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**THIS CIRCULAR IS IMPORTANT AND 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 to be taken, you should consult your stockbroker, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in the Company, you should at once hand this circular to the purchaser or other 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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**LUEN THAI HOLDINGS LIMITED**

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

**(Stock Code: 311)**

**CONNECTED AND DISCLOSEABLE TRANSACTION  
ACQUISITION OF SHARES OF TRINEW LIMITED  
AND  
TERMINATION OF OPTIONS**

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



**博大資本國際有限公司**

**Partners Capital International Limited**

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A letter from the Board is set out on pages 6 to 14 and a letter from the Independent Board Committee is set out on page 15 of this circular. A letter from the Independent Financial Adviser containing its advice and recommendations to the Independent Board Committee and the Independent Shareholders is set out on pages 16 to 22 of this circular.

20 May 2010

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## CONTENTS

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	<i>Page</i>
<b>CONTENTS</b> .....	i
<b>DEFINITIONS</b> .....	1
<b>LETTER FROM THE BOARD</b> .....	6
INTRODUCTION .....	6
THE SALE AND PURCHASE AGREEMENT .....	7
TERMINATION OF THE OPTIONS .....	10
REASONS FOR ENTERING INTO THE TRANSACTIONS .....	10
INFORMATION ON TRINEX .....	11
INFORMATION ON THE GROUP AND OSPELLA .....	12
IMPLICATIONS UNDER THE LISTING RULES .....	12
RECOMMENDATIONS .....	13
ADDITIONAL INFORMATION .....	14
<b>LETTER FROM THE INDEPENDENT BOARD COMMITTEE</b> .....	15
<b>LETTER FROM THE INDEPENDENT FINANCIAL ADVISER</b> .....	16
<b>APPENDIX I — GENERAL INFORMATION</b> .....	23

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## DEFINITIONS

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“Approvals”	all approvals, sanctions, consents, permissions, certificates and authorisations from any person and filings and registrations with any person of any relevant jurisdictions;
“Assignment of the UPLA Receivable”	the assignment of the UPLA Receivable to be executed by Desktop HK to the Vendor;
“Board”	the board of Directors of the Company;
“Business Day”	a day (excluding Saturdays) on which banks are generally open for business in Hong Kong;
“Charged Account”	the bank account for the purpose of depositing the Charged Amount pursuant to the New Charge over Account;
“Charged Amount”	the sum of HK\$57 million;
“Charge over Account Receivables”	a charge over account receivables dated 29 December 2008 executed by Ospella in favour of Fortune Investment;
“Company”	Luen Thai Holdings Limited, the shares of which are listed on the Stock Exchange;
“Completion”	completion of the sale and purchase of the Sale Shares in accordance with the Sale and Purchase Agreement;
“Conditions”	the conditions precedent to Completion as set out in the Sale and Purchase Agreement;
“Conditions Fulfillment Date”	15 June 2010 or such later date as may be agreed in writing by the parties to the Sale and Purchase Agreement;
“Connected Person”	shall have the meaning as ascribed to it under the Listing Rules;
“Deed of Tax Indemnity”	the deed of tax indemnity dated 8 August 2008 executed by the Warrantors in favour of each of the Purchaser, Trinew and each of the Desktop Subsidiaries;
“Desktop BVI”	Desk Top Bags (Mfg) Ltd., a company incorporated under the laws of the British Virgin Islands and a direct wholly-owned subsidiary of Trinew;
“Desktop Group”	Trinew and its subsidiaries;
“Desktop HK”	Desk Top Limited, a company incorporated under the laws of Hong Kong and a subsidiary of Trinew;
“Desktop Macau”	Desk Top Manufacturacao Malas. Lda. (Desk Top Bags (Mfg) Ltd.), a company incorporated under the laws of Macau and an indirect wholly-owned subsidiary of Trinew;

