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## **THIS CIRCULAR REQUIRES YOUR IMMEDIATE ATTENTION**

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

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

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# **GIORDANO**

## **GIORDANO INTERNATIONAL LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 709)**

### **CONNECTED AND DISCLOSEABLE TRANSACTION CONTINUING CONNECTED TRANSACTIONS AND RE-ELECTION OF DIRECTOR**

**Independent financial advisor to the Independent Board Committee and  
the Independent Shareholders**



**CIMB-GK Securities (HK) Limited**

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A letter from the Board of Giordano International Limited is set out on pages 6 to 18 of this circular. A letter from the Independent Board Committee of Giordano International Limited is set out on pages 19 to 20 of this circular.

A letter from CIMB-GK, the independent financial advisor to the Independent Board Committee and the Independent Shareholders, is set out on pages 21 to 37 of this circular.

A notice convening a special general meeting of Giordano International Limited to be held at Block B, 3rd Floor, Tin On Industrial Building, 777-779 Cheung Sha Wan Road, Kowloon, Hong Kong on Wednesday, August 13, 2008 at 9:30 a.m. is set out on pages 45 to 46 of this circular. Whether or not you are able to attend the meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not later than 48 hours before the time appointed for holding the meeting or any adjournments thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjournments thereof should you so wish.

July 21, 2008

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## DEFINITIONS

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*In this circular, the following expressions have the meanings respectively set opposite them unless the context otherwise requires:*

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	board of Directors
“Business Day”	a day (not being a Saturday or days on which a typhoon signal No. 8 or black rainstorm warning is hoisted in Hong Kong at 10:00 a.m.) on which banks are generally open for general banking business in Hong Kong
“Call Option”	the option granted by the Company to the Purchaser in relation to the Preference Shares
“Call Option Price”	HK\$32,700,000
“CIMB-GK”	CIMB-GK Securities (HK) Limited, a licensed corporation to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Disposal, the Put Option and the Call Option contemplated under the Sale and Purchase Agreement, the continuing connected transactions contemplated under the New Manufacturing Licence Agreements and the proposed New Cap Amounts
“Company”	Giordano International Limited, a company incorporated in Bermuda with limited liability and whose securities are listed on the Stock Exchange
“Completion”	completion of the Disposal in accordance with the Sale and Purchase Agreement
“Consideration”	HK\$22,900,000

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## DEFINITIONS

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“Continuing Connected Transactions”	the transactions contemplated under the New Manufacturing Licence Agreements and the proposed New Cap Amounts under the New Manufacturing Licence Agreements
“Directors”	the directors of the Company
“Disposal”	the disposal of 21 percent of the entire issued share capital of Placita by the Company to the Purchaser pursuant to the Sale and Purchase Agreement
“Giordano-branded Merchandise”	Clothing and related accessory products under the brands <i>Giordano</i> , <i>Giordano Concepts</i> , <i>Giordano Ladies</i> , <i>Giordano Junior</i> , <i>BSX</i> and any other brands from time to time belonging to the Giordano Group
“Giordano Group”	the Company and its subsidiaries (excluding the Placita Group)
“Gloss Mind Hong Kong”	Gloss Mind Apparel (Hong Kong) Limited, an indirect wholly-owned subsidiary of Placita in Hong Kong engaged in the trading of apparel products and the provision of apparel sourcing services
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the committee of the Board, comprising Mr. Barry John BUTTIFANT, Mr. KWONG Ki Chi and Dr. LEE Peng Fei, Allen, being the independent non-executive directors of the Company to make recommendation to the Independent Shareholders in respect of the Disposal, the Put Option and the Call Option contemplated under the Sale and Purchase Agreement, and the Continuing Connected Transactions contemplated under the New Manufacturing Licence Agreements

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## DEFINITIONS

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“Independent Shareholders”	Shareholders other than the Purchaser and its associates
“Latest Practicable Date”	July 17, 2008, being the latest practicable date prior to the printing of this circular for ascertaining information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Cheung”	Mr. Cheung Kwok Leung, a director of non-wholly owned subsidiaries of the Company
“New Manufacturing Licence Agreements”	the two master manufacturing licence agreements dated June 27, 2008 entered into between Giordano Limited, a wholly-owned subsidiary of the Company, and Placita
“Placita”	Placita Holdings Limited, a non wholly-owned subsidiary of the Company incorporated in the British Virgin Islands owned as to 51 percent by the Company and 49 percent by Gloss Mind Holdings Limited
“Placita Group”	Placita, its subsidiaries and associate(s) (as defined in the Listing Rules)
“PRC”	The People’s Republic of China
“PRC Co. A”	深圳亮志服装有限公司 (Shenzhen Liangzhi Clothing Company Limited), an indirect wholly-owned subsidiary of Placita in the PRC engaged in the manufacturing of apparel
“PRC Co. B”	東莞亮智服装有限公司 (Dongguan Liangzhi Clothing Company Limited), an indirect wholly-owned subsidiary of Placita in the PRC engaged in the manufacturing and trading of apparel
“Preference Shares”	preference shares of Placita with rights to the Preference Share Dividend on distribution and return of par value of such preference shares on liquidation but with no voting rights nor the right or obligation to make contributions to capital, loan and/or provision of security to or for Placita and its subsidiaries

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## DEFINITIONS

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“Preference Share Dividend”	the payment attributable, payable and due to the Company as holder of the Preference Shares at the rate of not less than HK\$0.43 per Preference Share per financial year
“Previous Manufacturing Licence Agreements”	the two master manufacturing licence agreements dated March 29, 2006 entered into by Giordano Limited and Bluestar Exchange Limited, two wholly-owned subsidiaries of the Company, with Placita
“Purchaser”	Gloss Mind Holdings Limited
“Purchases”	the purchase of Giordano-branded Merchandise by the Giordano Group from the Placita Group, from time to time, pursuant to the Previous Manufacturing Licence Agreements and the New Manufacturing Licence Agreements
“Put Option”	the option granted by the Purchaser to the Company in relation to the Preference Shares
“Put Option Price”	HK\$27,800,000
“Redesignation”	the redesignation of the remaining 6,055,440 shares in Placita held by the Company into 6,055,440 Preference Shares
“Re-election of Director”	the re-election of Professor Leung Kwok as non-executive Director
“Sale and Purchase Agreement”	the sale and purchase agreement dated June 27, 2008 and entered into among the Company, the Purchaser and Mr. Cheung in relation to the Sale Shares, the Put Option, the Call Option and the Redesignation
“Sale Shares”	4,238,808 ordinary shares in the issued share capital of Placita
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

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## DEFINITIONS

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“SGM”	the special general meeting of the Company to be convened for approving the transactions contemplated under the Sale and Purchase Agreement and the New Manufacturing Licence Agreements and the Re-election of Director
“Shareholders”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Trade Balance”	amounts due from the Giordano Group to the Placita Group in the ordinary course of its trade business from time to time

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## LETTER FROM THE BOARD

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# GIORDANO

## GIORDANO INTERNATIONAL LIMITED

*(Incorporated in Bermuda with limited liability)*

*Executive Directors:*

Dr. LAU Kwok Kuen, Peter (*Chairman*)

Mr. MAH Chuck On, Bernard

*Non-executive Director:*

Professor LEUNG Kwok

*Independent Non-executive Directors:*

Mr. Barry John BUTTIFANT

Mr. KWONG Ki Chi *GBS, JP*

Dr. LEE Peng Fei, Allen *JP*

*Registered Office:*

Canon's Court

22 Victoria Street

Hamilton HM12

Bermuda

*Principal Place of Business in*

*Hong Kong:*

5th Floor

Tin On Industrial Building

777-779 Cheung Sha Wan Road

Kowloon

Hong Kong

July 21, 2008

*To the Shareholders*

Dear Sir or Madam,

### **CONNECTED AND DISCLOSEABLE TRANSACTION CONTINUING CONNECTED TRANSACTIONS AND RE-ELECTION OF DIRECTOR**

#### **BACKGROUND**

On June 27, 2008, the Company, the Purchaser and Mr. Cheung entered into the Sale and Purchase Agreement pursuant to which the Purchaser has agreed to acquire and the Company has agreed to sell 21 percent of the total issued share capital of Placita for the Consideration.

Placita is a non-wholly owned subsidiary of the Company, the principal assets of which are 100 percent indirect equity interests in various companies engaged in the manufacturing and trading of apparel products. The Placita Group supplies apparel products to both the Giordano Group and various third-party customers.

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## LETTER FROM THE BOARD

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Upon Completion, the Purchaser shall procure that Placita redesignate 6,055,440 Shares representing the remaining 30 percent of the total issued share capital of Placita held by the Company into 6,055,440 Preference Shares in Placita. Furthermore, the Purchaser shall on Completion grant to the Company the Put Option and the Company shall grant to the Purchaser the Call Option.

The Purchaser is principally engaged in investment holding and is a 49 percent shareholder of Placita. The Purchaser is wholly and beneficially owned by Mr. Cheung, a director of Placita. Therefore, the Disposal, the Put Option and the Call Option constitute a connected and discloseable transaction within the meanings ascribed thereto under the Listing Rules. Completion of the Sale and Purchase Agreement, the Disposal, the Put Option and the Call Option is therefore subject to, inter alia, Independent Shareholders' approval at the SGM pursuant to Rule 14A.18 of the Listing Rules. The Purchaser and its associates (as defined in the Listing Rules) are required to abstain from voting on the resolutions to approve the Disposal, the Put Option and the Call Option at the SGM. Completion is expected on or about August 29, 2008 (or such other date as the parties may agree) and in any event no later than September 30, 2008.

