect of seven publicly listed companies engaged in the wedding services business that are considered to be comparable to the Target Companies. For details, please refer to the sub-section headed "Key financial information" of the Board Letter.
- (iii) As mentioned below, the Group plans to invest approximately HK\$12,500,000 for 2,000 bridal gowns and renovation for the retail shops of the Target Companies for their business in 2012 and 2013 in order to achieve their targets of business growth.

The future revenue has been estimated to be increased from the initially annualised figure of HK\$6,700,000 in 2012 based on the above forecasted revenue growth to approximately HK\$32 million, HK\$80 million, HK\$92 million, HK\$102 million and HK\$107 million in 2013, 2014, 2015, 2016 and 2017 respectively.

- (iv) The gross profit margin in the range of 40% to 60% has been estimated based on the existing operation and also by the experience of the management of the Target Companies.
- (v) The major expenses were salaries and rental. Salaries have been estimated to be increased from HK\$1,600,000 to around HK\$6,800,000 per year according to headcounts required at each stage of the Target Companies' development, the skills involved and the appropriate level of remuneration. Rental has been estimated to be increased from HK\$4,000,000 to around HK\$10,800,000 based on existing contracts signed for the existing shops and the expected rental of the preferred shop location for the "wedding supermarket".

LETTER FROM GUANGDONG SECURITIES

(vi) Discounted cash flows have been prepared for the period from 2012 to 2017.

In addition, as extracted from the Valuation Report, the major assumptions adopted in the Valuation were as follows:

- (i) There will be no major changes in the existing political, legal, and economic conditions in the jurisdiction where the Target Companies currently operate or will operate, which will materially affect the revenue attributable to the Target Companies.
- (ii) There will be no major changes in the current taxation law in the jurisdiction where the Target Companies currently operate or will operate, which will materially affect the revenue attributable to the Target Companies, that the rates of tax payable remain unchanged and that all applicable.
- (iii) Exchange rates and interest rates will not differ materially from those presently prevailing.
- (iv) The financial projections in respect of the Target Companies were prepared on a reasonable basis.
- (v) Economic conditions will not deviate significantly from economic forecasts.

Upon our further enquiry with SAL, we understand that in the course of the Valuation, SAL has conducted the following steps to evaluate the reasonableness of the basis and assumptions adopted for the Valuation:

- (i) interviewed with the senior management of the Company;
- (ii) obtained all relevant financial and operational information of the Target Companies;
- (iii) performed market research and obtained statistical figures from public sources;
- (iv) examined all relevant basis and assumptions of both the financial and operational information related to the Target Companies;
- (v) prepared business financial model to derive the indicated value of the Target Companies; and
- (vi) presented all relevant information on the background of the Target Companies, valuation methodologies, source of information, scope of works, major assumptions, comments and its conclusion in the Valuation Report.

We have discussed and interviewed with SAL to understand the Valuation, including the calculations and workings for the Valuation, in depth. In this relation, we have also requested, obtained and reviewed the supporting documents for the Valuation from SAL.

LETTER FROM GUANGDONG SECURITIES

At the same time, we have discussed with the Company's reporting accountants to understand their work done before coming to the conclusion as stated in their report dated 23 May 2012 that the profit projection of the Target Companies, so far as calculations are concerned, has been properly compiled in accordance with the bases and assumptions adopted by the Directors in preparing the same and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group. Furthermore, based on the Board's confirmation letter dated 29 May 2012, we understand that the Board is of the view that the future cash flow projection of the business relating to the Target Companies has been made after due and careful enquiry by themselves.

Given that (i) the Board has confirmed that it is of the view that the future cash flow projection of the business relating to the Target Companies has been made after due and careful enquiry by themselves; (ii) SAL possesses the expertise and shall oversee the performance of the entire Valuation, including but not limited to the methodology of, and basis and assumptions adopted for the Valuation; and (iii) the reporting accountants of the Company has provided its positive confirmation as highlighted above regarding the Valuation, we do not doubt the fairness and reasonableness of the assumptions underlying the Valuation and hence the reliability of the Valuation.

In light of that the Valuation was fairly and reasonably determined by SAL and the Consideration represents a discount to the Valuation, we concur with the Directors that the Consideration is fair and reasonable so far as the Independent Shareholders are concerned.