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## DEFINITIONS

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“Desktop Subsidiaries”	Desktop HK, Desktop BVI, Desktop Macau, DLuxe Bags, Dongguan Xingxi and Dongguan Xinghao, all being the subsidiaries of Trinew;
“Directors”	directors of the Company for the time being;
“DLuxe Bags”	DLuxe Bags Limited, a company incorporated under the laws of Hong Kong and an indirect wholly-owned subsidiary of Trinew;
“Dongguan Xinghao”	東莞星浩手袋有限公司 (Dongguan Xing Hao Handbags Factory Co., Limited), a wholly-foreign owned entity incorporated under the laws of the PRC and an indirect wholly-owned subsidiary of Trinew;
“Dongguan Xingxi”	東莞星系手袋廠有限公司 (Dongguan Xingxi Handbags Factory Co., Limited), a wholly-foreign owned entity incorporated under the laws of the PRC and an indirect wholly-owned subsidiary of Trinew;
“Eligible Credit Supports”	credit insurance or credit support which are agreed by the Purchaser and the Vendor from time to time to have the effect of reducing the maximum liability of the Warrantors in respect of the Targus Receivables;
“Employment Agreement”	the employment agreement dated 8 August 2008 entered into between Trinew and Mr. Inglis;
“First Option Deed”	the Option Deed dated 8 August 2008 executed by Fortune Investment, Ospella and Mr. Inglis in respect of the sale and purchase of the first 20% interest in the issued share capital of Trinew;
“Fortune Investment” or “Purchaser”	Fortune Investment Overseas Limited, a company incorporated under the laws of the British Virgin Islands and a wholly-owned subsidiary of the Company;
“Group”	the Company and its subsidiaries;
“HK\$” or “HK Dollars”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Independent Board Committee”	the independent board committee of the Company comprising Chan Henry, Cheung Siu Kee and Seing Nea Yie, being all the independent non-executive Directors;

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## DEFINITIONS

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“Independent Financial Adviser”	Partners Capital International Limited, a licensed corporation to carry out regulated activities Type 1 (dealing in securities) and Type 6 (advising on corporate finance) under the SFO, the independent financial adviser to be appointed by the Company to advise the Independent Board Committee and the independent shareholders of the Company in relation to the Transactions Documents and the transactions thereunder;
“Independent Shareholders”	shareholders of the Company who are not required to abstain from voting on the entering into of the Transaction Documents and the transactions thereunder;
“Latest Practicable Date”	18 May 2010, being the latest practicable date for ascertaining certain information contained in this circular;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Luen Thai Overseas”	Luen Thai Overseas Limited, a company incorporated in the Bahamas and a wholly-owned subsidiary of the Company;
“Mr. Inglis”	Mr. Owen John Inglis;
“New Charge over Account”	a charge over account to be executed by the Vendor in favour of the Purchaser as security for the Secured Obligations;
“Old Charge over Account”	the charge over account dated 8 August 2008 executed by the Vendor in favour of the Purchaser, as supplemented by the supplemental deed to the charge over account dated 29 December 2008;
“Option Deeds”	collectively, the First Option Deed and the Second Option Deed;
“Options”	all the call options and put options granted pursuant to the Option Deeds;
“Ospella” or “Vendor”	Ospella International Limited, a company incorporated under the laws of the British Virgin Islands which is wholly-owned by Mr. Inglis;
“Percentage Ratios”	shall have the meaning as ascribed to it under Chapter 14 of the Listing Rules;
“Previous Completion Date”	8 August 2008, i.e. the completion date for the sale and purchase of the 600 Shares in Trinew pursuant to the Previous S&P Agreement;