Giordano Limited, a wholly-owned subsidiary of the Company, entered into the New Manufacturing Licence Agreements with Placita on June 27, 2008 and the said agreements will take effect upon Completion. Under the New Manufacturing Licence Agreements, the Placita Group has been appointed as an authorized non-exclusive manufacturer of Giordano-branded Merchandise. Placita will continue to be a connected person of the Company under the Listing Rules for a period of 12 months following Completion. Accordingly, the Purchases contemplated under the New Manufacturing Licence Agreements during the 12-month period following the expected Completion date of August 29, 2008 constitute Continuing Connected Transactions of the Company and therefore require approval of the Independent Shareholders. The Purchaser and its associates (as defined in the Listing Rules) are required to abstain from voting on the resolution to approve the Continuing Connected Transactions at the SGM.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, as at the Latest Practicable Date, the Purchaser, Mr. Cheung and their respective associates (as defined in the Listing Rules) have no interest in the shares of the Company. As such, no Shareholders have a material interest in the Disposal, the Put Option, the Call Option and the Continuing Connected Transactions and are required to abstain from voting at the SGM.

The Independent Board Committee has been formed to advise the Independent Shareholders in relation to the Sale and Purchase Agreement, the Disposal, the Put Option, the Call Option and the Continuing Connected Transactions. CIMB-GK has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the terms of the Disposal, the Put Option and the Call Option contemplated under the Sale and Purchase Agreement, the continuing connected transactions contemplated under the New Manufacturing Licence Agreements and the proposed New Cap Amounts.

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## LETTER FROM THE BOARD

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The purpose of this circular is to provide you with, among other things, (a) details of the Sale and Purchase Agreement, the Disposal, the Put Option, the Call Option, the Continuing Connected Transactions; (b) a letter from the Independent Board Committee of the Company to the Independent Shareholders in connection with the terms of the Sale and Purchase Agreement, the Disposal, the Put Option, the Call Option, the Continuing Connected Transactions; (c) a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders of the Company; (d) details of the Re-election of Director; and (e) a notice of the SGM.

### SALE AND PURCHASE AGREEMENT

#### Date

June 27, 2008

#### Parties

- (a) the Company;
- (b) the Purchaser; and
- (c) Mr. Cheung, as guarantor of the Purchaser.

Under the Sale and Purchase Agreement, the Company has agreed to sell and the Purchaser has agreed to acquire 21 percent of the entire issued share capital of Placita for the Consideration.

#### Consideration

The Consideration pursuant to the Sale and Purchase Agreement will be satisfied in full in cash on Completion.

Upon the signing of the Sale and Purchase Agreement, the Purchaser placed the whole amount of the Consideration in escrow with an escrow agent agreed between the relevant parties to be released to the Company on Completion.

The Consideration was arrived on an arm's length commercial basis between the parties by reference to the net asset value of Placita attributable to the Sale Shares of HK\$10.5 million (the net asset value of Placita attributable to the Sale Shares of HK\$20.6 million as at December 31, 2007, adjusted for the interim dividend attributable to the Sale Shares of HK\$10.1 million declared and paid in June 2008). The Directors consider that the Consideration is fair and reasonable. There is no premium paid by the Company or the Purchaser for the Put Option and the Call Option respectively.

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## LETTER FROM THE BOARD

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### **Assets to be disposed**

Pursuant to the Sale and Purchase Agreement, the Company has agreed to sell and the Purchaser has agreed to acquire the Sale Shares, being 4,238,808 shares of US\$0.15 each in the share capital of Placita, representing 21 percent of the total issued share capital of Placita, free from any option, charge, lien, equity, encumbrance, rights of pre-emption or any other third party rights whatsoever and together with all rights attached to them at the date of Completion or subsequently becoming attached to them. Placita holds 100 percent indirect equity interests in a number of companies including Gloss Mind Hong Kong, PRC Co. A and PRC Co. B, all of whom are engaged in the manufacturing and trading of apparel, supplying both the Giordano Group and various third-party customers.

### **Conditions Precedent**

Completion is subject to the following conditions having been fulfilled and/or waived:

- (A) the clearance of all announcement(s) and circular(s) required to be issued by the Company under the Listing Rules and granting of all approvals, if necessary, by the Stock Exchange in respect of the transaction contemplated by the Sale and Purchase Agreement;
- (B) the passing by the Independent Shareholders at a special general meeting of the Company to be convened and held of resolutions to approve the Sale and Purchase Agreement, the Disposal, the Put Option, the Call Option, the Continuing Connected Transactions;
- (C) the warranties remaining true and accurate and not misleading at Completion as if repeated at Completion and at all times between the date of the Sale and Purchase Agreement and Completion; and
- (D) the Company having obtained a legal opinion from British Virgin Islands lawyers opining on the legality and validity of the Redesignation to its reasonable satisfaction.

As at the Latest Practicable Date, none of the conditions precedent has been fulfilled or waived.

In the event that not all the above conditions have been fulfilled or waived by the Purchaser (or the Company in relation to Condition (D)) only at its absolute discretion (other than conditions (A) and (B) which may not be waived) by September 30, 2008 (or by such later date(s) as the parties to the Sale and Purchase Agreement may agree in writing), the Sale and Purchase Agreement shall lapse and be of no further effect and no party to the Sale and Purchase Agreement shall have any claim against or liability or obligation (save as in respect of any antecedent breaches of the Sale and Purchase Agreement).

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## LETTER FROM THE BOARD

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### **Completion**

Completion shall take place at 4:00 p.m. on the first Business Day after the last of the conditions of the Sale and Purchase Agreement having been fulfilled or at such other time as may be agreed between the Company, the Purchaser and Mr. Cheung.

Placita will cease to be a subsidiary of the Company following Completion.

On Completion, Placita shall and the Purchaser shall procure Placita to undergo the Redesignation whereby the balance 6,055,440 ordinary shares in Placita held by the Company shall be redesignated into 6,055,440 Preference Shares and to amend its articles of association to reflect the Redesignation. The reason the Redesignation is conducted is to pass management and control of Placita to the Purchaser whilst maintaining the financial benefit derived from Placita.

The Preference Shares to be issued to the Company following the Redesignation shall be entitled to a Preference Share Dividend at the rate of not less than HK\$0.43 per Preference Share per financial year payable in cash. The Company may set-off any residual or unpaid amount after the aforesaid cash payment of the Preference Share Dividend (“Preference Share Dividend Receivable”) against any Trade Balance in an amount up to the actual amount of Preference Share Dividend due and payable to the Company. Mr. Cheung has undertaken to pay to the Company on a dollar for dollar basis any residual or unpaid amount of the Preference Share Dividend Receivable after the aforesaid set-off against the Trade Balance. For the avoidance of doubt, HK\$0.43 shall be the minimum amount of Preference Share Dividend due or payable per Preference Share and if ordinary shares are entitled to any dividend in excess of HK\$0.43 per ordinary share, the holder of Preference Shares shall also be entitled to any such excess so that the Preference Share Dividend due or payable is equal to the dividend due or payable to ordinary shares of Placita. The declaration and payment of the Preference Share Dividend will not cause any adjustments to the Call Option Price and the Put Option Price.

Pursuant to the Sale and Purchase Agreement, the Purchaser has irrevocably and unconditionally granted to the Company the Put Option to require the Purchaser to purchase all the Preference Shares (in respect of which the Call Option has not been exercised) from the Company at the Put Option Price. The Put Option may be exercisable at any time two years after Completion. The Company shall comply with the requirements of the Listing Rules upon its exercise of the Put Option, if applicable.

Pursuant to the Sale and Purchase Agreement, the Company has irrevocably and unconditionally granted to the Purchaser the Call Option to require the Company to sell all the Preference Shares (in respect of which the Put Option has not been exercised) to the Purchaser at the Call Option Price at any time within a period of five years following Completion.

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## LETTER FROM THE BOARD

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### INFORMATION ON PLACITA

Placita is a non-wholly owned subsidiary of the Company engaged in investment holding. The principal assets of Placita include 100 percent indirect equity interests in a number of companies including Gloss Mind Hong Kong, PRC Co. A and PRC Co. B, all of whom are engaged in the manufacturing and trading of apparel products, supplying both the Giordano Group and various third-party customers.

### FINANCIAL INFORMATION ON PLACITA

Following are the financial information on Placita for the two years ended December 31, 2006 and December 31, 2007 extracted from the unaudited consolidated management accounts of Placita using Hong Kong Financial Reporting Standards:

	<b>For the year ended December 31, 2006</b> <i>(HK\$ millions)</i>	<b>For the year ended December 31, 2007</b> <i>(HK\$ millions)</i>
Turnover	611.6	828.2
Net profit before taxation and extraordinary items	6.6	1.6
Net profit after taxation and extraordinary items	5.1	0.5
Net Assets	111.5	98.1

Placita declared and paid an interim dividend of HK\$48.0 million in June 2008.

### REASONS FOR THE DISPOSAL

The Company has long considered its competitive advantage to rest with the design, merchandising and marketing rather than the manufacturing of apparel products. As such, it is the Company's long term strategy to focus on growing its more profitable retailing business. The past two years have seen rising raw material and operating costs progressively eroding Placita's profitability such that its net profit margin has decreased from 0.83 percent in 2006 to 0.06 percent in 2007. The situation has been further exacerbated by rising compliance costs related to the increasingly stringent labour and environmental legislation in the PRC and the steady appreciation of the RMB. In light of the above, the Board considers a move to reduce the Company's interest in Placita from 51 percent to 30 percent to be a positive step towards enhancing shareholder value.

