

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

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

**If you have sold or transferred** all your shares in **Tack Fiori International Group Limited**, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or the transferee.

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**TACK FIORI INTERNATIONAL GROUP LIMITED**

(formerly known as “Tack Fat Group International Limited”)

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 928)

**(1) CONNECTED TRANSACTION AND PROPOSED GRANT OF SHARE OPTIONS**  
**(2) PROPOSED SPECIFIC MANDATE TO ISSUE OPTION SHARES**  
**AND**  
**(3) NOTICE OF EGM**

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



**Grand Vinco Capital Limited**

*(A wholly-owned subsidiary of Vinco Financial Group Limited)*

Capitalised terms used on this cover page shall have the same meanings as those in the section headed “Definitions” in this circular.

A letter from the Independent Board Committee to the Independent Shareholders is set out on pages 24 and 25 of this circular. A letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, containing its advice in relation to the connected transaction contemplated under the Option Deeds and the Specific Mandate to issue Option Shares is set out on pages 26 to 42 of this circular.

A notice convening the EGM to be held at 30/F, China United Centre, 28 Marble Road, North Point, Hong Kong on Monday, 16 January 2012 at 9:00 a.m. is set out on pages 47 to 52 of this circular. A form of proxy for use in connection with the EGM is also enclosed herewith. Whether or not you are able to attend the EGM, you are advised to read the notice of the EGM and to complete and return the enclosed form of proxy, in accordance with the instructions printed thereon, to the Company’s Hong Kong branch share registrar and transfer office Tricor Tengis Limited, at 26/F., Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong, as soon as possible but in any event not less than 48 hours before the time appointed for holding of the EGM or any adjourned meeting. Completion of the form of proxy and its return will not preclude you from attending and voting in person at the EGM or any adjourned meeting, if you so wish. Pursuant to Rule 13.39(4) of the Listing Rules, voting by the Shareholders at the EGM will be by poll.

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## DEFINITIONS

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

“Announcements”	the announcements of the Company dated 6 October 2011, 11 October 2011, 30 November 2011, 13 December 2011 and 22 December 2011 in relation to the proposed grant of Share Options
“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day”	a day (except a Saturday or Sunday) on which banks are generally open for business in Hong Kong
“Company”	Tack Fiori International Group Limited (“formerly known as “Tack Fat Group International Limited”), a company incorporated in the Cayman Islands with limited liability and whose Shares are listed on the Main Board of the Stock Exchange
“connected person”	has the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“EGM”	the extraordinary general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving, among other things, the grant of the Share Options under the Option Deeds and the Specific Mandate
“Exercise Period”	the period during which the Share Options shall remain exercisable after being vested as described in the section headed “The Option Deeds — (e) Exercise Period” in this circular
“Exercise Price”	the exercise price of the Share Options at HK\$0.10 per Share
“Grant Date”	means the date of the grant of the Share Options
“Grantees”	as defined under the paragraph headed “The Option Deed — (a) Number of Share Options granted” in this circular
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

## DEFINITIONS

“Independent Board Committee”	the independent committee of the Board comprising Dr. Leung Shiu Ki, Albert, Mr. Robert James Iaia II, Ms. Lam Yan Fong, Flora, Mr. Yau Yan Ming, Raymond and Mr. Miu H., Frank all being independent non-executive Directors appointed to advise the Independent Shareholders in connection with the grant of the Share Options under the Option Deeds and the Specific Mandate
“Independent Financial Adviser” or “Vinco Capital”	Grand Vinco Capital Limited, a wholly-owned subsidiary of Vinco Financial Group Limited (stock code: 8340), a corporation licensed to carry out business in Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser of the Company to advise the Independent Board Committee and the Independent Shareholders in relation to the grant of the Share Options under the Option Deeds
“Independent Shareholders”	all Shareholders except persons required to abstain from voting on the Share Options and Specific Mandate
“Last Trading Date”	6 October 2011, being the last trading day of the Shares on the Stock Exchange on the day of execution of the Option Deeds
“Latest Practicable Date”	22 December 2011, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
“Option Deeds”	the option deeds dated 6 October 2011 entered into between the Company and each of the Grantees, each an “Option Deed”, as amended by the supplemental deed between the same parties dated 22 December 2011
“Option Period”	means the period between the Grant Date and the date which is three years from the Grant Date
“Option Shares”	an aggregate of 300,000,000 Shares to be issued to the Grantees when exercised in accordance with the terms and conditions set out in the Options Deeds at the Exercise Price
“PRC”	the People’s Republic of China
“SFO”	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company

## DEFINITIONS

“Shareholder(s)”	holder(s) of the Shares
“Share Options”	such number of share options to be granted by the Company to each of the Grantees in accordance with the terms and conditions set out in their respective Option Deeds
“Specific Mandate”	the authority to issue and allot up to 300,000,000 Option Shares pursuant to the ordinary resolutions to be proposed at the EGM
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“%”	per cent.

**LETTER FROM THE BOARD**



**TACK FIORI INTERNATIONAL GROUP LIMITED**

(formerly known as “Tack Fat Group International Limited”)

*(incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 928)**

*Executive Directors:*

Mr. Chiu Siu Po (*Chairman*)  
Mr. Liu On Bong, Peter (*Vice Chairman*)  
Mr. Chan Chak Kai, Kenneth  
Mr. Wan Wai Hei, Wesley  
Mr. Au Wai June

*Registered office:*

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman, KY1-1111  
Cayman Islands

*Independent non-executive Directors:*

Dr. Leung Shiu Ki, Albert  
Mr. Robert James Iaia II  
Ms. Lam Yan Fong, Flora  
Mr. Yau Yan Ming, Raymond  
Mr. Miu H., Frank

*Principal place of business  
in Hong Kong:*

8th Floor, China United Centre  
28 Mable Road  
North Point  
Hong Kong

29 December 2011

*To the Shareholders*

Dear Sir or Madam,

**(1) CONNECTED TRANSACTION AND PROPOSED GRANT OF SHARE OPTIONS  
(2) PROPOSED SPECIFIC MANDATE TO ISSUE OPTION SHARES  
AND  
(3) NOTICE OF EGM**

**INTRODUCTION**

As disclosed in the Announcements, the Company has entered into Option Deeds with each of the Grantees in respect of the grant of Share Options by the Company and total of 8 individuals are granted Share Options. Under the Options Deeds, the Company conditionally agreed to grant Share Options for up to 300,000,000 Shares in aggregate.

As the Option Deeds and proposed Specific Mandate are subject to, among other things, Shareholders’ approval at the EGM under Chapter 15 of the Listing Rules while the entering into of the Option Deeds with Mr. Chiu Siu Po, Mr. Liu On Bong, Peter and Mr. Chan Chak Kai, Kenneth who are

## LETTER FROM THE BOARD

executive Directors of the Company, is deemed as a connected transaction of the Company for the purpose of Chapter 14A of the Listing Rules and they have abstained from voting on the board resolution in this regard.

Mr. Chiu Siu Po, Mr. Liu On Bong, Peter and Mr. Chan Chak Kai, Kenneth are executive Directors of the Company and therefore are connected persons of the Company pursuant to Rule 14A.11(1) of the Listing Rules. The entering into the Option Deeds between the above said executive Directors and the Company thus constitutes a connected transaction of the Company pursuant to Rule 14A.13(5) of the Listing Rules.

One or more of the applicable percentage ratios (as defined under the Listing Rules) for the entering into the Option Deeds exceed 5% and the total consideration exceeds HK\$10 million. Pursuant to Rule 14A.17 of the Listing Rules, the entering into the Option Deeds, which is deemed as a connected transaction, is subject to reporting, announcement and Independent Shareholders' approval requirements.

Hence, an EGM will be held for Independent Shareholders to consider and, if thought fit, to approve the terms of the Option Deeds, the proposed Specific Mandate to allot and issue up to 300,000,000 new Shares will also be sought in connection with the Share Options. As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, two of the Grantees, namely (i) Mr. Chan Chak Kai, Kenneth, being the executive Director of the Company who holds 200,000 shares; and (ii) Ms. Yu Man Fung, Alice, being the consultant of the Company who holds 161,061,160 Shares, are required to abstain from voting on all resolutions relating to the grant of the Share Options pursuant to the Listing Rules. Saved as disclosed herein, there is no Grantee who is a Shareholder of the Company required to abstain from voting in this regard.

The Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders on, among other things, the grant of the Share Options under the Option Deeds and the proposed Specific Mandate and Vinco Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on those transactions.

The purpose of this circular is to provide you, among others, (i) further information on the Option Deeds and the Specific Mandate; (ii) the recommendation of the Independent Board Committee to the Independent Shareholders in relation to the grant of the Share Options under the Option Deeds and the Specific Mandate; (iii) the advice of Vinco Capital to the Independent Board Committee and the Independent Shareholders in relation to the grant of the Share Options under the Option Deeds and the Specific Mandate; and (iv) a notice of EGM at which ordinary resolutions will be proposed to consider and, if thought fit, to approve the grant of the Share Options under the Option Deeds and the Proposed Specific Mandate.

## LETTER FROM THE BOARD

### OPTION DEEDS

The key terms of each of the Option Deeds are as follows:

**(a) Grantees and the number of Share Options granted**

The Company agreed to grant each of the Grantees the following number of Share Options exercisable at the Exercise Price:

Grantee	Position	Number of Share Options representing
Chiu Siu Po	Executive Director and Chairman	10,000,000 Shares
Liu On Bong, Peter	Executive Director and Vice Chairman	10,000,000 Shares
Chan Chak Kai, Kenneth	Executive Director	<u>50,000,000 Shares</u>
	<i>Option Shares granted to executive Directors</i>	<i>70,000,000 Shares</i>
Chan Ying Kei	Chief Operating Officer	10,000,000 Shares
Cheng Pui Yee	Financial Controller and Joint Company Secretary	10,000,000 Shares
Yu Man Fung, Alice	Consultant	100,000,000 Shares
Ko Po Yee	Consultant	100,000,000 Shares
Wong Wan Men, Margaret	Consultant	<u>10,000,000 Shares</u>
	<i>Option Shares granted to officers and consultants</i>	<i>230,000,000 Shares</i>
	Total Option Shares granted	<u><u>300,000,000 Shares</u></u>

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as Mr. Chiu Siu Po, Mr. Liu On Bong, Peter and Mr. Chan Chak Kai, Kenneth, are executive Directors of the Company, they are considered as connected persons of the Company pursuant to Rule 14A.11 of the Listing Rules. Saved as disclosed herein, there are no other Directors having material interest in respect of the grant of the Share Options under the Option Deeds.

**(b) Consideration**

The consideration payable by each of the Grantees for the grant of his Share Options is HK\$1.00.

## LETTER FROM THE BOARD

### (c) Conditions

The grant of the Share Options in each Option Deed is conditional on:

- the approval by the Stock Exchange of the grant of the Share Options, if required;
- the approval by the Listing Committee of the Stock Exchange of the listing of, and permission to deal in, the Option Shares upon the exercise of the Share Options granted under the Option Deeds;
- the approval by the Independent Shareholders of the grant of the Share Options, together with the issue of the Option Shares upon exercise of the Share Options pursuant to the Option Deeds, if required.

Each of the Option Deeds shall automatically terminate and be of no effect and neither party shall have any claim against the other in the event that the above conditions are not fulfilled by 31 January 2012, or such later date as the Company and each of the Grantees may agree.

The Share Options to be granted pursuant to the Option Deeds will be vested in accordance with the requirements under Chapter 15 of the Listing Rules.

### (d) Vesting

The Share Options shall vest no later than 18 months from the date of issue, unless otherwise agreed between the Company and the Grantee.

Upon vesting, the Share Options shall be exercisable over a period of 18 months from date of vesting until the expiry of the Option Period.

#### *Full Vesting of the Share Options*

Notwithstanding the above vesting schedule, the Share Options held by each of the Grantees shall automatically vest in full and become exercisable immediately upon the occurrence of any of the following events:

- an agreement for the full vesting of the Options between the Company and the Grantee; or
- if at any time after the Grant Date, a person or entity acquires the legal and beneficial ownership of 30% or more of the issued and outstanding ordinary Shares of the Company;

subject to the vesting of the Option Shares not resulting in the aggregate shareholdings of the Grantees in the Company (assuming full exercise of the Option Shares) exceeding 20% of the Company's entire issued share capital at the time of the vesting.

## LETTER FROM THE BOARD

**(e) Exercise Period**

Upon vesting as described above, the Share Options may be exercised over a period of up to 18 months from date of vesting until the expiry of the Option Period.

**(f) Exercise of the Share Options**

Subject to the above conditions, the Share Options may be exercised during the Exercise Period by serving a Share Option exercise notice to the Company together with the Exercise Price payable.

**(g) The Exercise Price**

The Exercise Price is HK\$0.10 per Share.

**(h) Option Shares**

The Option Shares, when issued and allotted, shall rank pari passu in all respects among themselves and with all other Shares in issue on the date of the issue and allotment of the Option Shares and will accordingly entitle each of the Grantees to participate in full in all dividends or other distributions paid or made on the Shares on or after the relevant day on which the Share Options are duly exercised other than any dividend or other distribution previously declared, or recommended or resolved to be paid or made if the record date therefor shall be before the relevant exercise date and notice of the amount and record date for which shall have been given to the Stock Exchange prior to the relevant exercise date. The Option Shares will be issued under the Specific Mandate.

**(i) Completion**

Subject to the fulfilment of the conditions as detailed above and the vesting and exercise of the Share Options by any of the Grantees within the Exercise Period, completion shall take place at the principal office of the Company in Hong Kong (or such other place as agreed between the Company and the relevant Grantee) on the date specified for completion in the exercise notice.