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## DEFINITIONS

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“Previous S&P Agreement”	the sale and purchase agreement dated 11 June 2008 entered into among the Vendor, Mr. Inglis, the Purchaser and Luen Thai Overseas in relation to the sale and purchase of 600 Shares in Trinew, as supplemented by a supplemental letter agreement dated 16 June 2008, and a second supplemental agreement dated 29 December 2008;
“Sale and Purchase Agreement”	the sale and purchase agreement dated 19 April 2010 entered into between Ospella, Fortune Investment, Mr. Inglis and Luen Thai Overseas in relation to the sale and purchase of 400 Shares in Trinew;
“Sale Shares”	400 Shares, representing 40% of the total issued share capital of Trinew;
“Second Option Deed”	the Option Deed dated 8 August 2008 executed by Fortune Investment, Ospella and Mr. Inglis in respect of the sale and purchase of the second 20% interest in the issued share capital of Trinew;
“Secured Obligations”	certain obligations and liabilities from time to time and at any time owing by the Warrantors to the Purchaser and the Desktop Group pursuant to the Sale and Purchase Agreement, namely: (a) the obligations to indemnify each of the Purchaser, Luen Thai Overseas and the Desktop Group from and against any failure of Targus and its relevant affiliates to duly pay and settle the Targus Receivables during the Targus Relevant Period, save for those Targus Receivables which can be recovered from the Eligible Credit Supports; and (b) the obligations to satisfy and discharge the liability under any notice of assessment or tax demand on the Purchaser or any member of the Desktop Group by the taxation authority in Hong Kong in relation to the income, profits or gains accrued to, earned or received by any member of the Desktop Group in respect of any period on or before the Previous Completion Date relating to certain taxation cases and related taxation matters concerning Desktop HK and Desktop BVI and their subsidiaries in the PRC and which are in excess of HK\$14.3 million;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Share Charge”	the share charge dated 8 August 2008 executed by the Vendor in favour of the Purchaser in respect of Trinew;
“Shareholder’s Loan”	the shareholder’s loan provided by the Vendor to Desktop HK in the sum of HK\$24 million pursuant to the Shareholders’ Loans Agreement;

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## DEFINITIONS

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“Shareholder’s Loans Agreement”	the shareholders’ loans agreement dated 29 December 2008 entered into among the Vendor, the Purchaser and Desktop HK;
“Shares”	shares of par value US\$1 each in the capital of Trinew;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Supplemental Deed”	the supplemental deed to the Deed of Tax Indemnity to be executed by the Vendor, Mr. Inglis, the Purchaser and each of the Desktop Subsidiaries;
“Targus”	Targus Group International, Inc. and/or its affiliates to whom any member of the Desktop Group issues invoices;
“Targus Receivables”	all accounts receivables invoiced against or accrued due and payable by Targus and its Affiliates to any of the Desktop Group Companies during the Targus Relevant Period;
“Targus Relevant Period”	the period commencing from the date of the Sale and Purchase Agreement until the expiry of the 90 days from the date of the Sale and Purchase Agreement;
“Transaction Documents”	the Sale and Purchase Agreement, the Supplemental Deed, the Assignment of the UPLA Receivable and the New Charge over Account;
“Trinew”	Trinew Limited, a company incorporated in the British Virgin Islands and a 60%-owned subsidiary of Fortune Investment;
“UPLA”	a company registered in Paris, France with commercial registry no. 485 385 595, having its address at 7 Cité de l’Ameublement 75011 Paris;
“UPLA Receivable”	the account receivable in the sum of US\$226,151.75 due from UPLA to Desktop HK and all related sureties;
“US”	the United States of America;
“US\$”	US Dollars, the lawful currency of the US; and
“Warrantors”	the Vendor and Mr. Inglis.