Issue of the Consideration Shares

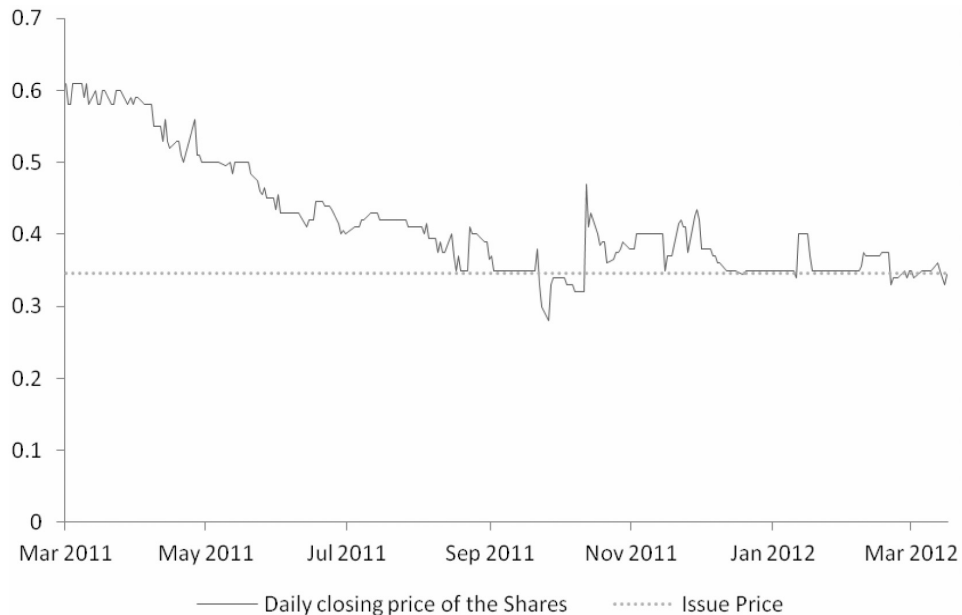
As confirmed by the Directors, the Issue Price of the Consideration Share of HK\$0.346 per Share was determined based on arm's length negotiations between the Company and the Vendor with reference to the prevailing market price of the Shares. The Issue Price represents:

- (i) a premium of approximately 1.76% over the closing price of HK\$0.34 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a premium of approximately 0.29% over the closing price of HK\$0.345 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a premium of approximately 0.87% over the average closing price of approximately HK\$0.343 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day; and
- (iv) a premium of approximately 1.47% over the average closing price of approximately HK\$0.341 per Share as quoted on the Stock Exchange for the last 20 consecutive trading days up to and including the Last Trading Day.

LETTER FROM GUANGDONG SECURITIES

Set out below is a chart showing the movement of the daily closing prices of the Shares as quoted on the Stock Exchange from 1 March 2011 up to and including the Last Trading Day (the “**Review Period**”):

Share price performance



Source: the Stock Exchange website (www.hkex.com.hk)

As shown by the above table, the daily closing prices of the Shares ranged from HK\$0.280 per Share to HK\$0.610 per Share during the Review Period. We further noticed that the closing prices of the Shares had been moving downwards in general from March 2011 onwards despite that there had been a temporary abrupt climb and fluctuation in the Share price from mid October 2011 to late November 2011. We have enquired into and were confirmed by the Directors that save and except for the overall unstable stock market sentiment, they were not aware of any material incidents which might have affected the Share price from mid October 2011 to late November 2011.

LETTER FROM GUANGDONG SECURITIES

Market comparables for the Consideration Shares

In order to further assess the fairness and reasonableness of the Issue Price, we have identified, to the best of our knowledge and as far as we are aware of, eight connected transactions in relation to (i) acquisitions by listed companies in Hong Kong involving the issue of their shares as all or part of the consideration; and (ii) subscription of new shares of the listed companies, from 1 October 2011 to the date of the Agreement (the “**Comparables**”) being the approximate six-month period before the date of the Agreement. Unlike the trading multiples analyses under which factors like the businesses, operations, prospects and market capitalisation of different listed companies would affect the results of comparison and have impact on the comparability of the comparable companies, the purpose of the Comparables is to provide reference on the recent market practice in determining the issue/subscription prices of shares. Given that determination of share prices is primarily affected by market sentiment as well as the overall stock market environment which are ever-changing, we have chosen the relevant connected transactions as aforesaid during the approximate six-month period before the date of the Agreement in order to present the most recent market practice in determining share prices in connected transactions and compare the same with the Issue Price. Shareholders should note that the business, operation and prospects of the Company are not the same as the Comparables and we have not conducted any in-depth investigation into the businesses and operations of the Comparables. The table below summarises our relevant findings:

Date of announcement	Company name	Market capitalisation (HK\$' million) (Note 1)	Stock code	Premium/(Discount) of the issue price over/(to) closing price per share on the last trading day prior to/the date of announcement/agreement in relation to the respective issue/subscription of shares %
21 October 2011	ChinaVision Media Group Limited	2,439	1060	(13.98)
10 November 2011	Brightoil Petroleum (Holdings) Limited	18,203	933	(2.70)
22 November 2011	CMMB Vision Holdings Limited	346	471	6.50
12 January 2012	Chun Wo Development Holdings Limited	440	711	9.59
16 January 2012	Zhuguang Holdings Group Company Limited	2,123	1176	14.94
19 January 2012	Bingo Group Holdings Limited	585	8220	(59.46)
6 March 2012	China Asean Resources Limited	241	8186	86.80
15 March 2012	Bank of Communications Company Limited	391,117 (Note 2)	3328	(9.05)
Maximum				86.80
Median				1.90
Minimum				(59.46)
16 March 2012	The Company	299	1050	0.29

Source: the Stock Exchange web-site (www.hkex.com.hk)

LETTER FROM GUANGDONG SECURITIES

Notes:

1. The market capitalisation was calculated as at the Last Trading Day.
2. The market capitalisation of Bank of Communications Company Limited was calculated based on the closing price of its shares traded in Hong Kong.