**(j) Lapse of Share Options**

A Share Option shall lapse automatically (to the extent not already vested, or if vested but not exercised) on the earlier of:

- the expiry of the Option Period; or
- the date on which:
  - Grantees employed by the Group resigns or terminates his employment with the Group other than for good reason; or
  - The Group terminates the employment of the Grantees employed by the Group for cause.

## LETTER FROM THE BOARD

**(k) Rights to participate in distributions and/or offers of further securities**

None of the Grantees has any right under their respective Option Deed to participate in any distributions and/or offers of further securities made by the Company before the exercise of the Share Options.

**(l) Transfer or transmission of the Share Options**

The benefit of the Option Deeds (including but not limited to the Share Options) shall not be assignable in whole or in part.

**(m) Winding up of the Company**

If an effective resolution is passed during the Option Period for the voluntary winding-up of the Company, then:

- if such winding-up be for the purpose of reconstruction or amalgamation pursuant to a scheme of arrangement to which the relevant Grantee as holder of the Share Options shall be a party or in conjunction with which a proposal is made to such Grantee, the terms of such scheme of arrangement or proposal (as the case may be) shall be binding on each of them if the scheme of arrangement or proposal is approved by the requisite majority of the relevant securities holders of the Company in accordance with any applicable laws, rules and/or regulations; and
- in any other case, the relevant Grantee shall be entitled at any time within six weeks after the passing of such resolution for the voluntary winding-up of the Company by service of an exercise notice, together with payment of the exercise price, to elect to be treated as if it had immediately prior to the commencement of such winding-up exercised the Share Options to the extent specified in the exercise notice and had on such date been the holder of Shares to which he would have become entitled pursuant to such exercise and the Company and the liquidator of the Company shall give effect to such election accordingly. The Company shall give notice to the relevant Grantee of the passing of any such resolution within seven days after the passing thereof and such notice shall contain a reminder to the relevant Grantee with respect to its rights under this paragraph.

Subject to the foregoing, if the Company is voluntarily wound up, the Share Options, in so far as not exercised, shall lapse.

In the case of a non-voluntary winding-up of the Company, the Share Options, in so far as not exercised, shall lapse on an order having been made by the court for winding-up of the Company.

## LETTER FROM THE BOARD

### (n) Reorganisation of Capital Structure

If and whenever the Shares by reason of any consolidation or sub-division become of a different nominal amount whilst any Share Option is able to be vested or remains exercisable, (i) the Exercise Price in force immediately prior thereto shall be adjusted by multiplying it by the revised nominal amount and dividing the result by the former nominal amount and (ii) the number of Option Shares (subject to the Share Options so far as unexercised) in force immediately prior thereto shall be adjusted by multiplying it by the former nominal amount and dividing the result by the revised nominal amount provided that no such adjustments shall be made to the extent that a Share would be issued at less than its nominal value. Each such adjustment shall be effective from the close of business in Hong Kong on the day immediately preceding the date on which the consolidation or sub-division becomes effective.

Save as provided above, there are no other adjustments which can be made to the Exercise Price or the number of Option Shares in the event of alteration in the capital structure of the Company.

### 1. Information of Grantees

A total of 8 individuals are granted Share Options, including executive Directors, officers, and consultants. Executive Directors Mr. Chiu Siu Po, Mr. Liu On Bong, Peter, and Mr. Chan Chak Kai, Kenneth are the only executive Directors included in this grant of Share Options. In addition to the three executive Directors, chief operating officer Chan Ying Kei, financial controller and joint company secretary Cheng Pui Yee, as well as consultants Yu Man Fung, Alice, Ko Po Yee and Wong Wan Men, Margaret were also granted Share Options. The brief background information of these Grantees is as follows:

- (i) Mr. Chiu Siu Po (“**Mr. Chiu**”) is the chairman and the executive Director of the Company since August 2011. Since joining the group, Mr. Chiu has taken the lead in the overall management of the Group. Mr. Chiu has also devoted himself in formulating business objectives and carrying out strategic planning for the Company, particularly in the apparel and accessories operations with his extensive experience in the industry, which contributed and will continue to contribute to the Company’s expansion and growth in the apparel and accessories operations. With over 20 years of working experience in different functions/areas of the textile industry such as manufacturing, sales and distribution, Mr. Chiu contributed to the Group’s various planning functions in a leading capacity. Mr. Chiu assisted the Group in setting up the corporate administrative department, such as providing significant inputs to the office administration including, implementing medical insurance policy for the Company’s staff, setting up criteria selection for MPF services provider for the Company’s staff, setting up procedures in the procurement of the office supplies and interviewing candidates referred from human resources department since August 2011. Mr. Chiu also has extensive corporate and investment experience in both Hong Kong and the PRC markets. Mr. Chiu is therefore compensated through the grant of Share Options based upon his number of years in work experience and his potential contribution to the Company.

## LETTER FROM THE BOARD

- (ii) Mr. Liu On Bong, Peter (“**Mr. Liu**”) is the vice chairman and the executive Director of the Company since August 2011. Since joining the group, Mr. Liu has been responsible for the corporate development of the Company. Mr. Liu assisted the Group in setting up the corporate administrative department, such as providing significant inputs to the office floor plan, implementing medical insurance policy for the Company’s staff, selection of MPF services provider for the Company’s staff, setting up procedures in the procurement of the office supplies and interviewing candidates referred by human resources department since August 2011. The Company expects to capitalize on Mr. Liu’s strengths in the area of strategic planning and marketing of consumer products and services. In addition, Mr. Liu has extensive personal network in Hong Kong and he held senior management positions in various multinational corporations before joining the Company, including Fortune 500 companies. Mr. Liu contributed and will continue to contribute to the Company’s corporate development. In addition, Mr. Liu’s past working experience in the management of chain stores is valuable to the future growth of the Company, particularly in the area of retail management. Mr. Liu is therefore compensated through the grant of Share Options based upon his number of years in work experience and his potential contribution to the Company.
- (iii) Mr. Chan Chak Kai, Kenneth (“**Mr. Chan**”) is the executive Director of the Company since October 2011 and the director of certain subsidiaries of the Company prior to the appointment of the executive Director of the Company. After the Company’s acquisition of Z & Z International Limited (“Z & Z”) in August 2011, Mr. Chan assisted the Group in operating the retail stores under Z & Z. Z & Z comprises of retail stores in Hong Kong selling audio equipment, watches and other luxurious accessories. He is involved in the operation of Z & Z including the shop design, products purchases, and setting up of the marketing and pricing strategies, and providing administrative support to the subsidiaries under Z & Z including human resources functions. Mr. Chan is experienced in running retail businesses and he was one of the former shareholders of Z & Z, which together with its subsidiaries (“Z & Z Group”) offering a variety of products and services including high-end audio systems, luxury watches, fashion accessories, children’s wear, custom designed antique-style furniture, as well as professional nail polishing services. He has held directorships in Z & Z Group since 2006. With his extensive experience in the retail and distribution industry of more than 20 years, Mr. Chan has been facilitating the consolidation of sales and marketing know-how, and the sharing of distribution channels between the Group and the Z & Z Group as a whole. With Mr. Chan’s active involvement in the management of the Group, the Company expects Mr. Chan to contribute positively to the Company and the Shareholders as a whole through improving economies of scale and better synergies subsequent to the acquisition of the Z & Z Group. Furthermore, Mr. Chan has been utilizing his personal network and exploring the possibilities of acquiring an existing retail network in the PRC. Mr. Chan is therefore compensated through the grant of Share Options based upon his number of years in work experience and his role in the Company as a director of Z & Z International Limited, a subsidiary of the Company.
- (iv) Mr. Chan Ying Kei (“**Mr. Chan**”) is the chief operating officer of the subsidiaries owned by the Company since August 2011. Since joining the Group, Mr. Chan has assisted in executing the business plan of the Group and managing the operational

## LETTER FROM THE BOARD

functions of the Group. Mr. Chan is principally responsible for the execution of the business plans formulated by the Group, particularly in the areas of sales and marketing, where he works closely with the Directors and consultants who are responsible for formulating such plans. Mr. Chan's focus is in the PRC section of the Group's business, where he is responsible for assembling a sales team, setting up human resources and finance department in accordance with strategies set forth by the executive Directors and consultants. In addition, Mr. Chan has provided advice to the Directors on the execution of the business plan of the retail and distribution businesses in the PRC and Hong Kong. Mr. Chan's assistance will contribute to the Company's expansion of its retail businesses in the PRC. Mr. Chan is therefore granted the Share Options for his continued contribution to the Company.

- (v) Ms. Cheng Pui Yee ("**Ms. Cheng**") is the financial controller and joint company secretary of the Company since August 2011. Since joining the Group, Ms. Cheng, with her extensive accounting and auditing experience in apparel products trading businesses, has set up and oversaw the finance department of the Group, including interviewing candidates, preparing regular cash flows for management's consideration, reviewing regular financial reporting, assisting in streamlining the operations and structure of the finance department of the Group, providing financial reporting training to the new and existing accounting staff and preparing regular regulatory filings to the regulators, as well as setting up the internal control and procedures of the Group's operations since the resumption of trading of Shares. Furthermore, Ms. Cheng is responsible for preparing financial budgets for the Group's business plan and also assists the Company in complying with statutory rules and regulations, providing advice and report to the Directors in carrying out the expansion plan based on her knowledge and experience in the financial and auditing sectors. In light of Ms. Cheng's contributions in these areas since joining the group, Ms. Cheng is therefore granted the Share Options for her continued contribution to the Company.
- (vi) Ms. Yu Man Fung, Alice ("**Ms. Yu**") is a consultant to the Company since August 2011. Ms. Yu's consultancy service agreement commenced in August 2011, the scope of her core duties include the provision of advice to the Company's management team on administration, business strategy and business development in respect of its retail business. Either party can terminate this consultancy service agreement by serving not less than one (1) month's notice in writing to the other party.

Since joining the Group, Ms. Yu has assisted the Group in setting up the design team, interviewing potential designers, providing inputs and ideas to each season's apparel product's collections and has assisted the Group in employing designers and reviewing their profiles to assess their suitability for employment. In addition, Ms. Yu has also assisted the Group in securing the employment of brand director and chief operating officer.

In addition, Ms. Yu also has extensive personal network in Hong Kong and the PRC, as well as deep knowledge and substantial experience in the retail and marketing industry. After the restructuring of the Company, Ms. Yu has provided valuable advice on re-branding the Group's products such as revamping the brand — XXEZZ in the PRC

## LETTER FROM THE BOARD

markets by providing ideas in shop layouts and inputs in selecting the appropriate locations for new stores. With Ms. Yu's assistance in the above aspects, the Group is on the right track to revamp the image and design. Furthermore, Ms. Yu has also provided advice on sales and marketing strategies as well as the proposal on future expansion of the retail and distribution businesses of the Group, for the Board's consideration. In light of Ms. Yu's contribution in providing advice to the Company's expansion of its retail businesses in the PRC, Ms. Yu is therefore granted the Share Options for her continued contribution to the Company.

- (vii) Ms. Ko Po Yee ("**Ms. Ko**") is a consultant to the Company since August 2011. Ms. Ko's consultancy service agreement commenced in August 2011, the scope of her core duties include the provision of advice to the Company's management team on administration, procurement and business development in respect of its retail business. Either party can terminate this consultancy service agreement by serving not less than one (1) month's notice in writing to the other party.

Ms. Ko has extensive personal network in the sales and marketing industry in Hong Kong and the PRC. After the restructuring of the Company, Ms. Ko has provided advice on re-branding of the Group's products, revamping the image and design of the Group's products and stores, sales and marketing strategies as well as proposal on future expansion of the retail and distribution businesses of the Group. With Ms. Ko's advice and close monitoring, (i) the Group's procedures on outsourcing of garment suppliers and quality control of garments have been strengthened; (ii) purchase functions of the Group have been streamlined by reviewing the previous purchase procedures and minimizing unnecessary steps; (iii) the Group's bargaining power has also improved due to Ms. Ko's effective utilisation of her personal network within the industry in selecting suppliers offering better credit terms. Ms. Ko provided advice on quality control of products before launching to the market, assisted the Group in restructuring the PRC office in Shenzhen, reviewed the collection of trade receivables, and refined control and management of the suppliers payment cycle. In light of Ms. Ko's contribution in providing advice to the Company, and her expected further assistance to the Company's expansion of its retail businesses in the PRC in the future, Ms. Ko is therefore granted the Share Options for her continued contribution to the Company.

- (viii) Ms. Wong Wan Men, Margaret ("**Ms. Wong**") is a consultant to the Company since August 2011. Ms. Wong has provided consultancy advice on corporate finance matters relating to the Listing Rules to the Company. Since resumption of trading in the Shares, Ms. Wong helped to streamline the structure of the Group through a series of corporate restructuring and she also provides financial advice, advice on public disclosure and Listing Rules compliance from time to time including the acquisition of Z & Z. In addition, Ms. Wong also assisted in reviewing announcements, circulars and other relevant documents provided by the Company from time to time. In light of Ms. Wong's contribution in areas of corporate finance and compliance, and her further assistance in the future, Ms. Wong is therefore granted the Share Options for her continued contribution to the Company.

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Regarding the other executive Directors, Mr. Ho Tak Fun and Mr. King Phillip resigned on 31 October 2011 and due to their intention to resign, they were not granted any Share Options at the time of the proposed grant. Mr. Au Wai June received a revision to his compensation package prior to the grant of the Share Options for assuming up more duties from Mr. Ho Tak Fun and was therefore not granted Share Options. Mr. Wan Wai Hei, Wesley was appointed as the executive Director on 3 November 2011 after the Option Deeds of the other Grantees were executed.

### **2. Basis of determining the Exercise Price**

The Exercise Price is HK\$0.10 per Share, which is equivalent to discount of approximately of 23.08% when compared with closing price of HK\$0.13 per Share as quoted on the Stock Exchange on 6 October 2011, being the date of the Option Deeds.