**LUEN THAI HOLDINGS LIMITED**

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

**(Stock Code: 311)**

*Executive Directors:*

Mr. Tan Siu Lin (*Chairman*)  
Mr. Tan Henry  
Mr. Tan Cho Lung, Raymond  
Mr. Tan Sunny  
Ms. Mok Siu Wan, Anne

*Non-executive Directors:*

Mr. Tan Willie  
Mr. Lu Chin Chu

*Independent non-executive Directors:*

Mr. Chan Henry  
Mr. Cheung Siu Kee  
Mr. Seing Nea Yie

*Registered Office:*

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

*Head office and Principal place of  
business in Hong Kong:*

5/F, Nanyang Plaza  
57 Hung To Road  
Kwun Tong, Kowloon  
Hong Kong

Hong Kong, 20 May 2010

*To the Shareholders*

Dear Sir or Madam,

**CONNECTED AND DISCLOSEABLE TRANSACTION  
ACQUISITION OF SHARES OF TRINEW LIMITED  
AND  
TERMINATION OF OPTIONS**

**INTRODUCTION**

Reference is made to the announcements of the Company dated 16 June 2008 and 29 December 2008 in relation to, inter alia, the acquisition of 600 Shares in Trinew by Fortune Investment, a wholly-owned subsidiary of the Company, from Ospella pursuant to the Previous S&P Agreement. After the completion of the Previous S&P Agreement which took place on 8 August 2008, Trinew is owned as to 60% by Fortune Investment and as to 40% by Ospella.

Upon completion of the Previous S&P Agreement, the First Option Deed and the Second Option Deed were executed.



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## LETTER FROM THE BOARD

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Under the First Option Deed, a call option was granted by Ospella to Fortune Investment and a put option was granted by Fortune Investment to Ospella, both in respect of the sale and purchase of 200 Shares (representing 20% in the issued share capital of the Trinew). The call option and the put option granted under the First Option Deed shall be exercisable at any time during the four-year period from 1 January 2011 to 31 December 2014 (both days inclusive) at the respective option price in accordance with the terms thereunder.

Under the Second Option Deed, a call option was granted by Ospella to Fortune Investment and a put option was granted by Fortune Investment to Ospella both in respect of the sale and purchase of 200 Shares (representing 20% in the issued share capital of the Trinew). The call option and the put option granted under the Second Option Deed shall be exercisable at any time during the three-year period from 1 January 2012 to 31 December 2014 (both days inclusive) at the respective option price in accordance with the terms thereunder.

Upon completion of the Previous S&P Agreement, Mr. Inglis entered into the Employment Agreement with Trinew pursuant to which Mr. Inglis was appointed as the chief executive officer of the Desktop Group.

As security for certain obligations of the Warrantors under the Previous S&P Agreement and in connection with the Desktop Group, the Share Charge, the Old Charge over Account and the Charge over Account Receivables were executed.

As disclosed in the announcement of the Company dated 19 April 2010, Fortune Investment has entered into the conditional Sale and Purchase Agreement with, among others, Ospella to acquire the Sale Shares, representing 40% interest in the issued share capital of Trinew, at the purchase price of HK\$57,000,000 subject to the terms and conditions set out therein. Upon Completion, Trinew will become an indirect wholly-owned subsidiary of the Company.

The purpose of this circular is to provide you with details regarding the Transaction Documents and the transactions thereunder.

### **THE SALE AND PURCHASE AGREEMENT**

Details of the conditional Sale and Purchase Agreement are as follows:

#### **Date**

19 April 2010

#### **Parties**

- (1) Fortune Investment, as the purchaser
- (2) Ospella, as the vendor
- (3) Mr. Inglis
- (4) Luen Thai Overseas

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## LETTER FROM THE BOARD

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### Principal Terms

Pursuant to the terms of the Sale and Purchase Agreement, Ospella agreed to sell to Fortune Investment, and Fortune Investment agreed to purchase from Ospella, the Sale Shares, representing 40% interest in the issued share capital of Trinew at the consideration of HK\$57 million, subject to and upon the terms and conditions therein.

The total consideration of HK\$57 million payable by the Purchaser under the Sale and Purchase Agreement was determined after arm's length negotiation with reference to the net asset value of the Desktop Group as at 31 December 2009.

The Company intends to finance the acquisition of the 40% interest in Trinew under the Sale and Purchase Agreement by its internal resources.