As shown by the above table, the issue prices of the consideration/subsorption shares of the Comparables ranged from a discount of approximately 59.46% to a premium of approximately 86.80% to/over the respective closing prices of their shares on the last trading days prior to/the date of announcement/agreement in relation to the respective issue/subsorption of shares. Out of the eight Comparables, four Comparables had issue prices at discount to the closing prices of their shares on the last trading days. The Issue Price, which represents premium of approximately 0.29% over the closing price of the Shares on the Last Trading Day, is hence within the said market range.

In view of (i) the results of the market comparison as presented above; (ii) that the Share price had been moving downwards in general during the Review Period regardless of a temporary abrupt climb and fluctuation from mid October 2011 to late November 2011, which is likely to be primarily due to the overall unstable stock market sentiment; and (iii) that the Issue Price represents premiums over the prevailing closing prices of the Shares, we are of the opinion that the Issue Price is fair and reasonable so far as the Independent Shareholders are concerned.

Possible dilution effect on the shareholding interests of the public Shareholders

The table below demonstrates the possible shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately after the Completion and including the issue of the Consideration Shares:

Name of Shareholders	As at the Latest Practicable Date		Immediately after the Completion and including the issue of the Consideration Shares	
	Number of Shares	Approximate %	Number of Shares	Approximate %
Mr. Ho (<i>Notes 1 & 2</i>)	604,160,000	69.60	734,160,000	73.56
Other Directors				
Mr. Lee Shu Ki (<i>Note 3</i>)	3,500,000	0.40	3,500,000	0.35
Ms. Chan Ming Mui, Silvia (<i>Note 4</i>)	1,200,000	0.14	1,200,000	0.12
Public Shareholders	<u>259,237,600</u>	<u>29.86</u>	<u>259,237,600</u>	<u>25.97</u>
Total	<u>868,097,600</u>	<u>100</u>	<u>998,097,600</u>	<u>100</u>

LETTER FROM GUANGDONG SECURITIES

Notes:

1. The personal interests of Mr. Ho comprise 139,356,000 Shares. Mr. Ho is deemed to be interested in (a) 56,000,000 Shares held by his spouse, Ms. Ho Po Chu, as beneficial owner; and (b) 408,804,000 Shares in which his children under 18 are interested. Such 408,804,000 Shares in which his children under 18 are interested duplicate with his interests as founder of The Ho Family Trust in the same block of Shares referred to in Note 2 below.
2. The 408,804,000 Shares comprise (i) 243,804,000 Shares held by New Sense Enterprises Limited (“**New Sense**”); and (ii) 165,000,000 Shares held by Castfast Properties Development Co., Ltd. (“**Castfast Properties**”), 87% of the issued share capital of which is beneficially owned by Honford Investments Limited (“**Honford Investments**”), which is in turn wholly-owned by Equity Trust (BVI) Limited (“**Equity Trust**”) as trustee for a discretionary trust, The Ho Family Trust. Mr. Ho is deemed to be interested in these 408,804,000 Shares as founder of The Ho Family Trust. Ms. Ho Po Chu, Mr. Ho Cheuk Ming and Mr. Ho’s children under 18 are the discretionary objects of The Ho Family Trust and are thus deemed to be interested in the 408,804,000 Shares held under The Ho Family Trust. Therefore, the interests of Mr. Ho, Ms. Ho Po Chu and Mr. Ho Cheuk Ming in the 408,804,000 Shares duplicate with each other.
3. The personal interests of Mr. Lee Shu Ki comprise 1,400,000 ordinary Shares and 2,100,000 outstanding share options.
4. The personal interests of Ms. Chan Ming Mui, Silvia are 1,200,000 outstanding share options.

As demonstrated by the above table, the issue of the Consideration Shares would cause a minimal dilution of approximately 3.89 percent point to the shareholding interests of the public Shareholders in the Company.

Possible financial effects of the Acquisition

The Sale Shares represent the entire issued share capital of each of Angel Love and One Travel. Upon Completion, the Target Companies will become indirect wholly-owned subsidiaries of the Company and their financial results will be fully consolidated into the consolidated financial statements of the Company.

Effect on net asset value (“NAV”)

As extracted from the 2011 Interim Report, the unaudited consolidated NAV of the Group was approximately HK\$853.82 million as at 30 September 2011. The Directors confirmed that upon Completion, the consolidated NAV of the Group would be enlarged.

Effect on earnings

In view of that the Target Companies had recorded losses for the two years ended 31 December 2011, and are still striving to revive their loss making position, as advised by the Directors, it is expected that the Group’s earnings ability would be adversely affected upon Completion.

LETTER FROM GUANGDONG SECURITIES

Effect on gearing and working capital

With reference to the 2011 Interim Report, the Group's gearing ratio (calculated as net debt divided by total capital) was approximately 15% as at 30 September 2011. The Directors expected that the gearing ratio of the Group would be decreased upon Completion.

Moreover, as confirmed by the Directors, since the Acquisition does not incur any cash consideration, the Acquisition would not lead to any immediate material change in the Group's working capital position.