The Directors (including the independent non-executive Directors but excluding Mr. Chiu Siu Po, Mr. Liu On Bong, Peter and Mr. Chan Chak Kai, Kenneth, who are also Grantees not having participated in any discussion relating to the grant of the Share Options) are of the view that the grant of the Share Options is an appropriate means to incentivize and reward certain individuals for their contributions from time to time and align their interests with those of the Company and therefore the exercise price should be set at a discount to the market price.

In regards to the setting of the Exercise Price at HK\$0.10, the Directors (including the independent non-executive Directors but excluding Mr. Chiu Siu Po, Mr. Liu On Bong, Peter and Mr. Chan Chak Kai, Kenneth who are also Grantees not having participated in any discussion relating to the grant of the Share Options) note that the share price of the Company was extremely volatile since the resumption of trading in August 2011, partly exacerbated by the volatile conditions in the overall market. Under such volatility, it is considered inappropriate and disadvantageous to the Grantees to simply set an exercise price based on any given five-day-average closing price of the Shares at the time when the Option Deeds were signed, as any exercise price derived from such means might have been rendered irrelevant and worthless given the extreme volatility of the share price and the overall market in general. Instead, taking into account of the Company's relative infancy since the resumption of trading, and the extremely volatile market conditions, the Directors (including the independent non-executive Directors but excluding Mr. Chiu Siu Po, Mr. Liu On Bong, Peter and Mr. Chan Chak Kai, Kenneth who are also Grantees not having participated in any discussion relating to the grant of the Share Options) have decided the Exercise Price shall be set at HK\$0.10, on the basis that the Company is going through major restructuring, with its share price subject to extreme fluctuations from time to time (with such extremes being further exacerbated by the extreme volatility in the overall market, which prolongs the period of extreme fluctuations in the Company's Share price). Under such context, it is not entirely inconceivable that the Company's Shares may trade at levels beyond the range of any objective forecasts, and the timing of such scenario may coincide with the Exercise Period of the Share Options. In recognition of the Grantee's respective contribution to the Company thus far, and the importance of Grantee's respective roles to the Company, the Directors (including the independent non-executive Directors but excluding Mr. Chiu Siu Po, Mr. Liu On Bong, Peter and Mr. Chan Chak Kai, Kenneth who are also Grantees not having participated in any discussion relating to the grant of the Share Options) have agreed to set the Exercise Price of the Share Options at a level which would guarantee the economic value of the Share Options

## LETTER FROM THE BOARD

during the Exercise Period, and reinforces the incentive for each of the Grantees to remain with the Company during the vesting period. Notwithstanding the Exercise Price imposed for the subject grant of Share Options, which was set at a fixed level for the abovementioned reasons, the Directors (including the independent non-executive Directors but excluding Mr. Chiu Siu Po, Mr. Liu On Bong, Peter and Mr. Chan Chak Kai, Kenneth who are also Grantees not having participated in any discussion relating to the grant of the Share Options) note that the exercise price of any share options granted in the future should bear a degree of relevance to the price of the Shares at the time when such share options are granted.

The Directors (including the independent non-executive Directors but excluding Mr. Chiu Siu Po, Mr. Liu On Bong, Peter and Mr. Chan Chak Kai, Kenneth, who are also Grantees not having participated in any discussion relating to the grant of the Share Options) are of the views that the determination of the exercise price is considered to be fair to the Company and Shareholders as a whole.

### **3. Reasons for entering into the Option Deeds**

As resumption of trading of the Shares commenced on 9 August 2011, the Board believes that the continuing contributions of these Grantees are crucial to the expansion future growth and the success of the Company as a whole. The Directors (including the independent non-executive Directors but excluding Mr. Chiu Siu Po, Mr. Liu On Bong, Peter and Mr. Chan Chak Kai, Kenneth, who are also Grantees not having participated in any discussion relating to the grant of the Share Options) are of the view that the grant of the Share Options is an appropriate means (i) to reward and recognise the past contributions each of the Grantees made since joining the Company; (ii) to retain the Grantees (including executive Directors, officers and consultants of the Company) to stay in the Company, particularly in view of rapid changes and developments of the Company since restructuring and resumption of trading, for example, change of Company's name, trademark registration, setting up different functions, potential M&A transactions including but not limited to the acquisition of Z & Z Group, executing business plans in the PRC market by opening more outlets, revamping the image and design of products. These goals cannot be achieved without the Grantees who have rich experience in the related business and thorough understanding of the business of the Company; and (iii) to incentivize and reward these individuals and align their interests with those of the Company. The Share price performance of the Company is positively related to its profitability while the Grantees will benefit from the increase in the share price movement and consequently the Grantees are encouraged to contribute positively to the Company.

Furthermore, unlike other short term benefits such as annual bonus or other similar arrangements in the form of cash, the granting of Share Options will not result in net cash outflow from the Company. In any event the criteria in determining such rewards are usually based on the annual financial results of the Company, which is difficult to measure given the enormous changes that the Company underwent recently. Increase in salary is unlikely to have the incentivizing effect given its static nature. Also, with reference to Recommended Best Practices B.1.6 of Appendix 23 of the Listing Rules, "A significant proportion of executive Directors' remuneration should be structured so as to link rewards to corporate and individual performance." The Share Options Scheme serves this purpose. Hence, the reward to relevant parties in the form of granting of options instead of cash payment is better as it tends to focus on the long term benefits to the directors, which is more likely to be consistent with shareholders' interest.

## LETTER FROM THE BOARD

The Directors (including the independent non-executive Directors but excluding Mr. Chiu Siu Po, Mr. Liu on Bong, Peter and Mr. Chan Chak Kai, Kenneth, who are also Grantees not having participated in any discussion relating to the grant of the Share Options) are of the view that the grant of the Share Options serves the purpose of the Option Deeds as there is a maximum period of 18-months between the date of grant and the date of vesting while the Grantees can exercise the options during the vesting period, which is also of a period of up to 18-months. Therefore, there is a period of up to 36 months in duration before the expiry of the Share Options. It was considered that it serves the purpose of (i) retaining the Grantees during the initial 18 months as they will risk forfeiting their Share Options if they leave the Company; and (ii) incentivizing the Grantees to contribute to the Company as share price performance of the Company is positively related to its profitability while the Grantees will benefit from any increase in the share price movement.

The Directors (including the independent non-executive Directors but excluding Mr. Chiu Siu Po, Mr. Liu On Bong, Peter and Mr. Chan Chak Kai, Kenneth, who are also Grantees not having participated in any discussions relating to the grant of the Share Options) consider the granting of the Share Options is an appropriate instrument to provide incentive to the Grantees as during the length of the vesting period, the Grantees will be retained in the Group to provide contributions before the Share Options can be vested. In line with current best practice in corporate governance, the Directors have considered the adoption of performance related targets in relation to the issuance of Share Options to the Grantees. However, the Company has barely resumed trading for less than 6 months, with a significant shift in its focus of operations and markets. As such the Company is very much a work-in-progress and subject to further change in direction of operation. Under such uncertainty, and in light of the requirement to reward the Grantees in recognition of their efforts thus far in restructuring the Company, the Directors agreed that, on a one-off basis, Share Options shall be granted to the Grantees without specific performance targets, bearing in mind that any future issuance of similar share options will be subject to corresponding performance targets.

The Directors (including the independent non-executive Directors but excluding Mr. Chiu Siu Po, Mr. Liu On Bong, Peter and Mr. Chan Chak Kai, Kenneth, who are also Grantees not having participated in any discussion relating to the grant of the Share Options) are of the view that the terms of the Option Deeds, which were arrived at after arm's length negotiations between the Company and each of the Grantees, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The reasons for entering into the Option Deeds for each of the Grantees are as follows:

- (i) Executive Director Mr. Chiu Siu Po's knowledge and experience has been and will continue to contribute to the Company's expansion and growth in apparel and accessories operation and development in different areas of the textile industry. Mr. Chiu will contribute his valuable advice in formulating the future business objectives, strategic planning and developing the corporate administrative department of the Company.

## LETTER FROM THE BOARD

- (ii) Executive Director Mr. Liu On Bong's knowledge and experience has been and will continue to contribute to the Company's corporate development with his expertise in the areas of strategic planning, marketing of consumer products and services and his extensive personal network. Mr. Liu will devote his in-depth experience to the Company for its corporate and structure development.
- (iii) Executive Director Mr. Chan Chak Kai's knowledge and experience has been and will continue to contribute to the Company's expansion and future growth in the retail businesses of the Group by devoting his effort on the development and administration of the Company and Z & Z Group. In addition, Mr. Chan will also assist in the possible acquisition of an existing retail network in the PRC.
- (iv) Chief operating officer Mr. Chan Ying Kei's work experience has contributed to the Company's expansion of its retail and distribution business in the PRC and Hong Kong by providing advice to the Directors regarding the business plan. Mr. Chan will continue to contribute to the execution of the business plans of the Company, which is crucial to the Company's future growth.
- (v) Financial controller and joint company secretary Ms. Cheung Pui Yee's work experience is a valuable asset for the Company and Ms. Cheung has contributed to the development of the Group with her expertise in financial and auditing sectors. Ms. Cheng will continue to contribute to the Company's future growth by providing advice in carrying out its future business plans and administration of the finance department.
- (vi) Consultant Ms. Yu Man Fung's work experience is a valuable asset for the Company and Ms. Yu has contributed to the product development and market strategies of the Company. Ms. Yu will continue to contribute to the Company by providing advice on the future expansion of the retail and distribution businesses of the Group and assisting in the management of the design team.
- (vii) Consultant Ms. Ko Po Yee's work experience is a valuable asset for the Company and Ms. Ko has contributed to product development and market strategies, monitoring on outsourcing and quality control of materials of the Company. Ms. Ko will continue to contribute to the Company by providing advice on the future expansion of the retail and distribution businesses as well as cost control of the materials and streamlining the purchase function of the Group.
- (viii) Consultant Ms. Wong Wan Men's work experience is a valuable asset for the Company and Ms. Wong has contributed to the transactions of corporate finance and restructuring of the Group. Ms. Wong will continue to contribute to the Company by providing advice on corporate financing, restructuring and compliance issues of the Group.

## LETTER FROM THE BOARD

The Directors (excluding Mr. Chiu Siu Po, Mr. Liu On Bong, Peter and Mr. Chan Chak Kai, Kenneth, who are also Grantees not having participated in any discussion relating to the grant of the Share Options) determined the number of Share Options granted to each grantee by taking into consideration of the following factors: (i) each grantee's past working experience including but not limited to the retail business and determined some of them (based on their respective experience) have vast potential to contribute to the setting up and development in different areas or functions of the Group from time to time; (ii) their respective contributions to the Company since joining; and (iii) the comparative importance of the areas the Grantees operate in and functions they are performing for the Company.

After taking into the consideration of the above factors, the Directors (excluding Mr. Chiu Siu Po, Mr. Liu On Bong, Peter and Mr. Chan Chak Kai, Kenneth, who are also Grantees not having participated in any discussion relating to the grant of the Share Options) determined to grant (i) both 100,000,000 Share Options to Ms. Yu and Ms. Ko since they have assisted the Group to operate the apparel retailing business, which is the core business of the Group and consequently the number of Share Options granted to them is the highest when compared with other Grantees; (ii) 50,000,000 Shares Options to Mr. Chan Chak Kai, Kenneth as he has assisted the Group running another retailing business (audio equipment, watches and other accessories) and the scale of the operation is not large compared to XXEZZ and therefore, the number of the Share Options granted is lower than those granted to Ms. Yu and Ms. Ko; and (iii) 10,000,000 Share Options to other Grantees as they are not as extensively involved in the core business strategies of the Group at the highest level. Therefore, the number of Share Options granted is the least when compared with Ms. Yu, Ms. Ko and Mr. Chan Chak Kai, Kenneth.

In view of the factors stated above, the Directors (excluding Mr. Chiu Siu Po, Mr. Liu On Bong, Peter and Mr. Chan Chak Kai, Kenneth, who are also Grantees not having participated in any discussion relating to the grant of the Share Options) are of the view that the grant of the Share Options to the Grantees at the Exercise Price is fair and reasonable and in the interest of the Company and the Shareholders as a whole. The Directors took into account the work experience as well as the roles and responsibilities of each of the Grantees will contribute to the future expansion and growth of the Company and align their interests with the Shareholders in the long terms by bringing positive return in the future, thereby granting of the Share Options is fair and reasonable and in the interest of the Company.

#### **4. Use of Proceeds**

The full exercise of the Share Options would raise net proceeds in the amount of approximately HK\$30 million (based on a net price per Share of HK\$0.10, which is at a discount of approximately of 23.08% when compared with closing price of HK\$0.13 per Share as quoted on the Stock Exchange on 6 October 2011, being the date of the Option Deeds), which is intended to be used for the general working capital of the Group.