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## LETTER FROM THE BOARD

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Following the Disposal, the Company's remaining 30 percent interest in Placita will be redesignated into 6,055,440 Preference Shares that has a guaranteed minimum annual Preference Share Dividend of HK\$0.43 per share, totaling HK\$2.6 million per year. The Preference Shares will not carry any voting rights, however, the Company will not be obliged to make further capital contributions to Placita in the future. Furthermore, the Company has also acquired the Put Option, exercisable two years after Completion, to sell its Preference Shares to the Purchaser at the Put Option Price of HK\$27.8 million. At the same time, the Company has granted the Purchaser the Call Option to purchase the Preference Shares at the Call Option Price of HK\$32.7 million at any time within a period of five years following Completion. The foregoing is expected to mitigate the Company's downside risk with respect to its remaining 30 percent interest in Placita.

In view of the above, the Directors are of the opinion that the Sale and Purchase Agreement, the Disposal, the Put Option and the Call Option are in the interest of the Group and the terms and conditions of the Sale and Purchase Agreement, the Disposal, the Put Option and the Call Option are on normal commercial terms, which are fair and reasonable, and are in the interest of the Company and the Shareholders as a whole.

### **FINANCIAL EFFECT OF DISPOSAL**

The Directors estimate that upon Completion, the Group will record a gain on disposal of approximately HK\$12.6 million with reference to the net asset value of Placita attributable to the Sale Shares of HK\$10.5 million (the net asset value of Placita attributable to the Sale Shares of HK\$20.6 million as at December 31, 2007, adjusted for the interim dividend attributable to the Sale Shares of HK\$10.1 million declared and paid in June 2008) and the release upon Disposal of approximately HK\$0.2 million in translation reserve that originated from exchange differences arising from the translation of the net investment in foreign (mainly PRC based) companies in the Placita Group. The Directors expect that upon Completion, the net asset value of the Group attributable to the Shareholders will be increased by approximately HK\$12.4 million as a result of the Disposal.

### **ACCOUNTING TREATMENT OF PREFERENCE SHARES, PUT OPTION AND CALL OPTION**

To comply with the Hong Kong Accounting Standard 32 and 39, the 30 percent Preference Shares together with the embedded call and put option after the Redesignation will be recognized as a financial asset at fair value through profit or loss at the Completion date. The difference between the fair value and the net asset value will be accounted for as a non-cash gain on Redesignation. The fair value will be estimated by a professional valuation firm at year end and re-assessed at the end of each subsequent year, with any changes to be charged to the profit and loss account.

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## LETTER FROM THE BOARD

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Using the Put Option Price of HK\$27.8 million as a conservative estimate of fair value (subject to valuation by a professional valuation firm at year end), the Directors reckon that upon Completion, the Group will record a non-cash gain on Redesignation of approximately HK\$12.9 million with reference to the net asset value of Placita attributable to the 30 percent remaining shares of HK\$15.0 million (the net asset value of Placita attributable to the 30 percent remaining shares of HK\$29.4 million as at December 31, 2007, adjusted for the interim dividend attributable to the remaining shares of HK\$14.4 million declared and paid in June 2008) and the release upon Disposal of approximately HK\$0.1 million in translation reserve that originated from exchange differences arising from the translation of the net investment in foreign (mainly PRC based) companies in the Placita Group. On the basis of the foregoing, the Directors estimate that upon Completion, the net asset value of the Group attributable to the Shareholders will be increased by approximately HK\$12.8 million as a result of the Redesignation.

### **EFFECT OF THE TRANSACTION ON THE ASSETS AND LIABILITIES OF THE GROUP**

With reference to the financial statements of the Group as at December 31, 2007, the Directors estimate that upon Completion, the total assets of the Group will experience a decrease of approximately HK\$257.9 million (the total assets of the Placita Group of HK\$305.9 million, adjusted for the interim dividend of HK\$48.0 million that Placita declared and paid in June 2008) from the Disposal, an increase of HK\$22.9 million from the proceeds of the Disposal and an increase of HK\$27.8 million from the estimated fair value of Preference Shares with the embedded call and put options. The Directors further estimate that upon Completion, the Group will record a decrease of approximately HK\$207.8 million in total liabilities and a reduction in minority interests of HK\$24.6 million. On the basis of the foregoing, the net asset value of the Group attributable to the Shareholders will be increased by HK\$25.2 million upon Completion.

### **USE OF PROCEEDS**

The Directors expect that the proceeds from the Disposal of HK\$22.9 million will be used for general working capital of the Group.

The Directors expect the proceeds from the exercise of the Call Option of HK\$32.7 million, or the Put Option of HK\$27.8 million as the case may be, will be used for general working capital of the Group.

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## LETTER FROM THE BOARD

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### CONTINUING CONNECTED TRANSACTIONS

It is the policy of the Giordano Group that all authorized manufacturers and suppliers are required to enter into a manufacturing licence agreement with it. The manufacturing licence agreement is a master agreement that sets out the general requirements that a manufacturer must comply as an authorized manufacturer of the Giordano Group and the operational requirements that such authorized manufacturer must comply when handling orders placed by the Giordano Group.

In accordance with the above policy, Giordano Limited and Bluestar Exchange Limited, two wholly-owned subsidiaries of the Company, entered into the Previous Manufacturing Licence Agreements with Placita on March 29, 2006. The Purchases governed by the Previous Manufacturing Licence Agreements constitute continuing connected transactions of the Company and the proposed maximum aggregate value of all Purchases for the three years ending December 31, 2008 (the "Previous Cap Amount(s)") were approved by the Independent Shareholders on May 9, 2006. As such, the Purchases made by the Giordano Group from the Placita Group up to December 31, 2008 will continue to be subject to the Previous Cap Amount(s).

The standard manufacturing licence agreement is subject to revision from time to time by the Company to properly safeguard the Giordano Group's interest and was updated in June 2008. Following such update, Giordano Limited, a wholly-owned subsidiary of the Company, entered into the New Manufacturing Licence Agreements with Placita on June 27, 2008, the terms of which are essentially identical to the Previous Manufacturing Licence Agreements and which will take effect upon Completion.

Under the New Manufacturing Licence Agreements, the Giordano Group has appointed the Placita Group as an authorized non-exclusive manufacturer of Giordano-branded Merchandise. Following Completion, the entire voting capital of Placita will be owned by Gloss Mind Holdings Limited, which in turn is wholly-owned by Mr. Cheung, a director of Placita, and Placita is therefore considered a connected person of the Company under the Listing Rules for a period of 12 months following Completion. Accordingly, the Purchases contemplated under the New Manufacturing Licence Agreements during the 12-month period following Completion constitute Continuing Connected Transactions of the Company and therefore require approval of the Independent Shareholders.

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## LETTER FROM THE BOARD

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### REASON FOR THE PURCHASES

The Placita Group is engaged in the manufacturing and trading of clothing and accessory products, supplying both the Giordano Group and various third-party customers.

The principal business of the Giordano Group is the retail and distribution of Giordano-branded Merchandise. The Giordano Group purchases such merchandise according to its requirements from a number of authorized manufacturers and suppliers including the Placita Group. The price and payment terms for the Purchases from the Placita Group are negotiated on an order-by-order basis, based on arm's length negotiation and with reference to the prices of similar merchandise purchased by the Giordano Group from other independent manufacturers and suppliers.

The Directors consider that the Purchases under the New Manufacturing Licence Agreements are on normal commercial terms, fair and reasonable and in the ordinary and usual course of business of the Giordano Group and on terms no more favorable than those available to independent third parties, and that such Purchases are in the interest of the Giordano Group.

### THE NEW CAP AMOUNTS

Under the Listing Rules, the Purchases contemplated under the New Manufacturing Licence Agreements for the 12-month period following Completion constitute Continuing Connected Transactions of the Company. The Purchases that the Giordano Group made under the Previous Manufacturing Licence Agreements for the financial years ended December 31, 2006 and 2007 were HK\$268 million and HK\$307 million respectively, representing an increase of approximately 14.6 percent. In the first five months of 2008, the Giordano Group made Purchases of HK\$101 million, or an average of HK\$20.2 million per month. The proposed maximum aggregate value of all Purchases (the "New Cap Amount(s)") covering the 12-month period following Completion is estimated to be HK\$450 million, or an average of HK\$37.5 million per month to support the Giordano Group's planned expansion in Mainland China and elsewhere in the region. Such amount is allocated between 2008 and 2009 as follows:

<b>Period</b>	<b>New Cap Amount (HK\$)</b>
From the day after Completion through December 31, 2008 ( <i>Note</i> )	150 million
From January 1, 2009 through the first anniversary of Completion	300 million

*Note:*

The previous cap amount for the financial year ending December 31, 2008 under the Previous Manufacturing Licence Agreements ("Previous Cap Amount") is HK\$484 million, or an average of approximately HK\$40.3 million per month.

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## LETTER FROM THE BOARD

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The proposed New Cap Amount for the period from the day after Completion through December 31, 2008 is HK\$150 million and the Company expects Completion to take place on or about August 29, 2008.

Following Completion, both the Previous Cap Amount and the New Cap Amounts will apply such that the Purchases for the financial year ending December 31, 2008 shall not exceed the Previous Cap Amount and the Purchases for the period from the day after Completion through December 31, 2008 shall not exceed a total of HK\$150 million.