It should be noted that the aforementioned analyses are for illustrative purpose only and do not purport to represent how the financial position of the Company will be upon Completion.

Risk factors

The Acquisition will increase the level of risk exposure of the Group inevitably. List out below are the possible risk factors (which are not meant to be exhaustive) related to the Acquisition:

Risk in relation to penetration into a new business

The Group is principally engaged in the manufacturing and sales of industrial products and provision of manufacturing services. Therefore, the Acquisition represents penetration into a new business of the Group. Given the lack of experience of the Group in the wedding services market, the Group may not be able to overcome all of the possible challenges which may arise in the wedding services market. Moreover, in the event that the Company is unable to recruit and/or retain sufficient professionals for the provision of the wedding-related services by the Target Companies, the business, financial condition and results of operations of the Target Companies will be materially adversely affected.

The Target Companies operate in a low level of entry barrier and competitive market which may result in lower profit margin

There are a large number of participants in the wedding services market in Hong Kong. Barriers, such as license and permit, to enter into wedding photography and wedding planning are limited, which is why so many wedding photographers and planners are self-employed or small and medium-sized enterprises. The sale of wedding gowns and travel agency businesses are also easy to enter. The Directors consider that competition in the Hong Kong wedding services market has been competitive and will continue to be so. In the event that the Target Companies fail to compete effectively or maintain their competitiveness in the market, their business, financial condition and results of operations will be materially adversely affected and results in lower profit margin.

LETTER FROM GUANGDONG SECURITIES

The Target Companies have limited operating history

Angel Love was incorporated on 18 March 2010. My Affection Limited and Dreamy Bridal Limited were incorporated on 27 January 2011 and 15 October 2010 respectively. One Travel was incorporated on 7 December 2009. As such, the Target Companies have limited operating history upon which their performance may be evaluated. The Target Companies may not be able to implement their business model and strategy successfully or to modify the model and strategy according to changing industry condition and competitive environment. In the event that the Target Companies fail to do so, their business, operations and financial performance will be materially adversely affected.

Spending of the customers is affected by the overall consumer market sentiment or general economic downturn

Although the outlook of the wedding services market in Hong Kong would likely to be positive based on the current favourable market statistics, there is no guarantee that there will not be any negative change of the overall consumer market sentiment or there will not be any economic downturn in Hong Kong. Should any such unfavourable changes take place, the Target Companies' business, operations and financial performance will be materially adversely affected.

The Target Companies' business is subject to seasonal factors and change of social culture

Demand for wedding services is usually higher in the second half of each year than the first half. Besides that, demand for wedding services can be cyclical and subject to seasonal variations and the results of operations of the Target Companies may consequently fluctuate on a seasonal basis. This inherent fluctuation in the revenue of the Target Companies may place pressure on their short-term liquidity during the slack season, particularly in the first half of the year.

Besides that, the rate of marriage is highly affected by change of social and culture norm. Should there be any negative factors affecting the social and culture norm regarding marriage, for example the increase in popularity of late marriage and celibacy, the business, operations and financial performance of the Target Companies will be materially adversely affected.

Risk in relation to the business model of the Target Companies

The Target Companies' business depends on, among other things, their ability to provide comprehensive one-shop wedding services to the customers by maintaining stable and adequate supply of quality and stylish inventories (i.e. wedding gown and jewellery etc.) at acceptable prices and establishing strategic partnerships with leading local wedding-related service providers. In the event that the Target Companies fail to continue with such business model and/or adjust their future business model to adapt to the evolving wedding services market environment, their business, financial condition and results of operations will be adversely affected.

LETTER FROM GUANGDONG SECURITIES

We are of the view that Independent Shareholders should bear in mind the possible risk factors associated with the Acquisition when considering the Acquisition as they may have different risk preference and are of varied risk tolerance level.

RECOMMENDATION

In conclusion, we noted that:

- (i) the Acquisition represents a new business opportunity to the Group whereby the Group can tap into the possible favourable wedding services market in Hong Kong under the situation which the existing business growth of the Group in the manufacturing sector has already leveled-off and the profitability of this sector has been minimal;
- (ii) the Consideration represents a discount to the Valuation, being the fair market value of the 100% equity interest in the Target Companies as at 31 March 2012;
- (iii) the Acquisition would save the Group's time and cost of starting up a wedding services business from scratch. As may be proven by the robust growth in the combined revenue of the Target Companies shortly after their establishment, the Target Companies have gradually developed their brand names and accumulated their customers and the Directors are confident that the Group will have sufficient experience and expertise to diversify into the wedding services business;
- (iv) the Acquisition would also not require significant immediate cash outflow from the Group as the Consideration will be satisfied by way of the allotment and issue of the Consideration Shares; and
- (v) the Issue Price is fair and reasonable so far as the Independent Shareholders are concerned.

On the contrary, the Acquisition will increase the level of risk exposure of the Group inevitably and poses the Group to the risk factors (which are not meant to be exhaustive) as highlighted in the aforesaid section of this letter. In addition, it is expected that the Group's earnings ability would be adversely affected upon Completion given the current loss making condition of the Target Companies; while the issue of the Consideration Shares would also cause dilution to the shareholding interests of the public Shareholders in the Company.