Completion is conditional upon the satisfaction of a number of Conditions, the major ones, amongst the others, being:

- (a) all applicable law, rules and regulations (including but without limitation to the Listing Rules) for entering into the transaction(s) contemplated under the Transaction Documents having been complied with;
- (b) all necessary Approvals, including but not limited to any necessary approvals from the shareholders and the board of directors of the Purchaser and the Company respectively in respect of the entering into of the Transaction Documents and the transaction(s) contemplated thereunder having been obtained; and
- (c) each of the Transaction Documents (including the Sale and Purchase Agreement, the Supplemental Deed, the New Charge over Account and the Assignment of UPLA Receivable) having been duly executed by the parties thereto.

If one or more of the Conditions, remains un-satisfied by the Conditions Fulfillment Date (or such later date as the Vendor and the Purchaser may agree in writing) and has not been waived on or before that date; or becomes impossible to satisfy on or before the Conditions Fulfillment Date (or such later date as the Vendor and the Purchaser may agree in writing), the Sale and Purchase Agreement shall automatically be terminated with immediate effect and each party's rights and obligations under the Sale and Purchase Agreement shall cease immediately on termination.

Completion shall take place on the third Business Day after the date on which all the Conditions have been fulfilled (or waived by the Purchaser in respect of all Conditions except Conditions as set in (a) and (b) above) or on such later date as the parties may agree in writing.

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## LETTER FROM THE BOARD

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Pursuant to the Sale and Purchase Agreement, the parties agreed, among other things, that upon Completion:

- (a) the Purchaser shall satisfy and pay the purchase price in the total sum of HK\$57 million by depositing the same into the Charged Account as the Charged Amount to be held subject to the New Charge over Account;
- (b) the Purchaser shall release the Share Charge, the Old Charge over Account and the Charge over Account Receivables to the Vendor, and deliver to the Vendor the Assignment of UPLA Receivable duly executed by Desktop HK;
- (c) the Purchaser shall procure Desktop HK to repay the Shareholder's Loan in the sum of HK\$24 million to the Vendor;
- (d) the Vendor shall deliver to the Purchaser the New Charge over Account duly executed by the Vendor as security for the Secured Obligations;
- (e) all the rights and obligations given by the Warrantors, the Purchaser and Luen Thai Overseas respectively under the Previous S&P Agreement shall be terminated upon Completion;
- (f) the Option Deeds shall be terminated and all the Options granted under the Option Deeds shall be cancelled and of no further effect;
- (g) the Supplemental Deed shall be duly executed by the parties thereto, pursuant to which the terms under the Deed of Tax Indemnity will be varied such that the indemnity given by the Warrantors under the Deed of Tax Indemnity will relate to any claims made by the taxation authority in Hong Kong only; and
- (h) Mr. Inglis shall resign from the post of chief executive officer and all the director's posts of the Desktop Group, and the Employment Agreement shall be terminated accordingly.

Pursuant to the Sale and Purchase Agreement, Luen Thai Overseas shall guarantee to the Warrantors the due and punctual payment and discharge by the Purchaser of its payment obligations under the Sale and Purchase Agreement and each other Transaction Documents to which it is a party.

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## LETTER FROM THE BOARD

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### TERMINATION OF THE OPTIONS

The Option Deeds were executed pursuant to the terms of the Previous S&P Agreement.

According to the Option Deeds, the consideration payable by the Purchaser under the first call option and the second call option respectively under the First Option Deed and the Second Option Deed (i.e. 20% interest each in the issued share capital of Trinew) was based on the greater of the following formula, pro-rated for the 20% interest concerned:

- (i) a price-earning multiple of  $5.5 \times$  average net profit after taxation of the Desktop Group for the two financial years prior to the exercise of the call option; and
- (ii) net asset value of the Desktop Group as at the year end of the financial year prior to the exercise of the put option *plus* the Appreciated Value,

whereby “Appreciated Value” refers to the aggregate value of certain pieces of land owned by the Desktop Group in Dongguan, Guangdong Province, the People’s Republic of China net of the aggregate net book value of all such pieces of land, as appraised by professional valuers.