Should Completion occur after August 29, 2008, the proposed New Cap Amount for the period from the day after Completion through December 31, 2008 shall be reduced on a pro-rata basis and the proposed New Cap Amount for the period from January 1, 2009 to the first anniversary of Completion shall be increased accordingly.

### GENERAL

The Company is principally engaged in retail and distribution of Giordano-branded Merchandise.

The Purchaser is principally engaged in investment holding and is a 49 percent shareholder of Placita. The Purchaser is wholly and beneficially owned by Mr. Cheung, a director of Placita. Therefore, the Disposal, the Put Option and the Call Option constitute a connected and discloseable transaction within the meanings ascribed thereto under the Listing Rules. The Purchaser and its associates (as defined in the Listing Rules) are required to abstain from voting at the SGM on the resolutions to approve the Disposal, the Put Option and the Call Option contemplated under the Sale and Purchase Agreement. Completion of the Sale and Purchase Agreement is therefore subject to, inter alia, Independent Shareholders' approval at the SGM pursuant to Rule 14A.18 of the Listing Rules.

As the aggregate annual amounts of the Continuing Connected Transactions will exceed the 2.5 percent threshold as provided in Rule 14A.34 of the Listing Rules, the Continuing Connected Transactions will be subject to the reporting, announcement and Independent Shareholders' approval requirements pursuant to Rule 14A.35 of the Listing Rules. The Purchaser and its associates (as defined in the Listing Rules) are required to abstain from voting at the SGM on the resolution to approve the Continuing Connected Transactions contemplated under the New Manufacturing Licence Agreements.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, as at the Latest Practicable Date, the Purchaser, Mr. Cheung and their respective associates (as defined in the Listing Rules) have no interest in the shares of the Company. As such, no Shareholders have a material interest in the Disposal, the Put Option, the Call Option and the Continuing Connected Transactions and are required to abstain from voting at the SGM.

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## LETTER FROM THE BOARD

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The Independent Board Committee has been formed to advise the Independent Shareholders in relation to the Sale and Purchase Agreement, the Disposal, the Put Option, the Call Option and the Continuing Connected Transactions. CIMB-GK has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the terms of the Sale and Purchase Agreement, the Disposal, the Put Option, the Call Option and the Continuing Connected Transactions.

### **RE-ELECTION OF DIRECTOR**

Pursuant to the Company's Bye-Laws, a Director appointed by the Board to fill a casual vacancy shall hold office until the next following general meeting of the Company, and shall be eligible for re-election at the meeting. Professor LEUNG Kwok ("Professor Leung") was appointed as Non-executive Director by the Board with effect from July 1, 2008. Accordingly, Professor Leung shall hold office until the SGM and is eligible for re-election at the SGM.

The brief biographical particulars of Professor Leung who offers himself for re-election at the SGM that are required to be disclosed under the Listing Rules are set out in Appendix II to this circular.

### **SPECIAL GENERAL MEETING**

A notice of the SGM to be held at Block B, 3rd Floor, Tin On Industrial Building, 777-779 Cheung Sha Wan Road, Kowloon, Hong Kong on Wednesday, August 13, 2008 at 9:30 a.m. is set out on pages 45 to 46 of this circular. Resolutions will be proposed at the meeting to approve the transactions contemplated under the Sale and Purchase Agreement and the New Manufacturing Licence Agreements and the Re-election of Director.

A form of proxy for use at the SGM is enclosed. Whether or not you are able to attend the meeting, please complete the accompanying form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not later than 48 hours before the time appointed for holding the meeting or any adjournments thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjournments thereof should you so wish.

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## LETTER FROM THE BOARD

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### RECOMMENDATION

As set out in its letter to the Independent Shareholders and based on the advice of CIMB-GK, the Independent Board Committee is of the view that the terms of the Disposal, the Put Option and the Call Option contemplated under the Sale and Purchase Agreement and the Continuing Connected Transactions contemplated under the New Manufacturing Licence Agreements are on normal commercial terms, fair and reasonable and are in the interests of the Group and the Shareholders as a whole and recommends the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the SGM. The recommendations and advice from the Independent Board Committee and CIMB-GK are set out on pages 19 to 20 and pages 21 to 37 of this circular respectively.

The Directors consider that the terms of the Disposal, the Put Option and the Call Option contemplated under the Sale and Purchase Agreement and the Continuing Connected Transactions contemplated under the New Manufacturing Licence Agreements are fair and reasonable, on normal commercial terms, and in the interest of Shareholders as a whole. The Directors also consider that the re-election of Professor Leung as Non-executive Director is in the best interests of the Company and the Shareholders. The Directors therefore recommend the Independent Shareholders to vote in favour of all the ordinary resolutions to be proposed at the SGM.

### ADDITIONAL INFORMATION

Your attention is drawn to the letter of the Independent Board Committee, the letter from CIMB-GK and the general information set out in the appendix to this circular.

Yours faithfully  
By Order of the Board  
**LAU Kwok Kuen, Peter**  
*Chairman*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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# GIORDANO

## GIORDANO INTERNATIONAL LIMITED

*(Incorporated in Bermuda with limited liability)*

July 21, 2008

*To the Independent Shareholders*

Dear Sir or Madam,

### **CONNECTED AND DISCLOSEABLE TRANSACTION AND CONTINUING CONNECTED TRANSACTIONS**

We have been appointed by the Board to advise you as to whether the terms of the Sale and Purchase Agreement, the Disposal, the Put Option, the Call Option and the Continuing Connected Transactions are on normal commercial terms, fair and reasonable, and in the interests of the Company and the Shareholders as a whole. Details of the Sale and Purchase Agreement, the Disposal, the Put Option, the Call Option and the Continuing Connected Transactions are set out on pages 8 to 17 of the circular (the “Circular”) dated July 21, 2008 issued by the Company to the Shareholders of which this letter forms part. The terms defined in the Circular shall have the same meanings when used in this letter, unless the context otherwise requires.

We wish to draw your attention to the letter from the Board set out on pages 6 to 18 of the Circular and the letter from CIMB-GK set out on pages 21 to 37 of the Circular.

We, after taking advice from CIMB-GK, concur with the views of CIMB-GK and consider that the terms of the Disposal, the Put Option and the Call Option contemplated under the Sale and Purchase Agreement are on normal commercial terms, fair and reasonable and are in the interests of the Group and the Shareholders as a whole. We are also of the view that the Continuing Connected Transactions contemplated under the New Manufacturing Licence Agreements are conducted in the ordinary and usual course of business of the Giordano Group and on terms no less favorable to the Company than those offered by independent third parties and hence are in the

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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interests of the Group and the Shareholders as a whole and the proposed New Cap Amounts are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the SGM in respect of the Disposal, the Put Option and the Call Option contemplated under the Sale and Purchase Agreement and the Continuing Connected Transactions contemplated under the New Manufacturing Licence Agreements.

Yours faithfully

Independent Board Committee

**Mr. Barry John BUTTIFANT**

*Independent*

*Non-executive Director*

**Mr. KWONG Ki Chi** *GBS JP*

*Independent*

*Non-executive Director*

**Dr. LEE Peng Fei, Allen** *JP*

*Independent*

*Non-executive Director*

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## LETTER FROM CIMB-GK

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**CIMB-GK Securities (HK) Limited**

25/F., Central Tower  
28 Queen's Road Central  
Hong Kong

July 21, 2008

*To the Independent Board Committee and  
the Independent Shareholders of Giordano International Limited*

Dear Sirs,

### **CONNECTED AND DISCLOSEABLE TRANSACTION AND CONTINUING CONNECTED TRANSACTIONS**

#### **INTRODUCTION**

We refer to our engagement as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to (i) the terms of the Disposal, the Put Option and the Call Option contemplated under the Sale and Purchase Agreement; (ii) the continuing connected transactions contemplated under the New Manufacturing Licence Agreements; and (iii) the proposed New Cap Amounts, details of which are contained in a circular of the Company (the "Circular") to the Shareholders dated July 21, 2008, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

An independent board committee comprising Mr. Barry John BUTTIFANT, Mr. KWONG Ki Chi and Dr. LEE Peng Fei, Allen, being the independent non-executive Directors, has been formed to advise the Independent Shareholders in relation to (i) the terms of the Disposal, the Put Option and the Call Option contemplated under the Sale and Purchase Agreement; (ii) the continuing connected transactions contemplated under the New Manufacturing Licence Agreements; and (iii) the proposed New Cap Amounts.

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## LETTER FROM CIMB-GK

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### **BASIS OF OUR OPINION**

In formulating our recommendation, we consider that we have reviewed sufficient and relevant information and documents and have taken reasonable steps as required under Rule 13.80 of the Listing Rules including the notes thereto to reach an informed view and to provide a reasonable basis for our recommendation. We have relied on the information and facts contained or referred to in the Circular, the information provided by the Company and our review of the relevant public information. We have also assumed that the information, facts and representations contained or referred to in the Circular were true and accurate at the time they were made and up to the date of the SGM. We have not, however, conducted an independent verification of the information nor have we conducted any form of in-depth investigation into the businesses and affairs or the prospects of the Company or Placita, or any of their respective subsidiaries or associates. We have no reason to doubt the truth, accuracy and completeness of the information, facts and representations provided and represented to us by the Company. We have also been advised by the Company and believe that no material facts have been omitted from the Circular.