LETTER FROM GUANGDONG SECURITIES

Having taken into account and balanced the above factors and reasons, we are of the opinion that (i) the terms of the Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Acquisition, although is not in the ordinary and usual course of business of the Company, is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the SGM to approve the Agreement and the transactions contemplated thereunder and we recommend the Independent Shareholders to vote in favour of the resolution(s) in this regard.

Yours faithfully,
For and on behalf of
Guangdong Securities Limited
Graham Lam
Managing Director

1. RESPONSIBILITY STATEMENTS

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 Company. 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. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 March 2011, the date to which the latest published audited consolidated financial statements of the Group were made up.

3. DISCLOSURE OF INTERESTS

A. Directors

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporation(s) (within the meaning of Part XV of the SFO) which were required (i) 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 in which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, were as follows:

(A) Interests in the Company

	Number of ordinary shares of HK\$0.10 each				% of issued share capital
	Personal interests	Family interests	Corporate/ Other interests	Total interests	
Mr. Ho Cheuk Fai	139,356,000 (Note 1)	464,804,000 (Note 1)	408,804,000 (Note 2)	604,160,000	69.60
Mr. Ho Cheuk Ming	13,604,000 (Note 3)	—	408,804,000 (Note 2)	422,408,000	48.66
Mr. Lee Shu Ki	3,500,000 (Note 4)	—	—	3,500,000	0.40

	Number of ordinary shares of HK\$0.10 each				% of issued share capital
	Personal interests	Family interests	Corporate/ Other interests	Total interests	
Ms. Chan Ming Mui, Silvia	1,200,000 (Note 5)	—	—	1,200,000	0.14
Mr. Fong Hoi Shing	2,000	—	—	2,000	0.00
Ms. Ho Po Chu	56,000,000 (Note 6)	548,160,000 (Note 6)	408,804,000 (Note 2)	604,160,000	69.60

Notes:

- The personal interests of Mr. Ho Cheuk Fai comprise 139,356,000 Shares. Mr. Ho Cheuk Fai is deemed to be interested in (a) 56,000,000 Shares held by his spouse, Ms. Ho Po Chu, as beneficial owner and (b) 408,804,000 Shares in which his children under 18 are interested. Such 408,804,000 Shares in which his children under 18 are interested duplicate with his interests as founder of The Ho Family Trust in the same block of Shares referred to in Note 2 below.
- The 408,804,000 Shares comprised (i) 243,804,000 Shares held by New Sense Enterprises Limited (“**New Sense**”), and (ii) 165,000,000 Shares held by Castfast Properties Development Co., Ltd. (“**Castfast Properties**”), 87% of the issued share capital of which is beneficially owned by Honford Investments Limited (“**Honford Investments**”), which in turn is wholly-owned by Equity Trust (BVI) Limited (“**Equity Trust**”) as trustee for a discretionary trust, The Ho Family Trust. Mr. Ho Cheuk Fai is deemed to be interested in these 408,804,000 Shares as founder of The Ho Family Trust. Ms. Ho Po Chu, Mr. Ho Cheuk Ming and Mr. Ho Cheuk Fai’s children under 18 are the discretionary objects of The Ho Family Trust and are thus deemed to be interested in the 408,804,000 Shares held under The Ho Family Trust. Therefore, the interests of Mr. Ho Cheuk Fai, Ms. Ho Po Chu and Mr. Ho Cheuk Ming in the 408,804,000 Shares duplicate with each other.
- The personal interests of Mr. Ho Cheuk Ming comprise 12,104,000 ordinary shares and 1,500,000 outstanding share options.
- The personal interests of Mr. Lee Shu Ki comprise 1,400,000 ordinary shares and 2,100,000 outstanding share options.
- The personal interests of Ms. Chan Ming Mui, Silvia are 1,200,000 outstanding share options.
- The personal interests of Ms. Ho Po Chu comprise 55,100,000 ordinary shares and 900,000 outstanding share options. Ms. Ho Po Chu is also deemed to be interested in (a) 139,356,000 shares held by her spouse, Mr. Ho Cheuk Fai, as beneficial owner and (b) 408,804,000 shares in which her children under 18 are interested. Such 408,804,000 shares in which her children under 18 are interested are duplicated with her interests in the same block of shares referred to in Note 2 above.

(B) Interests and short positions in associated corporations**(i) Karrie Industrial Company Limited (“KICL”)**

	Number of non-voting deferred shares of HK\$100 each				% of issued share capital	Short positions	% of issued share capital
	Personal interests	Family interests	Corporate/ Other interests	Total interests			
Mr. Ho Cheuk Fai	43,000	43,000 <i>(Note 1)</i>	43,000 <i>(Note 1)</i>	43,000	85.98% <i>(Note 2)</i>	43,000 <i>(Note 1)</i>	85.98% <i>(Note 2)</i>
Ms. Ho Po Chu	7,000	7,000 <i>(Note 1)</i>	7,000 <i>(Note 1)</i>	7,000	13.99% <i>(Note 2)</i>	7,000 <i>(Note 1)</i>	13.99% <i>(Note 2)</i>

(ii) Karpo Technologies Limited (“KTL”)