The Directors estimated that the Appreciated Value as at 31 December 2009 was approximately HK\$28.8 million, which was determined with reference to the market value of the neighbouring lands after taking into account the information obtained from a professional valuer.

Pursuant to the terms of the Sale and Purchase Agreement, the Option Deeds shall be terminated and all the Options granted under the Option Deeds shall be cancelled and of no further effect upon Completion.

### REASONS FOR ENTERING INTO THE TRANSACTIONS

Since completion of the Previous S&P Agreement which took place on 8 August 2008, the Group acquired 60% interest in Trinew. Pursuant to the Sale and Purchase Agreement, Trinew will become a wholly-owned subsidiary of the Group upon Completion.

The Board believes that the acquisition of the Sale Shares and the entering into of the transactions under the Transaction Documents will give the Group more flexibility in the management and decision-making matters of the Desktop Group, which are conducive to the “lean reengineering” strategy currently implemented by the Group, which aims at cutting the production costs, reducing the operating process within each business unit and resulting in increase in productivity of the Group. The Board believes that after the Completion, management overheads of the Desktop Group will be saved considerably in merchandising, technical centre and factory production by reallocating resources within the Group in a more flexible and efficient manner.

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## LETTER FROM THE BOARD

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As a result of the entering into of the Sale and Purchase Agreement and the proposed acquisition of the Sale Shares (representing 40% of the issued share capital of Trinev), the Option Deeds and the Options granted thereunder will be terminated in accordance with the terms of the Sale and Purchase Agreement when Completion takes place.

The Directors (including the independent non-executive Directors) consider that the terms of the Transaction Documents and the transactions contemplated thereunder (including, without limitation, the acquisition of the Sale Shares and the termination of the Options) were respectively negotiated on an arm's length basis, made on normal commercial terms, the terms of the Transaction Documents are fair and reasonable, and in the interests of the Group and the Company's shareholders as a whole, and there are no disadvantages of the Transactions for the Company.

### INFORMATION ON TRINEV

Trinev was set up by Ospella. As at the Latest Practicable Date, Trinev is a private company duly incorporated in the BVI having an issued share capital of 1,000 Shares, all of which have been issued and fully paid up. Trinev is owned as to 60% by Fortune Investment and as to 40% by Ospella.

Since completion of the acquisition of the 600 Shares by Fortune Investment pursuant to the Previous S&P Agreement on 8 August 2008, Trinev became a subsidiary of the Company.

Trinev, through the Desktop Subsidiaries, is principally engaged in the manufacturing of laptop bags, luxury and fashionable bags and other general bags products.

For the financial year ended 31 December 2008, the unaudited consolidated net losses before and after taxation and extraordinary items of the Desktop Group were approximately US\$1,545,000 and approximately US\$3,045,000 respectively.

For the financial year ended 31 December 2009, the unaudited consolidated net losses before and after taxation and extraordinary items of the Desktop Group were approximately US\$5,121,000 and approximately US\$6,983,000 respectively.

The unaudited net asset value of the Desktop Group as at 31 December 2009 was approximately US\$19,818,000.

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## LETTER FROM THE BOARD

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### INFORMATION ON THE GROUP AND OSPELLA

The Group is principally engaged in the manufacture and trading of garment, textile products and luxury and laptop bags and the provision of freight forwarding and logistics service.

Ospella is an investment holding company.

### IMPLICATIONS UNDER THE LISTING RULES

Ospella is a substantial shareholder of Trinew. Trinew in turn is a 60%-owned subsidiary of the Company. Therefore Ospella is a Connected Person of the Company. According to the applicable Percentage Ratios, the entering into of the Transaction Documents constitutes a connected and discloseable transaction for the Company pursuant to Chapter 14A of the Listing Rules, which is subject to reporting, announcement and independent shareholders' approval requirements.