## LETTER FROM THE BOARD

### 5. Changes in Shareholding Structure

To the best of knowledge of the Directors, having made all reasonable enquiries and based on publicly available information, the illustrative shareholding structure of the Company immediately before and after the exercise of Share Options is as follows:

Name of Shareholder	Existing Shareholding as at the Latest Practicable Date		Shareholding immediately after the full exercise of the Share Options under the Option Deeds	
	<i>No. of Shares</i>	<i>Approx. % of issued Shares</i>	<i>No. of Shares</i>	<i>Approx. % of issued Shares</i>
<b>Directors</b>				
Chiu Siu Po	Nil	Nil	10,000,000	0.354%
Liu On Bong, Peter	Nil	Nil	10,000,000	0.354%
Chan Chak Kai, Kenneth	200,000	0.008%	50,200,000	1.779%
<b>Employees</b>				
Chan Ying Kei	Nil	Nil	10,000,000	0.354%
Cheng Pui Yee	Nil	Nil	10,000,000	0.354%
<b>Consultant</b>				
Yu Man Fung, Alice	161,061,160	6.386%	261,061,160	9.250%
Ko Po Yee	Nil	Nil	100,000,000	3.543%
Wong Wan Men, Margaret	Nil	Nil	10,000,000	0.354%
<b>Other Shareholders</b>				
Other Shareholders	<u>2,361,012,318</u>	<u>93.606%</u>	<u>2,361,012,318</u>	<u>83.658%</u>
Total issued Shares	<u><u>2,522,273,478</u></u>	<u><u>100.000%</u></u>	<u><u>2,822,273,478</u></u>	<u><u>100.00%</u></u>

*Note 1:* As at the Latest Practicable Date, there are (i) outstanding share options under the Company's share option scheme adopted on 11 April 2002 and refreshed on 30 September 2011 which entitle the holders to subscribe for 229,869,464 Shares at HK\$0.1 per Share (subject to adjustment) and (ii) outstanding convertible bonds which entitle the holders to be issued 200,000,000 Shares at a conversion price of HK\$0.1 per Share (subject to adjustment).

*Note 2:* Assuming no outstanding Share Options under the Company's share option scheme being exercised and no convertible bonds being converted, the 300,000,000 Option Shares to be allotted and issued under the Specific Mandate represent approximately 11.89% of the Company's issued share capital as at the Latest Practicable Date and approximately 10.63% of the Company's issued share capital as enlarged by the issue of the aforesaid 300,000,000 Option Shares.

## LETTER FROM THE BOARD

### 6. Fund raising activities of the Company for the past twelve months

The following table summarises the capital raising activities of the Group for the twelve months immediately before the date of this circular:

Date of Announcement	Description	Net proceeds raised (Approximate)	Intended use of net proceeds	Actual use of net proceeds as at the Latest Practicable Date
23 July 2010	Open offer of 15,001,474,104 offer shares at the subscription price of HK\$0.01 (before the share consolidation) per offer share on the basis of 339 offer shares for every five reorganised shares, which was completed on 5 August 2011	HK\$146 million	All the proceeds will be applied for general working capital and cash buffer for any adverse business conditions and/or hidden costs that the Company might not be fully aware of	Approximately HK\$27 million had been utilised as general working capital for the Group; HK\$16 million had been applied as acquisition of Z & Z International Limited which is a group of companies engaged in retail business; and approximately HK\$103 million is maintained at bank.
23 July 2010	Investor subscription agreement in relation to the investor convertible bonds in the principal of HK\$100,000,000 with zero coupon and 3-year tenure, which was completed on 5 August 2011	HK\$100 million	(i) Repayment of the working capital loan of HK\$10 million provided by Radford Developments Limited to the Company under the exclusivity and escrow agreement; (ii) payment of fees and costs of HK\$16 million incurred by the Company in negotiation, documentation and implementation of the restructuring of the Group; (iii) repayment of a revolving facility of HK\$15 million; (iv) payment of a sum of HK\$50 million to the Scheme Administrators* for the benefit of the Scheme Creditors* and New Profit* for the benefit of the New Profit Stakeholders* respectively; and (v) remaining of HK\$9 million will be applied towards the working capital requirements of the restructured Group.	Used as intended as stated in (i) to (v)

\* Capitalised term used herein shall have the same meaning as those defined in a circular dated 28 June 2011 issued by the Company

Save as disclosed above, the Company has not conducted any other equity fund raising activities in the past twelve months before the Latest Practicable Date.

### 7. Proposed Specific Mandate to Issue New Shares

Upon the exercise of the Share Options a total of up to 300,000,000 new Shares will be issued by the Company, which represent approximately 11.89% of the existing issued share capital of the Company as at the Latest Practicable Date or 10.63% of the enlarged issued share Capital of the Company immediately after the issue and allotment of the Option Shares. At the EGM, the Independent Shareholders will be asked to consider and, if thought fit, approve, among other things, the grant of the Specific Mandate to allot and issue up to 300,000,000 new Shares for the purpose of the Share Options under the Option Deeds.

## LETTER FROM THE BOARD

The Independent Shareholders will also be asked to consider, and if thought fit, authorise the Board to, on behalf of the Company, determine and deal with, at its discretion and with full authority, matters relating to the Share Options under the Option Deeds.

The proposed Specific Mandate in respect of the Option Shares, if granted, is conditional upon the full vesting and exercise of the Share Options under the Options Deeds and will lapse on the earlier of the end of the Exercise Period or 31 January 2012 if the conditions under the Option Deeds are not satisfied.

### **8. Application for Listing**

An application will be made to the Stock Exchange in respect of the approval for the listing of, and permission to deal in, the Option Shares to be issued pursuant to the exercise of Share Options under the Option Deeds.

### **9. Listing Rule Implications**

#### *(a) Under Chapter 15*

The grant of the Share Options to the Grantees pursuant to the Option Deeds must comply with the requirements under Chapter 15 of the Listing Rules. Accordingly, the terms of the Option Deeds and the grant of the Specific Mandate must be approved by the Stock Exchange and by Shareholders in a general meeting, subject to the requirements under Chapter 15 of the Listing Rules.

#### *(b) Under Chapter 14A*

Mr. Chiu Siu Po, Mr. Liu On Bong, Peter and Mr. Chan Chak Kai, Kenneth are executive Directors of the Company and therefore are connected persons of the Company pursuant to Rule 14A.11(1) of the Listing Rules. The entering into the Option Deeds between the above said executive Directors and the Company thus constitutes a connected transaction of the Company pursuant to Rule 14A.13(5) of the Listing Rules.

One or more of the applicable percentage ratios (as defined under the Listing Rules) for the entering into the Option Deeds will exceed 5% and the total consideration will exceed HK\$10 million. Pursuant to Rule 14A.17 of the Listing Rules, the entering into the Option Deeds, which constitutes a connected transaction, is subject to reporting, announcement and Independent Shareholders' approval requirements.

Hence, an EGM will be held for Independent Shareholders to consider and, if thought fit, to approve the terms of the Option Deeds, the proposed Specific Mandate to allot and issue up to 300,000,000 new Shares will also be sought in connection with the Share Options. As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, two of the Grantees, namely (i) Mr. Chan Chak Kai, Kenneth, being the executive Director of the Company who holds 200,000 Shares; and (ii) Ms. Yu Man Fung, Alice, being the consultant of the Company who holds 161,061,160 Shares, are required to abstain from voting on all resolutions relating to

## LETTER FROM THE BOARD

the grant of the Share Options pursuant to the Listing Rules. Saved as disclosed herein, there is no Grantee who is a Shareholder of the Company required to abstain from voting in this regard.

The Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders on, among other things, the grant of the Share Options under the Option Deeds and the proposed Specific Mandate and Vinco Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on those transactions.

### **10. Information on the Group**

The Company is incorporated in the Cayman Islands with limited liability, the Shares of which have been listed on the Main Board of the Stock Exchange. The Group is principally engaged in apparel retail business under the brand name “XXEZZ” in the PRC. Upon the successful financial restructuring of the Company, the Shares have resumed trading on 9 August 2011. The Company is joined by a dedicated team of experienced management in order to revamp the image and design to some of its stores and products.

As at the Latest Practicable Date, the Company intends to continue to engage in apparel retail business. The Company has no agreement, arrangement, understanding, intention or negotiation (concluded or otherwise) in respect of the disposal, termination or scaling-down of the foregoing business or the disposal of any assets related thereto.

### **11. EGM**

The notice convening the EGM is set out on pages 47 to 52 of this circular. The EGM will be convened at 30/F, China United Centre, 28 Marble Road, North Point, Hong Kong on Monday 16 January 2012 at 9:00 a.m. for the purpose of, considering and, if thought fit, to approve the terms of the Option Deeds and the proposed Specific Mandate.

As at the Latest Practicable Date, to the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, two of the Grantees, namely (i) Mr. Chan Chak Kai, Kenneth, being the executive Director of the Company who holds 200,000 Shares; and (ii) Ms. Yu Man Fung, Alice, being the consultant of the Company who holds 161,061,160 Shares, are required to abstain from voting all resolutions relating to the grant of the Share Options pursuant to the Listing Rules. Saved as disclosed herein, there is no Grantee who is a Shareholder of the Company required to abstain from voting in this regard.

A form of proxy is also enclosed herewith. Whether or not you intend to be present at the EGM, you are requested to complete the form of proxy and return it to the Company’s Hong Kong branch share registrar and transfer office, Tricor Tengis Limited at 26/F., Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time fixed for holding of the EGM or any adjourned meeting. Completion of the form of proxy and its return will not preclude you from attending and voting in person at the EGM or any adjourned meeting, if you so wish. Pursuant to Rule 13.39(4) of the Listing Rules, voting by the Shareholders at the EGM will be by poll.

## LETTER FROM THE BOARD

### 12. Recommendation

Your attention is drawn to the Letter from the Independent Board Committee to the Independent Shareholders and the Letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders set out on pages 24 to 25 and pages 26 to 42 respectively of this circular. The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser considers that the terms of the Option Deeds and the proposed Specific Mandate are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolutions approving the Option Deeds and the Proposed Specific Mandate at the EGM.

The Directors (excluding Mr. Chiu Siu Po, Mr. Liu On Bong, Peter and Mr. Chan Chak Kai, Kenneth, who are also Grantees not having participated in any discussion relating to the grant of the Share Options) are of the view that the terms of the Option Deeds and the proposed Specific Mandate are fair and reasonable so far as the Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Independent Shareholders to vote in favour of ordinary resolutions to be proposed at the EGM.

By order of the board of  
**TACK FIORI INTERNATIONAL GROUP LIMITED**  
(formerly known as “Tack Fat Group International Limited”)  
**LIU ON BONG, PETER**  
*Vice Chairman*

Hong Kong, 29 December 2011

## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

*The following is the text of the letter of recommendation to the Independent Shareholders from the Independent Board Committee regarding the terms of the Option Deed and the Specific Mandate for the purpose of incorporation in this circular.*



### **TACK FIORI INTERNATIONAL GROUP LIMITED**

(formerly known as “Tack Fat Group International Limited”)

*(incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 928)**

29 December 2011

*To the Independent Shareholders*

Dear Sirs,

#### **THE OPTION DEEDS AND THE SPECIFIC MANDATE**

We refer to the circular dated 29 December 2011 issued by the Company (the “Circular”) of which this letter forms part. Terms defined in the Circular shall have the same meanings in this letter unless the context otherwise requires.

We have been appointed as the Independent Board Committee to advise you as to whether, in our opinion, the terms of the Option Deeds and the Specific Mandate are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and its Shareholders as a whole. Vinco Capital has been appointed as the Independent Financial Adviser to advise us and the Independent Shareholders in this respect. Details of its advice, together with the principal factors taken into consideration in arriving at such advice, are set out on pages 26 to 42 to this Circular.

Your attention is drawn to the Letter from the Board set out on pages 4 to 23 of the Circular and the additional information set out in the appendices to the Circular.

**LETTER FROM THE INDEPENDENT BOARD COMMITTEE**

Having taken into account the terms of the Option Deeds, the Specific Mandate and the advice of the Independent Financial Adviser, we consider that the terms of the Option Deeds and the Specific Mandate are fair and reasonable as far as the Independent Shareholders are concerned and that the granting of the Share Options under the Option Deeds and the Specific Mandate is in the interests of the Company and the Shareholders. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Option Deeds and the Specific Mandate.

Yours faithfully,

Independent Board Committee of

**TACK FIORI INTERNATIONAL GROUP LIMITED**

(formerly known as “Tack Fat Group International Limited”)

**Dr. Leung Shiu Ki, Albert, Mr. Robert James Iaia II, Ms. Lam Yan Fong, Flora,  
Mr. Yau Yan Ming, Raymond and Mr. Miu H., Frank**

*Independent Non-executive Directors*

## LETTER FROM VINCO CAPITAL

*The following is the text of a letter of advice from Vinco Capital to the Independent Board Committee and the Independent Shareholders in connection with the proposed grant of Share Options, which has been prepared for the purpose of incorporation in this circular.*



**Grand Vinco Capital Limited**  
Units 4909–4910, 49/F., The Center  
99 Queen's Road Central, Hong Kong

29 December 2011

To the Independent Board Committee and the Independent Shareholders of  
*Tack Fiori International Group Limited*

Dear Sirs,

### **PROPOSED GRANT OF SHARE OPTIONS**

#### **A. INTRODUCTION**

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in connection with the proposed grant of Share Options, details of which are set out in the section headed "Letter from the Board" in the circular (the "**Circular**") issued by the Company to the Shareholders dated 29 December 2011 of which this letter forms part. Capitalised terms used in this letter shall have the same meanings ascribed to them in the Circular unless the context otherwise requires.

As disclosed in the Announcements, the Company has entered into the Option Deeds with each of the Grantees pursuant to which the Company agreed to grant the Grantees the right to subscribe for up to 300,000,000 Shares in aggregate at HK\$0.10 per Share on the date of exercise of the relative Share Options.

The Option Deeds are subject to, among other things, Shareholders' approval at the EGM under Chapter 15 of the Listing Rules while the entering into of the Option Deeds with Mr. Chiu Siu Po, Mr. Liu On Bong, Peter and Mr. Chan Chak Kai, Kenneth, who are executive Directors of the Company, is deemed as a connected transaction of the Company for the purpose of Chapter 14A of the Listing Rules and they have abstained from voting on the board resolution in this regard. The Company will convene an EGM for the Independent Shareholders to consider and, if thought fit, approve the grant of the Share Option under the Option Deeds. With reference to the Circular, two of the Grantees, namely (i) Mr. Chan Chak Kai, Kenneth, being the executive Director of the Company who holds 200,000 Shares; and (ii) Ms. Yu Man Fung, Alice, being the consultant of the Company who holds 161,061,160 Shares as at the Latest Practicable Date, are required to abstain from voting on all the resolutions relating to the grant of the Share Options pursuant to the Listing Rules.