	Number of non-voting deferred shares of HK\$100 each				% of issued share capital	Short positions	% of issued share capital
	Personal interests	Family interests	Corporate/ Other interests	Total interests			
Mr. Ho Cheuk Fai	10,000	10,000 <i>(Note 1)</i>	10,000 <i>(Note 1)</i>	10,000	99.90% <i>(Note 3)</i>	10,000 <i>(Note 1)</i>	99.90% <i>(Note 3)</i>

(iii) Karrie Investment Holdings Limited (“KIHLL”)

	Number of non-voting deferred shares of HK\$1 each				% of issued share capital	Short positions	% of issued share capital
	Personal interests	Family interests	Corporate/ Other interests	Total interests			
Mr. Ho Cheuk Fai	1	1 <i>(Note 1)</i>	1 <i>(Note 1)</i>	1	8.33% <i>(Note 4)</i>	1 <i>(Note 1)</i>	8.33% <i>(Note 4)</i>
Ms. Ho Po Chu	1	1 <i>(Note 1)</i>	1 <i>(Note 1)</i>	1	8.33% <i>(Note 4)</i>	1 <i>(Note 1)</i>	8.33% <i>(Note 4)</i>

Notes:

1. Karrie International (B.V.I.) Limited (“KIBVI”), a direct wholly-owned subsidiary of the Company, has been granted options to acquire from Mr. Ho Cheuk Fai and Ms. Ho Po Chu their non-voting deferred shares in each of KICL, KTL and KIHLL. Accordingly, KIBVI is taken to be interested in these non-voting deferred shares in respect of which Mr. Ho Cheuk Fai and Ms. Ho Po Chu have each created short positions. In addition, by virtue of their interests in the Company; and the interests of their children under 18 in the Company, as referred to in Notes 1, 2 and 6 under the section headed “(A) Interests in the Company” above, Mr. Ho Cheuk Fai and Ms. Ho Po Chu are each deemed to be interested in the long positions that KIBVI has in these non-voting deferred shares. Such interests are duplicated with their personal interests in these non-voting deferred shares.

2. The entire issued share capital of KICL comprises 50,000 non-voting deferred shares of HK\$100 each and 10 ordinary shares of HK\$100 each.
3. The entire issued share capital of KTL comprises 10,000 non-voting deferred shares of HK\$100 each and 10 ordinary shares of HK\$100 each.
4. The entire issued share capital of KIHL comprises 2 non-voting deferred shares of HK\$1 each and 10 ordinary shares of HK\$1 each.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executives of the Company had any interests and short positions in the Shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), the Model Code for Securities Transactions by Directors of Listed Companies and which were required to be entered into the register required to be kept under section 352 of the SFO.

B. Substantial Shareholders

So far as is known to the Directors, as at the Latest Practicable Date, the following persons (not being Directors or chief executive of the Company) had, or were deemed to have, interest or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or 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 member of the Group:

Name of Shareholders	Capacity	Number of Shares	Approximate %
New Sense	Beneficiary	243,804,000 <i>(Note 1)</i>	28.08
Castfast Properties	Beneficiary	165,000,000 <i>(Note 2)</i>	19.01
Honford Investments	Interest of a controlled corporation	165,000,000 <i>(Note 2)</i>	19.01
Equity Trust	Trustee	408,804,000 <i>(Note 3)</i>	47.09

Notes:

1. New Sense is a company incorporated in the BVI, the entire issued share capital of which was owned by Equity Trust as trustee for The Ho Family Trust. Equity Trust is deemed to be interested in the 243,804,000 Shares held by New Sense by virtue of the fact that Equity Trust as trustee for The Ho Family Trust owns the entire issued share capital of New Sense.
2. 87% of the issued share capital of Castfast Properties is beneficially owned by Honford Investments. The entire issued share capital of Honford Investments is owned by Equity Trust as trustee for a discretionary trust, The Ho Family Trust. The interests of Honford Investments duplicate with those of Castfast Properties.
3. Equity Trust (BVI) is deemed to be interested in these Shares held by New Sense, Castfast Properties and Honford Investments by virtue of acting as the trustee for The Ho Family Trust.

Save as disclosed above, as at the Latest Practicable Date, so far as was known to any Director or chief executive of the Company, no person other than a Director or chief executive of the Company had any interests or short positions in the Shares and the underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 or 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 member of the Group.

4. COMPETING INTEREST OF DIRECTORS AND ASSOCIATES

As at the Latest Practicable Date, Mr. Ho Cheuk Fai and Ms. Ho Po Chu were interested in certain companies established in the PRC (the “**Competing Companies**”) which are or are likely to, directly or indirectly, compete with the business of the Group. Mr. Ho Cheuk Fai and Ms. Ho Po Chu are also the directors of these Competing Companies. Details of the interests of Mr. Ho Cheuk Fai and Ms. Ho Po Chu in the Competing Companies are as follows:

Name of Competing Company	Date and place of establishment	Principal business	Shareholdings
東莞嘉輝門窗製品有限公司 (Dongguan Castfast Door and Window Products Co., Ltd.) (“ Dongguan Castfast ”)	2 August 2001, the PRC	Property investment and provision of property management and consultancy services in the PRC	Castfast Properties: 95%
宜興永泰企業管服務有限公司 (Yixing Yongtai Enterprise Management Services Co. Ltd.) (“ Yixing Management ”)	25 March 2008, the PRC	Property development in the PRC	Castfast Properties: 55% Dongguan Karrie Resort Limited (東莞嘉利渡假休閒有限公司): 25%

As at the Latest Practicable Date, Dongguan Castfast had developed a residential and commercial property project Castfast Villas (嘉輝豪庭) located at Dongguan, the PRC with a site area of approximately 48,600 sq.m. and a total gross floor area of approximately 233,700 sq.m.. This project was completed and all of the residential units had been sold. Dongguan Castfast has retained the shopping mall of Castfast Villas as long-term investment properties.

As the Latest Practicable Date, Yixing Management had developed a commercial property project located in Yixing, Jiangsu, the PRC. This project occupied a site area of approximately 107,340 sq.m. and comprised offices, staff quarters, canteens and service apartments. Construction of the project was completed pending the issue of the relevant property ownership certificates.

As at the Latest Practicable Date, Mr. Ho Cheuk Fai and Ms. Ho Po Chu were also interested in certain companies established in the PRC which were engaged in the operation of a wedding city. Details of these companies are as follows:

Name of Competing Company	Date and place of establishment	Principal business	Shareholdings
Dongguan Fenggang Castfast Wedding City Co. Ltd. (“Dongguan Wedding”)	12 November 2009, the PRC	Wedding services, related exhibitions and services	HK Wedding: 100%
The Wedding City Co. Ltd. (“HK Wedding”)	8 May 2009, Hong Kong	Investment holding	Mr. Ho Cheuk Fai: 90% Ms. Ho Po Chu: 10%

Dongguan Wedding and HK Wedding are principally engaged in packaging Fenggang Qu of Dongguan, the PRC as a theme city for wedding and providing onestop wedding services from professional photographing and recording to provision of a fantastic resort area for photographing. Through this theme and image as a wedding city, they will enhance the local economic development and demand for high quality hotel and property projects. Mr. Ho has no present intention to further dispose of the Dongguan Wedding and HK Wedding to the Company.

Mr. Ho undertakes with the Company that with effect from the completion of the acquisition of the Target Companies by the Company, and for as long as the Shares remain listed on the Stock Exchange and Mr. Ho, individually or collectively with their associates (as defined in Chapter 1 and Chapter 14A of the Listing Rules), are, directly or indirectly, interested in not less than 30% of the Shares in issue, Mr. Ho shall not, and shall procure that his associates shall not:

- (a) directly or indirectly engage, participate or hold any right or interest in or render any services to or otherwise be involved in any business in direct competition with or likely to be in direct competition with the existing business activity of the Company or be in competition with the Company in any business activities which the Company may undertake in the future save for the holding of not more than

5% shareholding interests (individually or any of the Covenantors with their associates collectively) in any company listed on the Stock Exchange or any other stock exchange; and

- (b) take any direct or indirect action which constitutes an interference with or a disruption to the business activities of the Company including, but not limited to, solicitation of customers, suppliers and staff of the Company.

As advised by the Vendor, the businesses of Dongguan Wedding and HK Wedding are conducted in the PRC whilst the Target Companies operate in Hong Kong. The non-competition undertaking will restrict Mr. Ho from conducting competing business in Hong Kong. This geographical distinction will prevent any competing interests, thereby protecting the interests of the Shareholders as a whole.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or their respective associates had an interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

5. DIRECTORS' INTERESTS IN ASSETS AND CONTRACTS OF SIGNIFICANCE

As at the Latest Practicable Date, as and except the Agreement:

- (a) none of the Directors had any direct or indirect interests in any assets which have since 31 March 2011 (being the date to which the latest published audited financial statements of the Group were made up) been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group; and
- (b) none of the Directors was materially interested in any contracts or arrangements entered into by the Group subsisting as at the Latest Practicable Date which is significant in relation to the business of the Group.

6. LITIGATION

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

7. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into any service agreement with any member of the Group which is not determinable by the relevant member of the Group within one year without payment of compensation, other than statutory compensation.

8. EXPERT'S QUALIFICATIONS AND CONSENT

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

Name	Qualifications
Guangdong Securities Limited	a licensed corporation to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO

Guangdong Securities has given and has not withdrawn its consent to the issue of this circular with the inclusion therein of its letter and/or references to its name in the form and context in which they appear.

As at the Latest Practicable Date, Guangdong Securities did not have any shareholding, directly or indirectly, in any member of the Group or any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, Guangdong Securities did not have any direct or indirect interests in any assets which had been since 31 March 2011, the date of which the latest published audited financial statements of the Group were made up, acquired or disposed of by, or leased to, or proposed to be acquired or disposed of by, or leased to, any member of the Group.