### **PRINCIPAL FACTORS CONSIDERED**

In arriving at our opinion, we have considered the following principal factors and reasons:

#### **(A) Sale and Purchase Agreement**

##### ***(I) Background and reasons for entering into of the Sale and Purchase Agreement***

On June 27, 2008, the Company, the Purchaser and Mr. Cheung entered into the Sale and Purchase Agreement, pursuant to which (i) the Purchaser has agreed to acquire and the Company has agreed to sell 21 percent of the entire issued share capital of Placita for the Consideration of HK\$22.9 million; (ii) on Completion, the Purchaser shall procure that Placita redesignate 6,055,440 Shares, representing the remaining 30 percent of the entire issued share capital of Placita held by the Company, into 6,055,440 Preference Shares; and (iii) on Completion, the Purchaser shall grant the Company the Put Option and the Company shall grant the Purchaser the Call Option. Details of the principal terms of the Sale and Purchase Agreement are set out in the Letter from the Board.

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## LETTER FROM CIMB-GK

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Placita is currently beneficially owned as to 51 percent by the Company and 49 percent by the Purchaser. As stated in the Letter from the Board, the Placita Group is principally engaged in manufacturing and trading of apparel products and supplies its apparel products to both the Giordano Group and other customers.

Set out below are the financial highlights of the Placita Group for the three financial years ended December 31, 2007 extracted from the unaudited consolidated management accounts of the Placita Group using Hong Kong Financial Reporting Standards:

	<b>For the year ended December 31, 2005</b>	<b>For the year ended December 31, 2006</b>	<b>For the year ended December 31, 2007</b>
	<i>(HK\$ millions)</i>	<i>(HK\$ millions)</i>	<i>(HK\$ millions)</i>
Turnover	670.3	611.6	828.2
Net profit before taxation and extraordinary items	23.8	6.6	1.6
Net profit after taxation and extraordinary items	19.1	5.1	0.5
Net Assets	106.2	111.5	98.1*

\* *Placita declared and paid an interim dividend of HK\$48.0 million in June 2008. Accordingly, the net assets of the Placita Group were reduced to approximately HK\$50.1 million after adjusting for such payment of dividend.*

The Placita Group has experienced declining profitability in the past few years, with its net profit margin decreasing to approximately 0.06 percent in 2007 from approximately 2.85 percent in 2005. As advised by the Company, the aforesaid decrease was principally attributable to the rising raw material and operating costs (both exacerbated by the appreciation of the RMB) on the one hand and the continued downward pressure on selling prices on the other in the past few years. The Company believes that such difficult operating environment is expected to be further intensified in consideration of the rising compliance costs as a result of the increasingly stringent labour legislation and environmental measures imposed in the PRC and the steady appreciation of the RMB.

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## LETTER FROM CIMB-GK

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We have reviewed information sourced from public domains regarding the status of the apparel manufacturing industry in the PRC and note that the apparel manufacturing industry in the PRC has faced difficult times in recent years due to factors including, among others, (i) the reduction of the relevant export tax rebates; (ii) the rising labour cost and the rising prices of raw material and energy; and (iii) the reluctance of domestic banks in granting loans to apparel manufacturing enterprises as those enterprises are characterised as high energy consumption, high pollution and high emission. In this connection, we concur with the view of the management of the Company that the operating environment for the apparel manufacturing industry in the PRC will remain difficult.

We note from the Company's annual report for the financial year ended December 31, 2007 that the Giordano Group will continue to focus on further differentiation and elevation of Giordano brands and target to expand its global distribution network in 2008. We also note from the Letter from the Board that the Company has long considered its competitive advantage to rest with the design, merchandising and marketing, rather than the manufacturing of apparel products, and its long term strategy focuses on developing its more profitable retail business.

### *Our view*

Having considered the above, we concur with the view of the management of the Company that the Disposal provides an opportunity for the Company to realize its investment in the Placita Group and allows the Group to focus its resources in its more profitable retail business, and is in the interests of the Group and the Shareholders as a whole.

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## LETTER FROM CIMB-GK

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### ***(II) Major terms of the Sale and Purchase Agreement***

#### *(i) The Disposal, the Put Option and the Call Option*

The Sale and Purchase Agreement stipulates that (i) the Purchaser has agreed to acquire and the Company has agreed to sell 21 percent of the entire issued share capital of Placita at the Consideration of HK\$22.9 million; (ii) upon Completion, the Company will be granted the Put Option exercisable at any time two years after Completion to sell its Preference Shares (in respect of which the Call Option has not been exercised) to the Purchaser at the Put Option Price of HK\$27.8 million; and (iii) upon Completion, the Company will grant the Purchaser the Call Option exercisable at any time within a five-year period following Completion to purchase the Preference Shares (in respect of which the Put Option has not been exercised) from the Company at the Call Option Price of HK\$32.7 million.

The Consideration of the Sale Shares shall be HK\$22.9 million, which will be satisfied in full in cash on Completion. As set out in the Letter from the Board, the Consideration was arrived at on an arm's length commercial basis between the Company and the Purchaser with reference to the adjusted net assets value of Placita attributable to the Sale Shares of approximately HK\$10.5 million, after adjusting for the interim dividend attributable to the Sale Shares of approximately HK\$10.1 million declared and paid in June 2008.

There is no premium paid by the Company or the Purchaser for the Put Option and the Call Option respectively. As advised by the Company, the Call Option Price and the Put Option Price are determined on an arm's length negotiation between the relevant parties with reference to the value of the Placita Group as implied by the Consideration under the Sale and Purchase Agreement (the "Implied Value"). The Put Option Price represents a discount of approximately 15 percent to the Implied Value whereas the Call Option Price commands neither a premium over nor a discount to the Implied Value. Given that the Company will be granted a right to sell, at its sole discretion, the Preference Shares at a pre-determined price under the Put Option, we consider that the discount of the Put Option Price is acceptable. Furthermore, given the nature of the Put Option, we concur with the view of the management of the Company that the Put Option allows the Company to mitigate its downside risk with respect to its remaining 30 percent interest in Placita and therefore is in the interests of the Group and the Shareholders as a whole.

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## LETTER FROM CIMB-GK

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To assess the fairness and reasonableness of the Consideration for the Disposal, the Call Option Price and the Put Option Price, we have, on a best effort basis, conducted a search of companies listed on the Stock Exchange which are principally engaged in manufacturing and trading of apparel products, which we consider represent the close comparison to the main business of the Placita Group. Based on the above criteria, we have, to the best of our knowledge, identified ten Hong Kong listed companies whose principal business are similar to that of Placita (the “Comparable Companies”) and compared their respective valuation multiples, including price earning ratio (“PER”) and price to book multiple (“P/B”), with the implied PER and the implied P/B under the Consideration, the Call Option Price and the Put Option Price, details of which are set out below:

Company	Stock code	Principal business	PER <i>(approximately times)</i> <i>Note 1</i>	P/B <i>(approximately times)</i> <i>Note 1</i>
Luen Thai Holdings Limited	311	Manufacturing apparel, on an OEM basis, primarily of knit wear and woven wear; providing freight forwarding and logistics services, and system consultancy services	8.87	0.52
China Ting Group Holdings Limited	3398	Manufacturing apparel, producing silk or silk-blended women’s clothing for export to the United States and Europe and women’s clothing for sale in China	5.79	1.26
Carry Wealth Holdings Limited	643	Manufacturing and trading garment	3.06	0.46
Tack Fat Group International Limited	928	Manufacturing and selling garments as well as retailing garments	3.12	0.53
Chaoyue Group Limited (“Chaoyue”)	147	Manufacturing and trading garment	67.94	18.80
High Fashion International Limited	608	Manufacturing and trading as well as retailing garment	1.58	0.53
Tungtex (Holdings) Company Limited	518	Manufacturing and selling garment	8.31	1.27
Tristate Holdings Limited	458	Manufacturing and trading garment; distributing and trading branded products	3.85	0.51
Pak Tak International Limited (“Pak Tak”)	2668	Manufacturing, on an OEM basis, and trading knitted-to-shape garments mainly to the United States and Europe	76.25 <i>Note 4</i>	0.48
YangtzeKiang Garment Limited	294	Manufacturing and selling garment products and textiles; providing processing services and the rental of properties	4.02	0.57
Average			12.76 <i>Note 3</i>	0.68 <i>Note 3</i>
Consideration			203.83 (implied) <i>Note 2</i>	2.18 (implied) <i>Note 2</i>
Call Option Price			203.74 (implied) <i>Note 2</i>	2.18 (implied) <i>Note 2</i>
Put Option Price			173.21 (implied) <i>Note 2</i>	1.85 (implied) <i>Note 2</i>

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## LETTER FROM CIMB-GK

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*Note:*

1. Data regarding the PERs and P/Bs of the Comparable Companies are sourced from Bloomberg as at June 27, 2008, being the date of the Sale and Purchase Agreement, and with reference to the respective annual reports of the Comparable Companies.
2. The respective PER and P/B for Placita as implied by the Consideration, the Call Option Price and the Put Option Price have been calculated based on the Consideration, the Call Option Price and the Put Option Price, the unaudited consolidated profit of the Placita Group for the financial year ended December 31, 2007, and the unaudited consolidated net assets value of the Placita Group as at December 31, 2007 after adjusting the interim dividend of HK\$48 million declared and paid in June 2008.
3. Chaoyue is excluded from the calculation of the average PER and P/B of Comparable Companies, as we note that the share price of Chaoyue has experienced an exceptional rise of approximately three times during the period from early October 2007 to June 27, 2008, which, to our best knowledge, may be due to market speculation on the business development of Chaoyue subsequent to its series corporate exercises carried out during the year including but not limited to the change of controlling shareholder and the board composition.
4. Based on our review of the public information regarding Pak Tak, we understand that the significantly high PER of Pak Tak, as compared with those of the other Comparable Companies, was mainly attributable to its low earnings for the year ended March 31, 2007 relative to its share price as at June 27, 2008.