## LETTER FROM VINCO CAPITAL

The Independent Board Committee, comprising Dr. Leung Shiu Ki, Albert, Mr. Robert James Iaia II, Ms. Lam Yan Fong, Flora, Mr. Yau Yan Ming, Raymond and Mr. Miu H., Frank, being all the independent non-executive Directors, has been formed to advise the Independent Shareholders as to whether the terms of the Option Deeds are fair and reasonable so far as the Independent Shareholders are concerned and whether the proposed grant of Share Options is in the interests of the Company and the Independent Shareholders as a whole.

### **B. BASIS OF OUR OPINION AND RECOMMENDATION**

In forming our opinion and recommendation, we have relied on the information, facts and representations contained or referred to in the Circular and the information, facts and representations provided by, and the opinions expressed by the Directors, management of the Company and its subsidiaries. We have assumed that all information, facts, opinions and representations made or referred to in the Circular were true, accurate and complete at the time they were made and continued to be true, accurate and complete as at the date of the Circular and that all expectations and intentions of the Directors, management of the Company and its subsidiaries, will be met or carried out as the case may be. We have no reason to doubt the truth, accuracy and completeness of the information, facts, opinions and representations provided to us by the Directors, management of the Company and its subsidiaries. The Directors have confirmed to us that no material facts have been omitted from the information supplied and opinions expressed. We have no reason to doubt that any relevant material facts have been withheld or omitted from the information provided and referred to in the Circular or the reasonableness of the opinions and representations provided to us by the Directors, management of the Company and its subsidiaries.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading.

We have relied on such information and opinions and have not, however, conducted any independent verification of the information provided, nor have we carried out any independent investigation into the business, financial conditions and affairs of the Group or its future prospect.

Based on the foregoing, we confirm that we have taken all reasonable steps, which are applicable to the connected transaction involving grant of Share Options, as referred to in Rule 13.80 of the Listing Rules (including the notes thereto).

This letter is issued for the information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the proposed grant of Share Options and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without prior written consent.

## LETTER FROM VINCO CAPITAL

### C. PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation to the Independent Board Committee and the Independent Shareholders regarding the proposed grant of the Share Options, we have taken into consideration the following principal factors and reasons:

#### 1. Background of and reasons for the Option Deeds

The Group is principally engaged in the retail sales of apparel under the brand name “XXEZZ” in the PRC.

The Company had been suspended from trading since 30 July 2008. Upon the fulfillments of the conditions for resumption of trading set by the Stock Exchange as set out in the announcement dated 8 August 2011 and obtaining the approval for listing from the Listing Committee of the Stock Exchange, trading in Shares of the Company was resumed on 9 August 2011 after the completion of an open offer and issue of convertible bonds. A financial restructuring has also been performed for the Group.

As set out in the 2011 annual report of the Group (the “**2011 Annual Report**”), it is the plan of the Group to expand its sales network in the PRC. On 30 August 2011, the Company entered into an acquisition agreement to acquire the entire issued share capital of a retail group which offers a variety of products and services, including high-end audio systems, luxury watches, fashion accessories, children’s wear, custom designed antique-style furniture, as well as professional nail polishing services in which its retail outlets are positioned in the prime locations in Hong Kong and the PRC with target customers being middle to high income individuals. The Company was joined by a dedicated team of experienced management in order to revamp the image and design to some of its stores and products.

After the Company became insolvent and a winding-up petition was presented against the Company in 2008, we noted that the Company has experienced substantial changes in the composition of the Board throughout the process of restructuring of the Group. Given that the Company is having loss-making results for four consecutive financial years and is in the early stage after its restructuring, the Directors are of the view that the human resources of the Company, including the management, are the key essentials for the Company to turn around its weak performance as in recent years. In order to strengthen the Company, in terms of its customer base, corporate strategy, brand image, risk management and so forth, the Company has to rely on its expertise and talents. At such, we concur with the view of the Directors that the grant of Share Options to those Grantees can act as an incentive and award to retain and motivate them to strive for the future development and expansion of the Group.

We have reviewed the information furnished by the Company regarding the background and working experience of the Grantees and noted that the Grantees have extensive experience in relation to the Group’s operation and/or development of its business. Set out below is the background information and working experience of the Grantees:

- (i) Mr. Chiu Siu Po (“**Mr. Chiu**”) is the chairman and the executive Director of the Company since August 2011. Since joining the group, Mr. Chiu has taken the lead in the overall management of the Group. Mr. Chiu has also devoted himself in formulating

## LETTER FROM VINCO CAPITAL

business objectives and carrying out strategic planning for the Company, particularly in the apparel and accessories operations with his extensive experience in the industry, which contributed and will continue to contribute to the Company's expansion and growth in the apparel and accessories operation. With over 20 years of working experience in different functions/areas of the textile industry such as manufacturing, sales and distribution, Mr. Chiu contributed to the Group's various planning functions in a leading capacity. Mr. Chiu assisted the Group in setting up the corporate administrative department, such as providing significant inputs to the office administration including, implementing medical insurance policy for the Company's staff, setting up criteria for MPF services provider for the Company's staff, setting up procedures in the procurement of the office supplies and interviewing candidates referred from human resources department since August 2011. Mr. Chiu also has extensive corporate and investment experience in both Hong Kong and the PRC markets. Mr. Chiu is therefore compensated through the grant of Share Options based upon his number of years in work experience and his potential contribution to the Company.

- (ii) Mr. Liu On Bong, Peter ("**Mr. Liu**") is the vice chairman and the executive Director of the Company since August 2011. Since joining the group, Mr. Liu has been responsible for the corporate development of the Company. Mr. Liu assisted the Group in setting up the corporate administrative department, such as providing significant inputs to the office floor plan, implementing medical insurance policy for the Company's staff, selection of MPF services provider for the Company's staff, setting up procedures in the procurement of the office supplies and interviewing candidates referred by human resources department since August 2011. The Company expects to capitalise on Mr. Liu's strengths in the area of strategic planning and marketing of consumer products and services. In addition, Mr. Liu has extensive personal network in Hong Kong and he held senior management positions in various multinational corporations before joining the Company, including Fortune 500 companies. Mr. Liu contributed and will continue to contribute to the Company's corporate development. In addition, Mr. Liu's past working experience in the management of chain stores is valuable to the future growth of the Company, particularly in the area of retail management. Mr. Liu is therefore compensated through the grant of Share Options based upon his number of years in work experience and his potential contribution to the Company.
- (iii) Mr. Chan Chak Kai, Kenneth ("**Mr. Chan**") is the executive Director of the Company since October 2011 and the director of certain subsidiaries of the Company prior to the appointment of executive Director of the Company. After the Company's acquisition of Z & Z International Limited ("Z & Z") in August 2011, Mr. Chan assisted the Group in operating the retail stores under Z & Z. Z & Z comprises retail stores in Hong Kong selling audio equipment, watches and other luxurious accessories. He is involved in the operation of Z & Z including the shop design, products purchases, and setting up of the marketing and pricing strategies, and providing administrative support to the subsidiaries under Z & Z including human resources functions. Mr. Chan is experienced in running retail businesses and he was one of the former shareholders of Z & Z, which together with its subsidiaries ("Z & Z Group") offering a variety of products and services including high-end audio systems, luxury watches, fashion

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accessories, children's wear, custom designed antique-style furniture, as well as professional nail polishing services. He has held directorships in Z & Z Group since 2006. With his extensive experience in the retail and distribution industry of more than 20 years, Mr. Chan has been facilitating the consolidation of sales and marketing know-how, and the sharing of distribution channels between the Group and the Z & Z Group as a whole. With Mr. Chan's active involvement in the management of the Group, the Company expects Mr. Chan to contribute positively to the Company and the Shareholders as a whole through improving economies of scale and better synergies subsequent to the acquisition of the Z & Z Group. Furthermore, Mr. Chan has been utilising his personal network and exploring the possibilities of acquiring an existing retail network in the PRC. Mr. Chan is therefore compensated through the grant of Share Options based upon his number of years in work experience and his role in the Company as a director of Z & Z.

- (iv) Mr. Chan Ying Kei ("**Mr. Chan**") is the chief operating officer of the subsidiaries owned by the Company since August 2011. Since joining the Group, Mr. Chan has assisted in executing the business plan of the Group and managing the operational functions of the Group. Mr. Chan is principally responsible for the execution of the business plans formulated by the Group, particularly in the areas of sales and marketing, where he works closely with the Directors and consultants who are responsible for formulating such plans. Mr. Chan's focus is in the PRC section of the Group's business, where he is responsible for assembling a sales team, setting up human resources and finance department in accordance with strategies set forth by the executive Directors and consultants. In addition, Mr. Chan has provided advice to the Directors on the execution of the business plan of the retail and distribution businesses in the PRC and Hong Kong. Mr. Chan's assistance will contribute to the Company's expansion of its retail businesses in the PRC. Mr. Chan is therefore granted the Share Options for his continued contribution to the Company.
  
- (v) Ms. Cheng Pui Yee ("**Ms. Cheng**") is the financial controller and joint company secretary of the Company since August 2011. Since joining the Group, Ms. Cheng, with her extensive accounting and auditing experience in apparel products trading businesses, has set up and oversaw the finance department of the Group, including interviewing candidates, preparing regular cash flows for management's consideration, reviewing regular financial reporting, assisting in streamlining the operations and structure of the finance department of the Group, providing financial reporting training to the new and existing accounting staff and preparing regular regulatory fillings to the regulators as well as setting up the internal control and procedures of the Group's operations since resumption of trading of Shares. Furthermore, Ms. Cheng is responsible for preparing financial budgets for the Group's business plan and also assists the Company in complying with statutory rules and regulations, providing advice and report to the Directors in carrying out the expansion plan based on her knowledge and experience in the financial and auditing sectors. In light of Ms. Cheng's contributions in these areas since joining the Group, Ms. Cheng is therefore granted the Share Options for her continued contribution to the Company.

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- (vi) Ms. Yu Man Fung, Alice (“**Ms. Yu**”) is a consultant to the Company since August 2011. Ms. Yu’s consultancy service agreement commenced in August 2011, the scope of her core duties include the provision of advice to the Company’s management team on administration, business strategy and business development in respect of its retail business. Either party can terminate this consultancy service agreement by serving not less than one (1) month’s notice in writing to the other party.

Since joining the Group, Ms. Yu has assisted the Group in setting up the design team, interviewing potential designers, providing inputs and ideas to each season’s apparel product’s collections and has assisted the Group in employing designers and reviewing their profiles to assess their suitability for employment. In addition, Ms. Yu has also assisted the Group in securing the employment of brand director and chief operating officer.

In addition, Ms. Yu also has extensive personal network in Hong Kong and the PRC, as well as deep knowledge and substantial experience in the retail and marketing industry. After the restructuring of the Company, Ms. Yu has provided valuable advice on re-branding the Group’s products such as revamping the brand — XXEZZ in the PRC markets by providing ideas in shop layouts and inputs in selecting the appropriate locations for new stores. With Ms. Yu’s assistance in the above aspects, the Group is on the right track to revamp the image and design. Furthermore, Ms. Yu has also provided advice on sales and marketing strategies as well as the proposal on future expansion of the retail and distribution businesses of the Group, for the Board’s consideration. In light of Ms. Yu’s contribution in providing advice to the Company’s expansion of its retail businesses in the PRC, Ms. Yu is therefore granted the Share Options for her continued contribution to the Company.

- (vii) Ms. Ko Po Yee (“**Ms. Ko**”) is a consultant to the Company since August 2011. Ms. Ko’s consultancy service agreement commenced in August 2011, the scope of her core duties include the provision of advice to the Company’s management team on administration, procurement and business development in respect of its retail business. Either party can terminate this consultancy service agreement by serving not less than one (1) month’s notice in writing to the other party.

Ms. Ko has extensive personal network in the sales and marketing industry in Hong Kong and the PRC. After the restructuring of the Company, Ms. Ko has provided advice on re-branding of the Group’s products, revamping the image and design of the Group’s products and stores, sales and marketing strategies as well as proposal on future expansion of the retail and distribution businesses of the Group. With Ms. Ko’s advice and close monitoring, (i) the Group’s procedures on outsourcing of garment suppliers and quality control of garments have been strengthened; (ii) purchase functions of the Group have been streamlined by reviewing the previous purchase procedures and minimising unnecessary steps, (iii) the Group’s bargaining power has also improved due to Ms. Ko’s effective utilisation of her personal network within the industry in selecting suppliers offering better credit terms. Ms. Ko provided advice on quality control of products before launching to the market, assisted the Group in restructuring the PRC office in Shenzhen, reviewed the collection of trade receivables,

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and refined control and management of the suppliers payment cycle. In light of Ms. Ko's contribution in providing advice to the Company, and her expected further assistance to the Company's expansion of its retail businesses in the PRC in the future, Ms. Ko is therefore granted the Share Options for her continued contribution to the Company.

- (viii) Ms. Wong Wan Men, Margaret ("**Ms. Wong**") is a consultant to the Company since August 2011. Ms. Wong has provided consultancy advice on corporate finance matters relating to the Listing Rules to the Company. Since resumption of trading in the Shares, Ms. Wong helped to streamline the structure of the Group through a series of corporate restructuring and she also provides financial advice, advice on public disclosure and Listing Rules compliance from time to time including the acquisition of Z & Z. In addition, Ms. Wong also assisted in reviewing announcements, circulars and other relevant documents provided by the Company from time to time. In light of Ms. Wong's contribution in areas of corporate finance and compliance, and her further assistance in the future, Ms. Wong is therefore granted the Share Options for her continued contribution to the Company.