9. GENERAL

In the event of inconsistency, the English text of this circular will prevail over the Chinese text.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be made available for inspection at the Company's principal place of business in Hong Kong at 10th Floor, Southeast Industrial Building, 611-619 Castle Peak Road, Tsuen Wan, New Territories, Hong Kong during normal business hours on any weekday (except for public holidays), for a period of 14 days from the date of this circular:

- (a) the Memorandum and Articles of Association of the Company;
- (b) the Agreement;
- (c) the letter of recommendation dated 1 June 2012 from the Independent Board Committee to the Independent Shareholders, the text of which is set out on page 24 of this circular;

- (d) the letter from Guangdong Securities to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 25 to 48 of this circular;
- (e) the consent letter from Independent Financial Adviser referred to in the paragraph headed “Expert’s Qualifications and Consent” in this appendix;
- (f) the annual reports of the Company for each of the two financial years ended 31 March 2010 and 31 March 2011 respectively;
- (g) circular of the Company dated 15 September 2011 in respect of renewal of continuing connected transactions with Sagemcom SAS;
- (h) circular of the Company dated 13 October 2011 in respect of discloseable and connected transactions in relation to the acquisition of 40% interest in Sagem Karrie Technologies (Hong Kong) Company Limited;
- (i) circular of the Company dated 27 March 2012 in respect of major transaction in relation to disposal of property;
- (j) this circular.

NOTICE OF SGM

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



KARRIE INTERNATIONAL HOLDINGS LIMITED

嘉利國際控股有限公司*

(incorporated in Bermuda with limited liability)

(Stock code: 1050)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting (the “**SGM**”) of the shareholders of Karrie International Holdings Limited (the “**Company**”) will be held at Fountain Room 1, Lobby Level, Hong Kong Gold Coast Hotel, 1 Castle Peak Road, Gold Coast, Hong Kong on Friday, 22 June 2012 at 9:00 a.m. for the purpose of considering and, if thought fit, passing, with or without amendments, the following ordinary resolutions:

AS ORDINARY RESOLUTION

1. **“THAT:**

- (A) the acquisition agreement dated 16 March 2012 (the “**Agreement**”) (a copy of which is produced to the SGM marked “A” and initialed by the chairman of the SGM for the purpose of identification) entered into between The Wedding City Company Limited (the “**Vendor**”) and Kar Yick Development Company Limited (嘉億發展有限公司) (the “**Purchaser**”), in relation to an acquisition by the Purchaser of the entire issued share capital of The One Travel Co., Limited (“**One Travel**”) and the entire issued share capital of Angel Love Studio (HK) Company Limited (“**Angel Love**”) and the shareholder loan owed by Angel Love to the Vendor, at a consideration of HK\$45 million which will be satisfied by the allotment and issue of 130,000,000 new Shares in the Company (the “**Consideration Shares**”) to the Vendor or its nominee at an issue price of HK\$0.346 per Consideration Share, and the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified;

* *For identification purpose only*

NOTICE OF SGM

- (B) subject to completion of the Agreement and conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of, and the permission to deal in, the Consideration Shares, the Directors be and are hereby specifically authorised to allot and issue the Consideration Shares, credited as fully paid, to the Vendor or its nominee in accordance with the terms and conditions of the Agreement; and
- (C) any one of the Directors be and is hereby authorised to execute all such other documents, instruments under hand (and, where required, under the common seal of the Company) and to do such acts and things or take such steps as he/she may consider necessary, appropriate, desirable or expedient to implement or give effect to the Agreement and all transactions contemplated thereunder and all other matters incidental thereto or in connection therewith.”

By order of the board of directors of
Karrie International Holdings Limited
Lee Shu Ki
Executive Director

1 June 2012

Notes:

1. Any member of the Company entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and vote instead of him. A member who is holding two or more shares of the Company is entitled to appoint more than one proxy to attend and vote in his stead. A proxy need not be a member of the Company. A form of proxy for use at the above meeting is enclosed herewith. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his/her attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of any officer, attorney or other person duly authorised to sign the same.
2. To be valid, form of proxy, together with the power of attorney or other authority, if any, under which it is signed, or a certified copy of that power or authority must be deposited at the Company's principal place of business in Hong Kong at 10th Floor, Southeast Industrial Building, 611-619 Castle Peak Road, Tsuen Wan, New Territories, Hong Kong not less than 48 hours before the time appointed for the holding of the meeting or any adjourned meeting. Completion and return of the form of proxy will not preclude any member from attending and voting at the SGM (or any adjournment thereof) in person.
3. Where there are joint holders of any share any one of such joint holder may vote, either in person or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders be present at any meeting, the vote of the person whose name stands first in the Register of Members of the Company in respect of such share, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders.

NOTICE OF SGM

4. The register of members of the Company will be closed from Wednesday, 20 June 2012 to Friday, 22 June 2012 (both dates inclusive) during which period no transfer of shares will be registered. In order to qualify for attending and voting at the SGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Share Registrars in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712-6, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Tuesday, 19 June 2012.

As at the date of this announcement, the Executive Directors are: Messrs. Ho Cheuk Fai, Lee Shu Ki and Ms. Chan Ming Mui, Silvia; the Non-executive Director is: Mr. Ho Cheuk Ming; the Independent Non-executive Directors are: Messrs. So Wai Chun, Chan Sui Sum, Raymond and Fong Hoi Shing.