As shown above, the PERs of the Comparable Companies range from approximately 76.25 times to approximately 1.58 times, with an average of approximately 12.76 times, and the P/Bs of the Comparable Companies range from approximately 0.46 times to approximately 18.80 times, with an average of approximately 0.68 times.

We note that the respective implied P/B under the Consideration, the Call Option Price and the Put Option Price is higher than the average P/B of the Comparable Companies, and the respective implied PER under the Consideration, the Call Option Price and the Put Option Price is significantly higher than the average PER of the Comparable Companies.

Based on the above, we consider that the Consideration, the Call Option Price and the Put Option Price are fair and reasonable and in the interests of the Group and the Shareholders as a whole.

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## LETTER FROM CIMB-GK

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(ii) *Redesignation*

Pursuant to the Sale and Purchase Agreement, upon Completion, Placita shall, and the Purchaser shall procure Placita to, undergo the Redesignation whereby the Company's remaining 30 percent interest of 6,055,440 ordinary shares in Placita shall be redesignated into 6,055,440 Preference Shares. These Preference Shares do not carry any voting rights of Placita but are entitled a guaranteed Preference Share Dividend of no less than HK\$0.43 per Preference Share, that is, a minimum dividend of approximately HK\$2.6 million per year. The declaration and payment of the Preference Share Dividend will not cause any adjustments to the Call Option Price and the Put Option Price. In addition, as a holder of the Preference Shares, the Company shall not be obliged to make further capital contributions to Placita in the future.

The Sale and Purchase Agreement also stipulates that the Company at its sole discretion may set-off any residual or unpaid amount after the cash payment of the Preference Share Dividend against any Trade Balance in an amount up to the actual amount of Preference Share Dividend due and payable to the Company, and Mr. Cheung has undertaken to pay to the Company on a dollar for dollar basis any residual or unpaid amount of the Preference Share Dividend Receivable after the aforesaid set-off against the Trade Balance.

Taking into consideration that (i) the Preference Shares are entitled to a guaranteed dividend in priority to the ordinary shares of Placita, thus allowing the Company to enjoy a relatively stable investment income; and (ii) after the Redesignation, the Company will no longer be obliged to make further capital contribution to nor provide corporate guarantee for banking facilities of the Placita Group, we are of the view that the Redesignation following completion of the Disposal is in the interest of the Group and the Shareholders as a whole.

Our view

Having considered (i) the fairness of the Consideration, the Put Option Price and the Call Option Price; (ii) the protection to downside risk resulting from the Put Option; (iii) the guaranteed Preferred Dividend for the Preference Shares, we are of the view that the terms of the Sale and Purchase Agreement are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Group and the Shareholders as a whole.

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## LETTER FROM CIMB-GK

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### *(III) Possible financial effects of the Disposal under the Sale and Purchase Agreement*

#### *(i) Earnings*

Upon Completion, Placita will cease to be a subsidiary of the Giordano Group and given that the Preference Shares would not carry voting rights, the Giordano Group will also cease to equity account for the results of the Placita Group.

As stated in the Letter from the Board, the Directors estimate that, upon Completion, the Group will record a gain on the Disposal of approximately HK\$12.6 million with reference to (a) the adjusted net assets value of Placita attributable to the Sale Shares of HK\$10.5 million as at the Latest Practicable Date and (b) upon Disposal, the release of approximately HK\$0.2 million in translation reserve that originated from exchange differences arising from the translation of the net investment in foreign (mainly PRC based) companies in the Placita Group.

In addition, as stated in the Letter from the Board, in respect of the Preference Shares together with the embedded call and put option after the Redesignation (“Financial Asset”), the difference between the fair value, which will be estimated at year end, and the net assets value of the Financial Asset will be accounted for as a non-cash gain on Redesignation. The Directors reckon that, using the Put Option Price as a conservative estimate of the fair value of the Financial Asset, upon Completion, the Group would record a non-cash gain on Resignation of approximately HK\$12.9 million (subject to valuation by a professional valuation firm at year end) with reference to (a) the adjusted net assets value of Placita attributable to the 30 percent remaining shares of HK\$15 million as at the Latest Practicable Date and (b) upon Disposal, the release of approximately HK\$0.1 million in translation reserve that originated from exchange differences arising from the translation of the net investment in foreign (mainly PRC based) companies in the Placita Group.

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## LETTER FROM CIMB-GK

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(ii) *Net assets value*

As stated in the Letter from the Board, the Directors expect that, upon Completion, the net assets value of the Group attributable to the Shareholders would increase by approximately HK\$12.4 million as a result of the Disposal, and approximately HK\$12.8 million in respect to the Redesignation (subject to valuation by a professional valuation firm at year end).

(iii) *Working capital*

Given the Consideration will be satisfied in full in cash, the Company will expect an increase in cash of HK\$22.9 million before deducting any legal and professional fees. As set out in the Letter from the Board, the net proceeds from the Disposal as well as the expected proceeds from the exercise of the Call Option of HK\$32.7 million or the Put Option of HK\$27.8 million (as the case may be) will be used for general working capital of the Group.

**(B) New Manufacturing Licence Agreements**

***(I) Background for entering into the New Manufacturing Licence Agreements***

As advised by the Company, given the internal policy of the Giordano Group, all authorized manufacturers are required to enter into a manufacturing licence agreement with the Giordano Group before supplying apparel products to it. As a master agreement, the manufacturing licence agreement, subject to revision from time to time by the Company in order to properly safeguard the interest of the Giordano Group, usually sets out (a) the general requirements on authorized manufacturers and (b) the operational requirements on them when handling purchase orders placed by the Giordano Group.

We understand from the Letter from the Board that, to comply with the above policy, Giordano Limited and Bluestar Exchange Limited, two wholly-owned subsidiaries of the Company, entered into the Previous Manufacturing Licence Agreements with Placita on March 29, 2006 to govern the Purchases conducted between the Giordano Group and Placita. The Previous Manufacturing Licence Agreements and the Previous Cap Amounts were approved by the Independent Shareholders on May 9, 2006. On June 27, 2008, Giordano Limited entered into the New Manufacturing Licence Agreements with Placita which will take effect upon Completion, the terms of which are substantially identical to those of the Previous Manufacturing Licence Agreements.

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## LETTER FROM CIMB-GK

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***(II) Reasons for, benefits and advantages of the Purchases under the New Manufacturing Licence Agreements***

Under the New Manufacturing Licence Agreements, the Placita Group has been appointed as an authorized non-exclusive manufacturer of Giordano-branded Merchandise by the Giordano Group.

As set out in the Letter from the Board, the Placita Group is principally engaged in manufacturing and trading of apparel products, and we are also advised by the Company that, based on the historical experience of dealing with the Placita Group and the Placita Group's expertise and experience in the apparel manufacturing industry in the PRC, the management of the Company considers the Placita Group well positioned to fulfil the Giordano Group's strict product quality requirements. To have a better understanding of the Placita Group, we have reviewed information of the Placita Group provided by the Company and note that the Placita Group manufactures various categories of apparel products and supplies to several branded apparel retailers.

Given that the long term strategy of the Company is to develop its more profitable retail and distribution business through purchasing Giordano-branded apparel products from its authorized manufacturers, we concur with the view of the Company that it is in the interests of the Group and the Shareholders as a whole to continue the Purchases with the Placita Group under the New Manufacturing Licence Agreements.

In addition, as set out in the Letter from the Board, the Giordano Group purchases Giordano-branded Merchandise from a number of authorized manufacturers including the Placita Group. We are advised by the Company that as at the Latest Practicable Date, the Giordano Group has entered into non-exclusive manufacturing licence agreements with around 800 authorized manufacturers, of which around 100 including the Placita Group are considered active manufacturers in terms of annual purchase frequency. The Placita Group mainly supplies woven jackets, shirts, boxer shorts, bottoms and knitted garments to the Giordano Group.

We have reviewed information provided by the Company regarding the amounts of the purchases by the Giordano Group from its authorized manufacturers (including the Placita Group) and from the Placita Group only for the two years ended December 31, 2007 and the first five months of 2008. Based on our review, we note that the purchase amounts by the Giordano Group from the Placita Group represented approximately 13.58 percent, 13.44 percent and 10.81 percent for each of the relevant period and therefore we consider the purchases by the Giordano Group from the Placita Group during the relevant period did not constitute a material portion of the merchandising of the Giordano Group.

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## LETTER FROM CIMB-GK

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### *Our view*

Having considered the aforesaid, we consider that the entering into of the New Manufacturing Licence Agreements is within the ordinary and usual course of business of the Giordano Group and is in the interests of the Group and the Shareholders as a whole.

### ***(III) Major terms of the New Manufacturing Licence Agreements***

As set out in the Letter from the Board, the terms of the New Manufacturing Licence Agreements entered into between the Giordano Group with Placita on June 27, 2008 are essentially identical to those of the Previous Manufacturing Licence Agreements.

To assess the fairness and reasonableness of the terms of the New Manufacturing Licence Agreements, we have reviewed the Previous and the New Manufacturing Licence Agreements as well as several manufacturing licence agreements entered into between the Giordano Group and independent authorized manufacturers. Based on our review, we note that the major terms of the New Manufacturing Licence Agreements, including but not limited to those governing placement of purchase orders, use of trade mark, quality control, delivery, disposal of seconds and termination of the agreement and purchase orders, are similar to those available to the independent authorized manufacturers of the Giordano Group.