We understand from the management of the Company that the Grantees have extensive working experience with diversified backgrounds such as management, marketing and finance. The Grantees have contributed to the turnaround of the business and the performance of the Group. After the restructuring of Group and the acquisition of Z & Z, together with the involvement of the Grantees of which contributed to certain extent, the business performance of the Group was improved and revitalised. With reference to the interim results announcement for the six months ended 30 September 2011 (the "Period 2011"), the revenue of the Group has increased from approximately HK\$22.79 million for the six months ended 30 September 2010 (the "Period 2010") to HK\$29.58 million for the corresponding period in 2011, representing an increase of approximately 30%. Turnover from the apparel retailing business recorded an increase of approximately 24% in Period 2011 as compared to Period 2010. Thanks to the effective cost control over the operation after the restructuring and a slight increase in product selling price, the overall gross profit margin of the Group improved from approximately 44% for the Period 2010 to approximately 58% for the Period 2011. The operating loss of the Group, for which the gain on debt restructuring, gain on bargain purchasing and gain on deconsolidation of subsidiaries in the Period 2011 were excluded, has been improved from a loss of approximately HK\$81.38 million for the Period 2010 to a loss of approximately HK\$25.21 million for the Period 2011, representing a significant improvement in reducing the loss of approximately 69%. The Grantees has also assisted in and contributed to various business development of the Group, including but not limited to, the expansion of sales network and retail stores in Hong Kong and the PRC, the acquisition and operation of new retail business in luxury consumer products, the streamlining and improvement of purchase function, the setting up and operation of corporate administrative department and finance department, and the advice on corporate finance and restructuring activities of the Group.

We have enquired the Directors regarding the benefits of the grant of Share Options as an incentive scheme to compensate the Grantees. As advised by the Directors, the purpose for the grant of Share Options is to incentivise, reward and more importantly, to retain the Grantees for their continual services to the Group. Since the Company declared to be insolvent and filed a winding-up petition in 2008, the business and the goodwill of Group have been adversely affected.

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Eventually the Group has undergone a corporate and financial restructuring and trading of Shares has been resumed in August 2011 upon the fulfillment of the conditions set by Stock Exchange. The Directors are of the view that it is the appropriate time for which the Group shall put all of its focus and resources on the business development of the Group, and human resources of the Group, especially the Grantees, undeniably play a key and essential role in recent and future development and improvement of the Group. The Grantees have been and will continue to contribute to the Company in the aspects of management, strategic planning, marketing, business expansion, corporate financing and corporate development, which are the crucial aspects for the Company to regain its business in the current stage after the corporate and financial restructuring. In case any of the Grantees cease to serve the Group and no suitable talent with relevant and rich experience is available, the Directors expect that the occurrence of such event will inevitably adversely affect the business operation and development of the Group. It will be in the interests of the Company to be able to continue to capitalise on the expertise, experience and knowledge of the Grantees in the future development of the Company. We therefore concur with the view of the Directors that it is important for the Company to retain and motivate the Grantees by entering into of the Option Deeds.

The Board has considered other means to reward, incentivise and retain the Grantees, such as lump sum cash bonuses, remuneration increment or profit sharing schemes. However, after careful consideration of various alternatives and their corresponding costs to be incurred by and the potential benefits to be bought to the Group, the Directors are of the view that the grant of Share Options would be the most appropriate means given that, as compared to other alternatives, the grant of Share Options enable the Group to conserve its cash resources while serving the purposes to reward the contribution made by the Grantees, and to retain and incentivise them for making more contribution to the Group in the future. In case the Share Options are fully exercised, it will also raise an additional general working capital of approximately HK\$30 million for the Group. Also, given the nature of the Share Option in which the potential reward from the Share Options will rely on the performance of the Company and eventually the improvement in price of the Shares, the economic benefits of the Share Options will only be realised when all the Shareholders are also in a position to benefit.

With reference to the Letter from the Board, the number of Options to be granted to the Grantees is determined based on (i) the past working experience of Grantees; (ii) their respective past and potential contributions to the Company; and (iii) the comparative importance of the areas the Grantees operate in and functions they are performing for the Company. Accordingly, Mr. Chan Chak Kai, Kenneth, Ms. Yu Man Fung, Alice and Ms. Ko Po Yee will be entitled to 50,000,000 Share Options, 100,000,000 Share Options and 100,000,000 Share Options respectively. As advised by the management of the Company, Ms. Yu and Ms. Ko are mainly responsible for advising on the design, procurement and marketing-related matters on apparel retailing business while Mr. Chan is mainly responsible for new business in luxury retail products of the Group. From the perspective of Company and as a apparel business, the design and procurement of apparel, among the others, are the most important function in its business model and sound performance in these business functions will certainly be a prerequisite and play a crucial role in the future success of the Group's core business. Beside the focus on core apparel retailing business, the Group has also expanded its business into luxury retail products and diversified its business portfolio through the acquisition of Z & Z. Given the extensive experience of Mr. Chan in running retail businesses and his directorships in Z & Z Group since 2006, it is

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expected that the performance of the Group's new business in luxury retail products will highly depend on the contribution of Mr. Chan. Given the fact that the scale of Z & Z's operation is not as large as the scale of core apparel retailing business, and save for Ms. Yu, Ms. Ko and Mr. Chan, the other grantees are not as extensively involved in the core business strategies of the Group at the highest level, we concur with the view of the Directors that the number of Share Options granted to each of the Grantees is justifiable. We also note that the Grantees have served the Group for a relative short period of time. However, having considered the above and as the grant of Share Options is not only to reward the contribution made by the Grantees, but also to retain and incentivise them for their commitment and future contribution, we are of the view that the grant of Share Options is in the interests of the Company and Independent Shareholders as a whole.

### 2. Principal terms of the Share Options

As mentioned in the Letter from the Board, the Company conditionally agreed to grant Share Options to the Grantees for up to 300,000,000 Shares in aggregate at HK\$0.10 per Share. The Exercise Price was set after taking into consideration of (i) the volatility in the price of Shares since the resumption of trading in August 2011; (ii) the instability of the overall stock market; (iii) the potential prolonged period of extreme fluctuation in the price of Shares; and (iv) the recognition of the Grantees' contribution made to the Company and the importance of the respective roles to the Company. The following shows the number of Share Options to be granted to each of the Grantees:

<b>Grantee</b>	<b>Position</b>	<b>Share Options representing</b>
Chiu Siu Po	Executive Director and Chairman	10,000,000 Shares
Liu On Bong, Peter	Executive Director and Vice Chairman	10,000,000 Shares
Chan Chak Kai, Kenneth	Executive Director	50,000,000 Shares
Chan Ying Kei	Chief Operating Officer	10,000,000 Shares
Cheng Pui Yee	Financial Controller and Joint Company Secretary	10,000,000 Shares
Yu Man Fung, Alice	Consultant	100,000,000 Shares
Ko Po Yee	Consultant	100,000,000 Shares
Wong Wan Men Margaret	Consultant	10,000,000 Shares

#### *Exercise Price*

The Exercise Price represents:

- (i) a discount of approximately 7.41% to the closing price of HK\$0.108 per Share as at the Latest Practicable Date;
- (ii) a discount of approximately 23.08% to the closing price of HK\$0.130 per Share as quoted on the Stock Exchange on 6 October 2011, being the date of the Option Deeds;

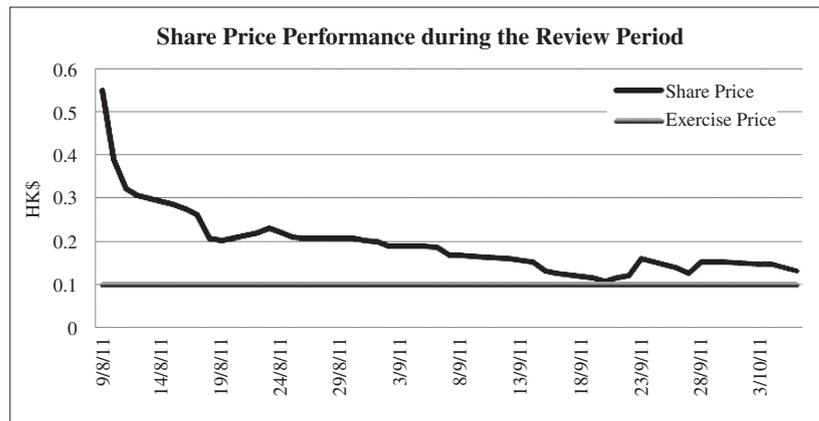
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- (iii) a discount of approximately 30.56% to the average closing prices of approximately HK\$0.144 per Share in the last five consecutive trading days as quoted on the Stock Exchange prior to and including the date of the Option Deeds;
- (iv) a discount of approximately 27.54% to the average closing price of approximately HK\$0.138 per Share in the last ten consecutive trading days as quoted on the Stock Exchange prior to and including the date of the Option Deeds; and
- (v) a premium of approximately 50.38% over the unaudited consolidated net asset value per Share of approximately HK\$0.0665 as at 30 September 2011 based on the unaudited consolidated net asset value as set out in the interim results for the six months ended 30 September 2011 of HK\$152,779,000 and the total number of 2,298,694,638 Shares in issue as at the Date of Option Deeds.

In order to assess the fairness and reasonableness of the Exercise Price, we compared the Exercise Price with reference to the following:

(a) *Recent performance of the share price*

As the Shares of the company had been suspended from trading since 30 July 2008 and were not resumed in trading until 9 August 2011, we have reviewed the closing prices of the Shares traded on the Stock Exchange since then up to and including the date of the Option Deeds. The following chart depicts the daily closing prices of the Shares from 9 August 2011 up to the date of the Option Deeds (the “Review Period”) as quoted on the Stock Exchange:



Source: *The Stock Exchange*

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As shown in the chart above, during the Review Period, the daily closing price of the Shares fluctuated from HK\$0.550 per Share (which was recorded on the first trading day upon resumption of trading, i.e. 9 August 2011) to HK\$0.108 per Share (which was recorded on 20 September 2011) and the Exercise Price represents a discount to the closing prices of the Shares all the time throughout the Review Period. Nevertheless, we noted that the share price performance was in a downward trend since the Shares were resumed to be traded on the Stock Exchange. It is uncertain that whether the Shares of the Company are still in the process of price adjustment as a result of the lengthy suspension of trading of Shares and the material changes in the fundamentals of the Company, in terms of its business scale, organisational structure, management and financing structure and so forth.

In order to further assess the reasonableness of the Exercise Price, we perform an analysis and we have identified, based on our best endeavor, certain comparable companies listed on the Stock Exchange, with similar principal businesses as the Group in the retailing of apparel. We have considered the commonly used valuation multiples, namely the price-to-earnings ratio (the "P/E Ratio") and the price-to-book ratio (the "P/B Ratio") in assessing the valuation of the Option Shares, by the use of valuation multiples implied by the Exercise Price of HK\$0.1 per Share. Our analysis below is intended for the information and reference of Shareholders only and such analysis may not take into account of certain factors, including but not limited to, the difference in scope of business, operational size, geographical location, accounting policies and standards, differences in financial reporting periods as well as other unique characteristics of each comparable company.

According to the interim results of the Group for the six months ended 30 September 2011, the unaudited profit for the period was approximately HK\$1,361.87 million. However, after excluding the gain on debt restructuring, gain on bargain purchase and gain on deconsolidation of subsidiaries of approximately HK\$1,321.85 million, HK\$21.56 million and HK\$56.38 million respectively, of which are considered to be non-recurring items of the Group, the operating results of would become a loss based on our computation. As a result, an analysis based on the P/E Ratio of the Company would not be meaningful in this case and we only performed a P/B Ratio

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analysis. The table set below shows the details of those 11 selected companies, which are considered to be exhaustive, for our P/B Ratio analysis as at the date of the Option Deeds:

<b>Company</b>	<b>Stock Code</b>	<b>P/B Ratio</b> (approximately)
ENM Holdings Limited	128	0.41
Evergreen International Holdings Limited	238	0.88
Esprit Holdings Limited	330	0.76
Glorious Sun Enterprises Limited	393	0.97
Hang Ten Group Holdings Limited	448	1.38
Bossini International Holdings Limited	592	1.10
Joyce Boutique Holdings Limited	647	1.38
Giordano International Limited	709	2.85
Trinity Limited	891	3.14
I.T Limited	999	2.78
Bosideng International Holdings Limited	3998	1.67
<b>Average</b>		1.57
<b>Median</b>		1.38
<b>Max</b>		3.14
<b>Min</b>		0.41
<b>The Company</b>		1.50

*Source: Bloomberg and the Stock Exchange*

As shown in the table above, the P/B Ratios of the comparable companies fall within the range of 0.41 times to 3.14 times, with an average of 1.57 times. Taking into account of the Exercise Price of HK\$0.1, which represents the consideration for one Option Share, and the unaudited net asset value of approximately HK\$0.0665 per Share, which is computed based on the unaudited net asset value of HK\$152,779,000 as at 30 September 2011 and a total of 2,298,694,638 Shares in issue as at the date of the Option Deeds, the implied P/B Ratio of Option Shares is 1.50 times. The implied P/B Ratio of the Option Shares is lower than the average and fall within the range of those comparable companies. Therefore, the pricing and valuation of Option Shares is in line with those of the comparable companies.