In respect of the pricing and payment terms for the Purchases by the Giordano Group from the Placita Group, we are advised by the Company that the relevant terms are determined after arm's length negotiation between the relevant parties with reference to the relevant terms offered by independent authorized manufacturers of similar merchandise to the Giordano Group.

We are also advised by the Company that the buying department of the Giordano Group functions as a purchasing center for Giordano-branded Merchandise, which is governed by strict internal policies and procedures in respect of selecting proper authorized manufacturer(s) for any purchase order to be placed by the Giordano Group. We understand from the discussion with the management of the Company that, for a specific order to be placed by the Giordano Group, the buying department shall invite three authorized manufacturers to submit quotations and then determine the best offer based on factors such as the quotations of the authorized manufacturers, the quality of products provided by the authorized manufacturers, the delivery lead time, the credit terms as well as the historical experience of the Giordano Group in dealing with the relevant authorized manufacturers.

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## LETTER FROM CIMB-GK

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The management of the Company also confirms that the pricing and payment terms of the Purchases by the Giordano Group offered by the Placita Group are no less favorable than those offered by its independent authorized manufacturers and the Giordano Group places orders with the Placita Group only when the quotations submitted by the Placita Group are competitive as compared to those of independent authorized manufacturers. We have reviewed the historical purchases records of the Giordano Group in 2008 on a sample basis, including the internal quotation invitation records and the corresponding purchase orders, and note that, for each of the sample purchase orders we have reviewed, the buying department had invited three authorized manufacturers for quotation and selected the best offer after considering factors as described above and the payment terms stated in those purchase orders placed by the Giordano Group to the Placita Group are similar to those available to independent authorized manufacturers. In this regard, we concur with the view of the management of the Company that the terms of the pricing and payment terms of the Purchases by the Giordano Group offered by the Placita Group are no less favorable than those provided by independent authorized manufacturers of the Giordano Group.

*Our view*

Having considered the above, we are of the view that the terms, including the pricing and payment terms, of the New Manufacturing Licence Agreements are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Group and the Shareholders as a whole.

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## LETTER FROM CIMB-GK

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### *(IV) Proposed New Cap Amounts*

As set out in the Letter from the Board, the Purchases contemplated under the New Manufacturing Licence Agreements for the 12-month period following Completion constitute continuing connected transactions of the Company under the Listing Rules, and the Directors expect that the relevant maximum aggregate amount of Purchases during the period is estimated to be HK\$450 million, or an average of approximately HK\$37.5 million per month, which is allocated between the year of 2008 and 2009 as follows:

<b>Period</b>	<b>Proposed New Cap Amounts (HK\$ million)</b>
From the date after Completion to December 31, 2008 <i>Note</i>	150
From January 1, 2009 to the first anniversary of Completion	300
<b>The 12-month period following Completion</b>	<b>450</b>

*Note:*

The previous cap amount for the financial year ending December 31, 2008 under the Previous Manufacturing Licence Agreements ("Previous Cap Amount") is HK\$484 million, or an average of approximately HK\$40.3 million per month.

The proposed New Cap Amount for the period from the day after Completion through December 31, 2008 is HK\$150 million given the Company expects Completion to take place on or about August 29, 2008.

Following Completion, both the Previous Cap Amount and the New Cap Amounts will apply such that the Purchases for the financial year ending December 31, 2008 shall not exceed the Previous Cap Amount and the Purchases for the period from the day after Completion through December 31, 2008 shall not exceed a total of HK\$150 million.

Should Completion occur after August 29, 2008, the proposed New Cap Amount for the period from the day after Completion through December 31, 2008 shall be reduced on a pro-rata basis and the proposed New Cap Amount for the period from January 1, 2009 to the first anniversary of Completion shall be increased accordingly.

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## LETTER FROM CIMB-GK

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To assess the reasonableness and fairness of the New Cap Amounts, we have discussed with the management of the Company regarding the relevant underlying principal assumptions and the bases adopted for the determination of the New Cap Amounts, and understand that the Company has taken into account the following factors:

(a) *the historical purchase amounts by the Giordano Group from the Placita Group*

As set out in the Letter from the Board, the Giordano Group purchased Giordano-branded Merchandise from the Placita Group with an amount of approximately HK\$268 million in 2006 (or an average of approximately HK\$22.3 million per month), approximately HK\$307 million in 2007 (or an average of approximately HK\$25.6 million per month, representing an approximately 14.8 percent growth as compared with that of 2006) and approximately HK\$101 million for the first five months of 2008 (or an average of approximately HK\$20.2 million per month, representing an approximately 21.1 percent decrease as compared with that of 2007) respectively.

As advised by the management of the Company, the relatively lower purchase amount from the Placita Group in the first five months of 2008 was mainly attributable to the temporary disruption of the operations of the Placita Group as a result of the relocation of one of its four factories in early 2008.

(b) *the expected business development of the Giordano Group in the near future*

We note that the average purchase amount per month of approximately HK\$37.5 million under the New Cap Amounts for the 12-month period following Completion represents a compound annual growth rate (“CAGR”) of approximately 21.1 percent, as compared with the actual average monthly purchase amount of approximately HK\$25.6 million in 2007. As advised by the Company, the assumption of the growth rate adopted by the Company when determining the New Cap Amounts is mainly attributable to (i) the historical revenue growth of the Giordano Group’s retail and distribution business; (ii) the Giordano Group’s business development in Mainland China market; and (iii) the management’s expectation on its retail and distribution business in the coming years.

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## LETTER FROM CIMB-GK

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We have reviewed the Company's annual reports for the two financial years ended December 31, 2007 and the unaudited operations update of the Company for the three months ended March 31, 2008 as announced on May 22, 2008. Based on our review, we note that the sales revenue of the Giordano Group from its retail and distribution operation recorded a growth rate of approximately 0.4 percent, 10 percent and 16.4 percent in 2006, 2007 and for the first quarter of 2008 respectively as compared with that of the preceding financial year and that its sales revenue from Mainland China recorded a growth rate of approximately 15.4 percent, 25.2 percent and 40.8 percent in 2006, 2007 and for the first quarter of 2008 respectively as compared with that of the preceding financial year.

We also note that, in 2008, the Giordano Group has commenced its three-year development plan for the Mainland China market and the Company has declared its intention to substantially increase its capital expenditure to support the plan and to expand its network in Mainland China by about 120 outlets in 2008 from 1,000 directly managed stores as at December 31, 2007.

Having considered the aforesaid, we concur with the view of the management of the Company that a CAGR of approximately 21.1 percent adopted for the determination of the New Cap Amounts as compared with the purchase amounts by the Giordano Group from the Placita Group in 2007 is in line with the Giordano Group's historical sales growth in its retail and distribution business.

### Our view

Having considered the above, we are of the view that the bases adopted by the management of the Company in determining the proposed New Cap Amounts relating to the Purchases under the New Manufacturing Licence Agreements are fair and reasonable so far as the Independent Shareholders are concerned.

However, Shareholders should note that the proposed New Cap Amounts relating to the Purchases relate to future events and do not represent a forecast of costs to be incurred as a result of the Purchases. Consequently, we express no opinion as to how closely the actual amounts of the Purchases pursuant to the New Manufacturing Licence Agreements correspond with the proposed New Cap Amounts.

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## LETTER FROM CIMB-GK

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### RECOMMENDATION

Having considered the principal factors and reasons referred to in the above, we consider that (i) the terms of the Disposal, the Put Option and the Call Option contemplated under the Sale and Purchase Agreement are on normal commercial terms, fair and reasonable and are in the interests of the Group and the Shareholders as a whole, (ii) the continuing connected transactions contemplated under the New Manufacturing Licence Agreements are entered into in the ordinary and usual course of business of the Giordano Group and on terms no less favorable to the Company than those offered by independent third parties and hence are in the interests of the Group and the Shareholders as a whole, and (iii) the proposed New Cap Amounts are fair and reasonable so far as the Independent Shareholders are concerned.

Yours faithfully,

For and on behalf of

**CIMB-GK Securities (HK) Limited**

**Heidi Cheng**

*Director*

**Anthony Ng**

*Senior Vice President*

## 1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

## 2. DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies of the Listing Rules to be notified to the Company and the Stock Exchange, were as follows:

Name of director	Nature of interest	Beneficial interest in shares (Note)	Beneficial interest in unlisted underlying shares (Note)	Approximate aggregate percentage of interests
LAU Kwok Kuen, Peter	Personal	24,118,000	–	1.62%
MAH Chuck On, Bernard	Personal	1,619,086	5,000,000	0.44%

*Note:* Interests in the shares and underlying shares of equity derivatives were long position. Underlying unlisted shares are share options granted to the directors pursuant to the share option scheme of the Company.

Save as disclosed herein, as at the Latest Practicable Date, none of the directors or chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transaction by Directors of Listed Companies of the Listing Rules.