As mentioned above, the principal purpose of granting the Share Options is, as an appreciate mean, to incentivise and reward the Grantees and align their interests with those of the Group. We concur with the view of the Directors that setting the Exercise Price at a discount to market price will enable the Grantees to enjoy the reward upon exercising of Share Options since an in-the-money option has a positive intrinsic value, therefore serving the purpose of rewarding and incentivising the Grantees. Given the weak performance of the share price, such discount can act as a buffer to safeguard the intrinsic value of the Share Options. According to the Option Deeds, the Share Options

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are not transferrable and cannot be exercised until the Share Options have been vested. Given that the price of Shares can be regarded as an ultimate means of judging and reflecting the performance and growth potential of the Company, the potential reward to be realised from the Share Options will therefore be highly dependent on the contribution and performance of the Grantees during the vesting period. The reward to the Grantees will be realised and maximised only if they can continue to contribute to the improvement and business growth of the Group, which should eventually be reflected in the price of Shares. At such, Shareholders will also be in a position to benefit from the grant of Share Options as both the Grantees' and Shareholders' rewards will be originated from the increment of price of the Shares. It is therefore reasonable and justifiable to grant the Share Options to the Grantees at the Exercise Price at a discount to the recent market price of the Shares.

*(b) The liquidity of Shares*

We have reviewed the volume of Shares traded during the Review Period. There were 40 trading days since the Company's resumption of trading of Shares. We have calculated the percentage of the daily trading volume as compared to the total number of issued Shares of the Company and the results are summarised as follow:

<b>Percentage to the total number of issued Shares</b>	<b>Number of Trading Days</b>
below 0.10%	28
above 0.10% – 0.20%	0
above 0.20% – 0.30%	5
above 0.30% – 0.40%	1
above 0.40% – 0.50%	3
above 0.50%	3
<b>Average</b>	0.14%
<b>Max</b>	1.01%
<b>Min</b>	Nil

*Source: The Stock Exchange*

As shown from the above, the trading volume of the Shares was thin during the Review Period which ranged from nil to approximately 1.01% of the total number of issued Shares of the Company. There were 28 out of 40 trading days in which the trading volume was below 0.10%. The average percentage of trading volume to the total number of issued Shares of the Company as at the date of the Option Deeds was 0.14%.

The illiquidity of the underlying stock of a stock option is known to have negative impact on the share price of the stock and the price of the corresponding stock option. As the Share Options are not transferrable, the potential realisable return to the Grantees from the Share Options will then depends on the price of Shares and will be equal to the intrinsic value of the Share Options, given that the price of Shares is greater than the Exercise Price at the time the Share Options are exercised. The price of

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Shares can be unfavourably influenced since investors may request a liquidity premium to compensate the illiquidity of the Shares. The return on Share Options of the Grantees will, in turn, be adversely affected.

Moreover, the illiquidity of Shares may impose a certain discount when those Grantees intend to liquidate a large amount of Option Shares obtained from the exercise of the Share Options. The discount of the Exercise Price to the recent trading price of the Shares can be again regarded as buffer for the compensation of liquidity premium to potential investor in the secondary market. In this regard, we are of the view that the Share Options would be less attractive as an incentive scheme unless the Exercise Price was set at a discount to the market price of the Shares.

### *Exercise Period*

As referred to the Letter from the Board, the Grantees are entitled to exercise the Share Options at any time after the vesting period of no later than 18 months from the date of issue and until the expiration of the Option Period. As advised by the Directors, we were informed that the Grantees will be responsible for the strategic decision making and management of the Group in various aspects. The Company considers that granting the Share Options to Grantees can help tying the interests of the Grantees to be in line with those of the Group and motivate the Grantees to endeavor to revitalise the performance of the Group. Given that the Share Options will only be exercisable once the Share Options have been vested instead of upon the grant of the Share Options, the positive intrinsic value of the Share Options, which is due to the discount on the Exercise Price as to the market price of the Shares, would not be realisable until the end of the vesting period. The reward to the Grantees from the Share Option will depend on the price of Shares in the exercise period of which, in the end, will be based on their contribution made to increase the value of the Company. Therefore, we consider that the Exercise Period can tie the interest of the Grantees with that of the Company in long term.

### *Potential Additional Capital*

Assuming the Share Options are fully exercised, the Company will be able to raise a net proceed of approximately HK\$30 million as the general working capital for the Group. Not only will the Company be able to incentivise the Grantees without inducing any additional cash outflow, but also it will further strengthen the financial position, in term of working capital, of the Company through the grant of Share Options. The potential additional capital may also enhance the future business development of the Company. Given the current business scale and the financial situation of the Company, any additional financial resources will be crucial to the Company. Therefore, we are of the view that the incentive given to the Grantees by the way of Share Options is preferred to other kinds of incentive, which may incur extra cash outflow and increase the financial burden of the Company.

## LETTER FROM VINCO CAPITAL

### *Our View*

Having considered that: (i) the Shares of the Company have been suspended from trading for more than 3 years and there is uncertainty on whether the share price is still in the process of adjustment; (ii) the moderate discount of the Exercise Price to the share price can be regarded as a buffer to safeguard the rewards to Grantees in view of the weak share price performance and the illiquidity of the Shares; (iii) the discount factor is one of the essential aspects of granting the Share Options under the Option Deeds to incentivise and reward the Grantees and align their interest with those of the Group; (iv) the Exercise Price represents a premium of approximately 50.38% over the unaudited consolidated net asset value per Shares of the Company as at 30 September 2011; (v) incentive given to Grantees by way of granting Share Options will not increase the financial burden but will instead bring in potential additional capital for business development of the Group; (vi) the Share Options are non-transferrable and have a vesting period of no later than 18 months from the date of issue for which the Grantees will not be able to benefit from the exercise of the Share Options in case of weak performance of the Company and also its share price in the future; (vii) the Shareholders are in a position to benefit from the Share Options as both the Grantees' and Shareholders' rewards will be originated from the increase in the price of the Shares; and (viii) the past and forthcoming contribution of the Grantees to the Company, we are of the view that the terms of the Option Deeds and the transactions contemplated thereunder are fair and reasonable so far as the Company and the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

## LETTER FROM VINCO CAPITAL

### 3. Potential dilution effects of the existing shareholdings

Pursuant to the Option Deeds, 300,000,000 Option Shares will be issued upon the full exercise of the Share Options, which represents approximately 11.89% of the existing share capital of the Company as at the Latest Practicable Date and approximately 10.63% of the issued share capital of the Company as enlarged by the issue of the Option Shares upon the exercise of the Share Options. The following table provides an illustrative shareholding structure of the Company immediately before and after the exercise of Share Options:

Name of Shareholder	Existing Shareholding as at the Latest Practicable Date		Shareholding immediately after the full exercise of the Share Options under the Option Deeds	
	<i>No. of Shares</i>	<i>Approx. % of issued Shares (approximately)</i>	<i>No. of Shares</i>	<i>Approx. % of issued Shares (approximately)</i>
<b>Directors</b>				
Chiu Siu Po	Nil	Nil	10,000,000	0.354%
Liu On Bong, Peter	Nil	Nil	10,000,000	0.354%
Chan Chak Kai, Kenneth	200,000	0.008%	50,200,000	1.779%
<b>Employees</b>				
Chan Ying Kei	Nil	Nil	10,000,000	0.354%
Cheng Pui Yee	Nil	Nil	10,000,000	0.354%
<b>Consultant</b>				
Yu Man Fung, Alice	161,061,160	6.386%	261,061,160	9.250%
Ko Po Yee	Nil	Nil	100,000,000	3.543%
Wong Wan Men Margaret	Nil	Nil	10,000,000	0.354%
<b>Other Shareholders</b>				
Other Shareholders	<u>2,361,012,318</u>	<u>93.606%</u>	<u>2,361,012,318</u>	<u>83.658%</u>
Total issued Shares	<u><u>2,522,273,478</u></u>	<u><u>100.000%</u></u>	<u><u>2,822,273,478</u></u>	<u><u>100.000%</u></u>

*Note 1:* Assuming no outstanding share options, as at the Latest Practicable Date, there are (i) outstanding share options under the Company's share option scheme adopted on 11 April 2002 and refreshed on 30 September 2011 which entitle the holders to subscribe for 229,869,464 Shares at HK0.1 per Share (subject to adjustment) and (ii) outstanding convertible bonds which entitle the holders to be issued 200,000,000 Shares at a conversion price of HK0.1 per Share (subject to adjustment).

*Note 2:* Assuming no outstanding Share Options under the Company's share option scheme being exercised and no convertible bonds being converted, the 300,000,000 Option Shares to be allotted and issued under the Specific Mandate represent approximately 11.89% of the Company's issued share capital as at the Latest Practicable Date and approximately 10.63% of the Company's issued share capital as enlarged by the issue of the aforesaid 300,000,000 Option Shares.

## LETTER FROM VINCO CAPITAL

The aggregate shareholding of the other public Shareholders will decrease from approximately 93.606% to approximately 83.658% upon full exercise of the Share Options. Having considered the purpose of granting the Share Options, which has been mentioned in the above paragraph headed “Background of and reasons for the Option Deeds”, the Share Options may motivate the Grantees in making more contribution to the Company and increasing the value to be brought to Shareholders. In light of the above and as the Share Options will not be exercisable until they have been vested, we consider that there will be no immediate dilution effect on the percentage shareholding of existing Independent Shareholders in the Company as a result of the grant of Share Options. Taking into consideration that the grant of Share Options can incentivise the Grantees to contribute to increase the value and price of the Shares of the Company, of which will be beneficial to Independent Shareholders, such dilution is justifiable and acceptable.

### **D. CONCLUSION**

Having taken into consideration the above principal factors and reasons, we are of the opinion that the grant of Share Options is fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the grant of Share Options.

Yours faithfully,  
For and on behalf of  
**Grand Vinco Capital Limited**  
**Alister Chung**  
*Managing Director*

## 1. RESPONSIBILITY STATEMENT

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

## 2. DISCLOSURE OF INTERESTS

### (a) Directors

#### (i) Directors' Interests in Shares

As at the Latest Practicable Date, save as disclosed below, none of the Directors or chief executive of the Company has or is deemed to have any interests or short positions in the Shares and underlying Shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are 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) or which are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange:

#### (ii) Long positions in Shares of the Company

Name of Director	Total number of Shares	Capacity in which interests are held	% of the issued share capital of the Company
Au Wai June	1,104,000	Beneficial owner	0.04%
Chan Chak Kai, Kenneth	200,000	Beneficial owner	0.008%

**(b) Substantial Shareholders**

As at the Latest Practicable Date, save as disclosed below, so far as is known to the Board, no persons (not being a Director or chief executive of the Company) had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group, or, had any options in respect of such capital were as follows:

*(i) Long Position*

Name of substantial Shareholder	Interest or short position in the Shares or underlying Shares	Capacity in which interests are held	Approximately shareholding % in the Company
Fidelitycorp Limited	875,000,000	Interest of controlled corporation	34.69%
Moon Light Investments Group Limited	875,000,000	Interest of controlled corporation	34.69%
Radford Developments Limited <i>(Note 1)</i>	875,000,000	Beneficial owner	34.69%
Yu Man Fung Alice <i>(Note 2)</i>	161,061,160	Beneficial owner	6.39%
Tower Victory International Limited	131,528,000	Beneficial owner	5.21%
沈東 <i>(Note 3)</i>	131,528,000	Interest of controlled corporation	5.21%

*Notes:*

- (1) Radford Developments Limited is wholly-owned by Moon Light Investments Group Limited, which in turn is wholly-owned by Moon Light Trust. Fidelitycorp Limited is the trustee for Moon Light Trust. Moon Light Investments Group Limited and Fidelitycorp Limited are therefore deemed to be interested in the Shares held by Radford Developments Limited under the SFO. The 875,000,000 Shares comprises 675,000,000 Shares of the Company held by Radford Developments Limited and HK\$20,000,000 convertible notes issued by the Company which can be converted into 200,000,000 Shares.
- (2) Ms. Yu Man Fung, Alice is a consultant of the Company who is one of the Grantees of the proposed grant of the Share Options.
- (3) The issued share capital of Tower Victory International Limited is beneficially owned by 沈東 and therefore 沈東 is therefore deemed to be interested in the Shares held or deemed to be held by Tower Victory International Limited under the SFO.

(ii) *Interest in members of the Group:*

<b>Name of shareholder</b>	<b>Name of group company</b>	<b>Percentage of registered capital of group company</b>
NIL	NIL	NIL

### **3. DIRECTORS' SERVICE CONTRACTS**

Save as disclosed in this circular, as at the Latest Practicable Date, none of the Directors had entered into a service contract with the Company which does not expire or which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

### **4. COMPETING BUSINESS INTEREST**

As at the Latest Practicable Date, none of the Directors or their respective associates were interested in any other business which competes or is likely to compete, either directly or indirectly, with the business of the Group as required to be disclosed pursuant to the Listing Rules.

### **5. INTEREST IN ASSETS**

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group or proposed to be so acquired, disposed of by or leased to any member of the Group since 31 March 2011 (being the date to which the latest published audited accounts of the Company were made up).

### **6. INTEREST IN CONTRACTS AND ARRANGEMENTS**

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group, which was subsisting and was significant in relation to the business of the Group.

### **7. MATERIAL ADVERSE CHANGE**

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

**8. EXPERT**

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

<b>Name</b>	<b>Qualification</b>
Grand Vinco Capital Limited	Independent Financial Adviser, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activity under the SFO

Each of the above experts have given and have not withdrawn their written consent to the issue of this circular with the inclusion of its respective letter and reference to its respective names in the form and context in which they respectively appear.

As at the Latest Practicable Date, the above experts do not have (i) any shareholding in the Company or any of its subsidiaries, or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in the Company or any of its subsidiaries, and (ii) any interest, either direct or indirect, in any assets which, since 31 March 2011 (the date to which the latest audited financial statements of the Group was made up), had been acquired, or disposed of by, or leased to the Company or any of its subsidiaries, or are proposed to be acquired, or disposed of by, or leased to the Company or any of its subsidiaries.

**9. GENERAL**

The English text of this circular shall prevail over its respective Chinese text for the purpose of interpretation.

**10. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection at the Company's principal place of business in Hong Kong at 8th Floor, China United Centre 28 Marble Road, North Point, Hong Kong during normal business hours for a period of 14 days from the date of this circular:

- (i) Option Deeds; and
- (ii) this circular.

## NOTICE OF EXTRAORDINARY GENERAL MEETING



### TACK FIORI INTERNATIONAL GROUP LIMITED

(formerly known as "Tack Fat Group International Limited")

*(incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 928)**

## NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (the "EGM") of the shareholders of Tack Fiori International Group Limited (the "**Company**") will be held at 30/F, China United Centre, 28 Marble Road, North Point, Hong Kong on Monday, 16 January 2012 at 9:00 a.m. to consider and if, thought fit, to pass the following resolutions which will be proposed as Ordinary Resolutions:

### ORDINARY RESOLUTIONS

1. **"THAT**

- (a) the option deed which was entered into between the Company and Mr. Chiu Siu Po on 6 October 2011 and amended by a supplemental deed entered between the same parties dated 22 December 2011, (the "**Chiu Option Deed**"), copy of which was produced to the Meeting and marked "A" and initialled by the chairman of the Meeting for the purpose of identification, in respect of the grant of such number of share options representing 10,000,000 shares of par value of HK\$0.10 each in the capital of the Company to Mr. Chiu Siu Po and all transactions contemplated thereunder be and are hereby approved, ratified and confirmed;
- (b) the directors of the Company (the "**Directors**") be and are hereby authorised to allot and issue 10,000,000 new shares of par value of HK\$0.10 each in the share capital of the Company (the "**Chiu Option Shares**") upon the exercise of the share options in accordance with the terms and the conditions set out in the Chiu Option Deed; and
- (c) any one of the Directors be and are hereby authorised, for and on behalf of the Company, to take all steps necessary or expedient in his opinion to implement and/or give effect to the transactions contemplated by the Chiu Option Deed including, but not limited to, the allotment and issue of the Chiu Option Shares, executing all other documents, instruments and agreements and doing all such acts and things deemed by him to be incidental to, ancillary to or in connection with the matters contemplated under the Chiu Option Deed or agree to such amendments of the same as are in the opinion of such Director not of a material nature and in the interests of the Company."

## NOTICE OF EXTRAORDINARY GENERAL MEETING

### 2. “THAT

- (a) the option deed which was entered into between the Company and Mr. Liu On Bong, Peter on 6 October 2011 and amended by a supplemental deed entered between the same parties dated 22 December 2011, (the “**Liu Option Deed**”), copy of which was produced to the Meeting and marked “B” and initialled by the chairman of the Meeting for the purpose of identification, in respect of the grant of such number of share options representing 10,000,000 shares of par value of HK\$0.10 each in the capital of the Company to Mr. Liu On Bong, Peter and all transactions contemplated thereunder be and are hereby approved, ratified and confirmed;
- (b) the directors of the Company (the “**Directors**”) be and are hereby authorised to allot and issue 10,000,000 new shares of par value of HK\$0.10 each in the share capital of the Company (the “**Liu Option Shares**”) upon the exercise of the share options in accordance with the terms and the conditions set out in the Liu Option Deed; and
- (c) any one of the Directors be and are hereby authorised, for and on behalf of the Company, to take all steps necessary or expedient in his opinion to implement and/or give effect to the transactions contemplated by the Liu Option Deed including, but not limited to, the allotment and issue of the Liu Option Shares, executing all other documents, instruments and agreements and doing all such acts and things deemed by him to be incidental to, ancillary to or in connection with the matters contemplated under the Liu Option Deed or agree to such amendments of the same as are in the opinion of such Director not of a material nature and in the interests of the Company.”

### 3. “THAT

- (a) the option deed which was entered into between the Company and Mr. Chan Chak Kai, Kenneth on 6 October 2011 and amended by a supplemental deed entered between the same parties dated 22 December 2011, (the “**Kenneth Chan Option Deed**”), copy of which was produced to the Meeting and marked “C” and initialled by the chairman of the Meeting for the purpose of identification, in respect of the grant of such number of share options representing 50,000,000 shares of par value of HK\$0.10 each in the capital of the Company to Mr. Chan Chak Kai, Kenneth and all transactions contemplated thereunder be and are hereby approved, ratified and confirmed;
- (b) the directors of the Company (the “**Directors**”) be and are hereby authorised to allot and issue 50,000,000 new shares of par value of HK\$0.10 each in the share capital of the Company (the “**Kenneth Chan Option Shares**”) upon the exercise of the share options in accordance with the terms and the conditions set out in the Kenneth Chan Option Deed; and
- (c) any one of the Directors be and are hereby authorised, for and on behalf of the Company, to take all steps necessary or expedient in his opinion to implement and/or give effect to the transactions contemplated by the Kenneth Chan Option Deed including, but not limited to, the allotment and issue of the Kenneth Chan Option Shares, executing all other documents, instruments and agreements and doing all such acts and things deemed by him to be incidental to, ancillary to or in connection with the

## NOTICE OF EXTRAORDINARY GENERAL MEETING

matters contemplated under the Kenneth Chan Option Deed or agree to such amendments of the same as are in the opinion of such Director not of a material nature and in the interests of the Company.”

### 4. “THAT

- (a) the option deed which was entered into between the Company and Mr. Chan Ying Kei on 6 October 2011 and amended by a supplemental deed entered between the same parties dated 22 December 2011, (the “**Chan Option Deed**”), copy of which was produced to the Meeting and marked “D” and initialled by the chairman of the Meeting for the purpose of identification, in respect of the grant of such number of share options representing 10,000,000 shares of par value of HK\$0.10 each in the capital of the Company to Mr. Chan Ying Kei and all transactions contemplated thereunder be and are hereby approved, ratified and confirmed;
- (b) the directors of the Company (the “**Directors**”) be and are hereby authorised to allot and issue 10,000,000 new shares of par value of HK\$0.10 each in the share capital of the Company (the “**Chan Option Shares**”) upon the exercise of the share options in accordance with the terms and the conditions set out in the Chan Option Deed; and
- (c) any one of the Directors be and are hereby authorised, for and on behalf of the Company, to take all steps necessary or expedient in his opinion to implement and/or give effect to the transactions contemplated by the Chan Option Deed including, but not limited to, the allotment and issue of the Chan Option Shares, executing all other documents, instruments and agreements and doing all such acts and things deemed by him to be incidental to, ancillary to or in connection with the matters contemplated under the Chan Option Deed or agree to such amendments of the same as are in the opinion of such Director not of a material nature and in the interests of the Company.”

### 5. “THAT

- (a) the option deed which was entered into between the Company and Ms. Cheng Pui Yee on 6 October 2011 and amended by a supplemental deed entered between the same parties dated 22 December 2011, (the “**Cheng Option Deed**”), copy of which was produced to the Meeting and marked “E” and initialled by the chairman of the Meeting for the purpose of identification, in respect of the grant of such number of share options representing 10,000,000 shares of par value of HK\$0.10 each in the capital of the Company to Ms. Cheng Pui Yee and all transactions contemplated thereunder be and are hereby approved, ratified and confirmed;
- (b) the directors of the Company (the “**Directors**”) be and are hereby authorised to allot and issue 10,000,000 new shares of par value of HK\$0.10 each in the share capital of the Company (the “**Cheng Option Shares**”) upon the exercise of the share options in accordance with the terms and the conditions set out in the Cheng Option Deed; and
- (c) any one of the Directors be and are hereby authorised, for and on behalf of the Company, to take all steps necessary or expedient in his opinion to implement and/or give effect to the transactions contemplated by the Cheng Option Deed including, but

## NOTICE OF EXTRAORDINARY GENERAL MEETING

not limited to, the allotment and issue of the Cheng Option Shares, executing all other documents, instruments and agreements and doing all such acts and things deemed by him to be incidental to, ancillary to or in connection with the matters contemplated under the Cheng Option Deed or agree to such amendments of the same as are in the opinion of such Director not of a material nature and in the interests of the Company.”

### 6. “THAT

- (a) the option deed which was entered into between the Company and Ms. Yu Man Fung, Alice on 6 October 2011 and amended by a supplemental deed entered between the same parties dated 22 December 2011, (the “**Yu Option Deed**”), copy of which was produced to the Meeting and marked “F” and initialled by the chairman of the Meeting for the purpose of identification, in respect of the grant of such number of share options representing 100,000,000 shares of par value of HK\$0.10 each in the capital of the Company to Ms. Yu Man Fung, Alice and all transactions contemplated thereunder be and are hereby approved, ratified and confirmed;
- (b) the directors of the Company (the “**Directors**”) be and are hereby authorised to allot and issue 100,000,000 new shares of par value of HK\$0.10 each in the share capital of the Company (the “**Yu Option Shares**”) upon the exercise of the share options in accordance with the terms and the conditions set out in the Yu Option Deed; and
- (c) any one of the Directors be and are hereby authorised, for and on behalf of the Company, to take all steps necessary or expedient in his opinion to implement and/or give effect to the transactions contemplated by the Yu Option Deed including, but not limited to, the allotment and issue of the Yu Option Shares, executing all other documents, instruments and agreements and doing all such acts and things deemed by him to be incidental to, ancillary to or in connection with the matters contemplated under the Yu Option Deed or agree to such amendments of the same as are in the opinion of such Director not of a material nature and in the interests of the Company.”

### 7. “THAT

- (a) the option deed which was entered into between the Company and Ms. Ko Po Yee on 6 October 2011 and amended by a supplemental deed entered between the same parties dated 22 December 2011, (the “**Ko Option Deed**”), copy of which was produced to the Meeting and marked “G” and initialled by the chairman of the Meeting for the purpose of identification, in respect of the grant of such number of share options representing 100,000,000 shares of par value of HK\$0.10 each in the capital of the Company to Ms. Ko Po Yee and all transactions contemplated thereunder be and are hereby approved, ratified and confirmed;
- (b) the directors of the Company (the “**Directors**”) be and are hereby authorised to allot and issue 100,000,000 new shares of par value of HK\$0.10 each in the share capital of the Company (the “**Ko Option Shares**”) upon the exercise of the share options in accordance with the terms and the conditions set out in the Ko Option Deed; and

## NOTICE OF EXTRAORDINARY GENERAL MEETING

- (c) any one of the Directors be and are hereby authorised, for and on behalf of the Company, to take all steps necessary or expedient in his opinion to implement and/or give effect to the transactions contemplated by the Ko Option Deed including, but not limited to, the allotment and issue of the Ko Option Shares, executing all other documents, instruments and agreements and doing all such acts and things deemed by him to be incidental to, ancillary to or in connection with the matters contemplated under the Ko Option Deed or agree to such amendments of the same as are in the opinion of such Director not of a material nature and in the interests of the Company.”

### 8. “THAT

- (a) the option deed which was entered into between the Company and Ms. Wong Wan Men, Margaret on 6 October 2011 and amended by a supplemental deed entered between the same parties dated 22 December 2011, (the “**Wong Option Deed**”), copy of which was produced to the Meeting and marked “H” and initialled by the chairman of the Meeting for the purpose of identification, in respect of the grant of such number of share options representing 10,000,000 shares of par value of HK\$0.10 each in the capital of the Company to Ms. Wong Wan Men, Margaret and all transactions contemplated thereunder be and are hereby approved, ratified and confirmed;
- (b) the directors of the Company (the “**Directors**”) be and are hereby authorised to allot and issue 10,000,000 new shares of par value of HK\$0.10 each in the share capital of the Company (the “**Wong Option Shares**”) upon the exercise of the share options in accordance with the terms and the conditions set out in the Wong Option Deed; and
- (c) any one of the Directors be and are hereby authorised, for and on behalf of the Company, to take all steps necessary or expedient in his opinion to implement and/or give effect to the transactions contemplated by the Wong Option Deed including, but not limited to, the allotment and issue of the Wong Option Shares, executing all other documents, instruments and agreements and doing all such acts and things deemed by him to be incidental to, ancillary to or in connection with the matters contemplated under the Wong Option Deed or agree to such amendments of the same as are in the opinion of such Director not of a material nature and in the interests of the Company.”

By order of the board of  
**Tack Fiori International Group Limited**  
(formerly known as “Tack Fat Group International Limited”)  
**LIU ON BONG, PETER**  
*Vice Chairman*

Hong Kong, 29 December 2011

*Notes:*

1. A member entitled and vote at the above meeting may appoint one or, if he holds two or more shares, more proxies to attend and vote instead of him. A proxy need not be a member of the Company.

## NOTICE OF EXTRAORDINARY GENERAL MEETING

2. 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 the meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
3. In order to be valid, a form of proxy together with the power of attorney (if any) or other authority (if any) under which it is signed or a certified copy thereof shall be deposited at the Company's Hong Kong branch share registrar, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. The proxy form will be published on the web site of the Stock Exchange.
4. Shareholders are advised to read the Circular, which contains information concerning the resolution to be proposed in this notice.
5. The ordinary resolutions to be proposed at the EGM shall be decided by way of poll.

As at the date of this notice, the executive Directors of the Company are Mr. Chiu Siu Po (*Chairman*), Mr. Liu On Bong, Peter (*Vice Chairman*), Mr. Chan Chak Kai, Kenneth, Mr. Wan Wai Hei, Wesley, Mr. Au Wai June; and the independent non-executive directors of the Company are Dr. Leung Shiu Ki, Albert, Mr. Robert James Iaia II, Ms. Lam Yan Fong, Flora, Mr. Yau Yan Ming, Raymond and Mr. Miu H., Frank.