### 3. SUBSTANTIAL SHAREHOLDERS

So far as is known to the Directors and the chief executive of the Company, as at the Latest Practicable Date, the following persons had, or were deemed to have, interests or short positions in the shares and the underlying shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name	<i>Note</i>	<b>Aggregate long position in shares and underlying shares</b>	<b>Approximate aggregate percentage of interests</b>
Aberdeen Asset Management Plc and its associates	<i>1</i>	219,420,018	14.71%
Franklin Resources, Inc.	<i>2</i>	101,933,440	6.83%
Tang Yu Ming, Nelson		93,288,000	6.25%
Sanderson Asset Management Limited	<i>3</i>	90,600,000	6.07%
Matthews International Capital Management, LLC	<i>4</i>	75,113,000	5.04%

*Notes:*

1. Aberdeen Asset Management Plc and its associates held 219,420,018 shares in the capacity of Investment Manager. Aberdeen Asset Management Plc and its various wholly-owned subsidiaries (together “the Aberdeen Group”) on behalf of the accounts managed by the Aberdeen Group held the shares as follows:

<b>Name of subsidiary</b>	<b>Aggregate long position in shares</b>
Aberdeen Asset Management Asia Limited	219,420,018
Aberdeen Asset Management Inc	1,764,000
Aberdeen Asset Management Limited	1,460,000
Aberdeen Asset Managers Limited	48,779,816
Aberdeen Fund Management Limited	27,724,808
Aberdeen International Fund Managers Limited	113,398,000
Aberdeen Unit Trust Managers Limited	39,107,816
Edinburgh Fund Management Limited	14,000,000

2. Franklin Resources, Inc. had a deemed interest in respect of 101,933,440 shares held by its wholly-owned subsidiary, Franklin Templeton Investments Corp., in the capacity of Investment Manager.
3. Sanderson Asset Management Limited held 90,600,000 shares in the capacity of Investment Manager.
4. Matthews International Capital Management, LLC held 75,113,000 shares in the capacity of Investment Manager.

#### 4. SERVICE CONTRACT

As at the Latest Practicable Date, no Director has any existing or proposed service contract with the Company or any of its subsidiaries which is not expiring or determinable by the employing company within one year without payment of compensation (other than statutory compensation).

#### 5. EXPERT

- (a) The following is the qualification of the independent financial advisor to the Independent Board Committee and the Independent Shareholders and the opinion or advice given by the independent financial advisor is contained in this circular:

<b>Name</b>	<b>Qualification</b>
CIMB-GK	a licensed corporation to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO

- (b) As at the Latest Practicable Date, CIMB-GK does not have any shareholding, direct or indirect, in any member of the Company and its subsidiaries or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Company and its subsidiaries.
- (c) As at the Latest Practicable Date, CIMB-GK was not interested, directly or indirectly, in any assets which have been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group since December 31, 2007, being the date to which the latest published audited accounts of the Company were made up.
- (d) CIMB-GK has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter dated July 21, 2008 and references to its name in the form and context in which they appear.

## **6. DIRECTORS' INTERESTS IN CONTRACTS**

None of the Directors is materially interested in any contract or arrangement entered into by any member of the Company and its subsidiaries subsisting at the date of this circular which is significant in relation to the business of the Company and its subsidiaries.

## **7. PROCEDURE FOR DEMANDING A POLL BY SHAREHOLDERS**

Pursuant to Bye-Law 70 of the Bye-Laws, a poll may be demanded by: (a) the chairman of such meeting; (b) at least three shareholders present in person or in the case of a shareholder being a corporation by its duly authorized representative or by proxy for the time being entitled to vote at the meeting; (c) a shareholder or shareholders present in person or in the case of a shareholder being a corporation by its duly authorized representative or by proxy and representing not less than one-tenth of the total voting rights of all shareholders having the right to vote at the meeting; or (d) a shareholder or shareholders present in person or in the case of a shareholder being a corporation by its duly authorized representative or by proxy and holding shares conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all shares conferring that right.

## **8. LITIGATION**

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance known to the Directors to be pending or threatened against any member of the Group.

**9. GENERAL**

- (a) The Secretary of the Company is Ms. YUNG Mei Yee. She is a fellow member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators (UK).
- (b) The Qualified Accountant of the Company is Mr. LUI Chi Hung. He is a fellow member of The Association of Chartered Certified Accountants, and an associate member of the Hong Kong Institute of Certified Public Accountants and the Certified General Accountants Association of Canada.
- (c) The principal place of business and head office of the Company in Hong Kong is at 5th Floor, Tin On Industrial Building, 777-779 Cheung Sha Wan Road, Kowloon, Hong Kong.
- (d) The registered office of the Company is at Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda.
- (e) The branch share registrars and transfer office of the Company in Hong Kong is Tricor Abacus Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- (f) As at the Latest Practicable Date, none of the Directors nor their respective associates had any business or interest that competes or may compete with the business of the Group or any conflicts of interests with the Group.
- (g) As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since December 31, 2007 (being the date to which the latest published audited financial statements of the Group were made up).
- (h) None of the Directors has or has had any direct or indirect interest in any assets which have been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group since December 31, 2007, being the date to which the latest published audited accounts of the Group were made up.
- (i) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

**10. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection during normal business hours on any weekday (except public holidays) at the principal place of business of the Company in Hong Kong at 5th Floor, Tin On Industrial Building, 777-779 Cheung Sha Wan Road, Kowloon, Hong Kong up to and including the date of the SGM:

- (a) the Sale and Purchase Agreement;
- (b) the New Manufacturing Licence Agreements;
- (c) the Previous Manufacturing Licence Agreements;
- (d) the memorandum of association and bye-laws of the Company;
- (e) the letter from the Independent Board Committee, the text of which is set out in this circular;
- (f) the letter from CIMB-GK, the text of which is set out in this circular; and
- (g) the written consent of CIMB-GK referred to in the section headed “Expert” in this Appendix.

**Professor LEUNG Kwok***Non-executive Director*

Professor LEUNG Kwok (“Professor Leung”), aged 50, was appointed as Non-executive Director of the Company effective July 1, 2008. He is a member of the Compensation Committee and the Audit Committee of the Company. He was the Board Advisor and provided consulting services to the Group for more than 20 years. Professor Leung received his Ph.D. in Psychology from University of Illinois, Urbana-Champaign, U.S.A. He holds a chair in management at the City University of Hong Kong. In addition to his international reputation for his scholarly work, he has extensive consulting experience with a wide range of organizations and government departments in Hong Kong and Mainland China.

Professor Leung does not have any relationship with any directors, senior management or substantial shareholders of the Company nor hold any other position with the Company and other members of the Group. As at the Latest Practicable Date, he does not have any interest in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

There is no service contract entered into between the Company and Professor Leung. He is appointed for a term of three years and subject to retirement by rotation and re-election pursuant to the Bye-Laws of the Company. He is entitled to receive an annual director’s fee of HK\$275,000 which is determined with reference to his duties and responsibilities with the Company and prevailing market conditions.

Professor Leung did not hold any directorship in other listed public companies in the last three years. There is no information which is discloseable nor is/was he involved in any of the matters required to be disclosed pursuant to any of the requirements under Rules 13.51(2)(h) to 13.51(2)(v) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and there is no other matter relating to the proposed re-election of Professor Leung which needs to be brought to the attention of the Shareholders.

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## NOTICE OF THE SGM

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# GIORDANO

## GIORDANO INTERNATIONAL LIMITED

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 709)**

### NOTICE OF SPECIAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that a special general meeting of the Company will be held at Block B, 3rd Floor, Tin On Industrial Building, 777-779 Cheung Sha Wan Road, Kowloon, Hong Kong on Wednesday, August 13, 2008 at 9:30 a.m. to consider and, if thought fit, pass the following resolutions with or without amendments as ordinary resolutions:

#### ORDINARY RESOLUTIONS

1. **“THAT** the sale and purchase agreement (the “Agreement”) dated June 27, 2008 and entered into among the Company, Gloss Mind Holdings Limited and Mr. Cheung Kwok Leung in relation to the disposal of 4,238,808 ordinary shares in the issued share capital of Placita Holdings Limited (the “Disposal”), the Put Option and the Call Option (as defined in the circular of the Company dated July 21, 2008), a copy of the Agreement having been produced to the Meeting and marked “A” and initialed by the Chairman of the Meeting for the purpose of identification, and the transactions contemplated thereby be and are hereby approved, confirmed and ratified; and that any one director of the Company be and is hereby authorized to do such acts and things, to sign and execute all such further documents and to take such steps as they may consider necessary, appropriate, desirable or expedient to give effect to or in connection with the Disposal, the Put Option and the Call Option or any transactions contemplated under the Agreement”;
2. **“THAT**
  - (a) the New Manufacturing Licence Agreements (as defined in the circular of the Company dated July 21, 2008) and all the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and

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## NOTICE OF THE SGM

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- (b) the Directors be and are hereby authorized to do, approve and transact all things which they may in their discretion consider to be necessary or desirable in connection with the New Manufacturing Licence Agreements provided that the annual cap in respect of the aggregate value of all purchases under the New Manufacturing Licence Agreements and the Previous Manufacturing Licence Agreements (as defined in the circular of the Company dated July 21, 2008) shall not exceed the new cap amounts set out in the circular of the Company dated July 21, 2008.”; and
3. “**THAT** Professor LEUNG Kwok be re-elected as a director of the Company.”.

By Order of the Board  
**LAU Kwok Kuen, Peter**  
*Chairman*

Hong Kong, July 21, 2008

*Principal Place of Business:*

5th Floor  
Tin On Industrial Building  
777-779 Cheung Sha Wan Road  
Kowloon  
Hong Kong

*Notes:*

- (i) A shareholder entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxies to attend, on a poll, vote in his stead. A proxy need not be a shareholder of the Company.
- (ii) To be valid, a form of proxy together with the power of attorney or other authority (if any) under which it is signed or a notorially certified copy of such power of attorney or authority must be deposited at the Company’s branch share registrars in Hong Kong, Tricor Abacus Limited, at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong, not less than 48 hours before the time appointed for holding of the meeting or any adjournment thereof.