No shareholder of the Company is required to abstain from voting on the entering of the Transaction Documents. Capital Glory Limited, being the controlling shareholder of the Company holding as at the Latest Practicable Date 614,250,000 shares of the Company and representing approximately 61.88% of all shareholders' voting rights, has on 19 April 2010 given an irrevocable and unconditional written confirmation to the Company that it approves the entering into of the Transaction Documents and the transactions contemplated thereunder (including, without limitation, the acquisition of the Sale Shares and the termination of the Options).

Pursuant to Rule 14A.43 of the Listing Rules, the Company has applied to the Stock Exchange for a waiver from strict compliance of the requirement for holding a general meeting to seek Independent Shareholders' approval in respect of the entering into of the transactions contemplated under the Transaction Documents (including, without limitation, the acquisition of the Sale Shares and the termination of the Options) on the basis that no shareholder of the Company is required to abstain from voting if the Company were to convene a general meeting for the approval of the transactions under the Transaction Documents and Capital Glory Limited has given such an irrevocable and unconditional written confirmation. The Stock Exchange has granted such waiver from strict compliance with Rule 14A.43 of the Listing Rules on 21 April 2010. Pursuant to Rule 14A.43 of the Listing Rules, the Independent Shareholders' approval requirement is deemed to have been fulfilled and hence no separate general meeting will need to be convened for approval of the transactions under the Transaction Documents.

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## LETTER FROM THE BOARD

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The Independent Board Committee, whose members do not have any material interest in the transactions as contemplated under the Transaction Documents, has been set up to advise the Independent Shareholders of the Company in relation to the Transaction Documents and the Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders of the Company in relation to the Transaction Documents and the transactions thereunder.

### RECOMMENDATIONS

The Directors (including the independent non-executive Directors) consider that the terms of the Transaction Documents and the transactions contemplated thereunder (including, without limitation, the acquisition of the Sale Shares and the termination of the Options) were respectively negotiated on an arm's length basis, made on normal commercial terms, and their terms are fair and reasonable, and in the interests of the Group and the Company's shareholders as a whole.

The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, considers that the terms of the Transaction Documents and the transactions contemplated thereunder (including, without limitation, the acquisition of the Sale Shares and the termination of the Options) were respectively negotiated on an arm's length basis, made on normal commercial terms, and their terms are fair and reasonable, and in the interests of the Group and the Company's shareholders as a whole. If a general meeting of the shareholders of the Company were to be held for the purpose of considering and, if thought fit, approving the Transaction Documents and the transactions thereunder (including, without limitation, the acquisition of the Sale Shares and the termination of the Options), the Independent Board Committee would recommend the Independent Shareholders to vote in favour of the ordinary resolution(s) in this regard.

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## LETTER FROM THE BOARD

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### ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Independent Board Committee set out on page 15 of this circular and the letter from the Independent Financial Adviser set out on pages 16 to 22 of this circular which contain the advice of the Independent Board Committee to the Independent Shareholders and the recommendations from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders respectively.

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

Yours faithfully,  
By Order of the Board  
**Luen Thai Holdings Limited**  
**Roy Chiu Chi Cheung**  
*Company Secretary*



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**LETTER FROM THE INDEPENDENT BOARD COMMITTEE**

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*The following is the text of a letter from the Independent Board Committee to the Independent Shareholders in relation to the Supplemental Agreement, the Supplemental Charge and the Transactions thereunder for inclusion in this circular:*



**LUEN THAI HOLDINGS LIMITED**

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

**(Stock Code: 311)**

20 May 2010

*To the Independent Shareholders*

Dear Sir or Madam,

**CONNECTED AND DISCLOSEABLE TRANSACTION  
ACQUISITION OF SHARES OF TRINEX LIMITED  
AND  
TERMINATION OF OPTIONS**

We refer to the circular of the Company dated 20 May 2010 (the “**Circular**”) to its shareholders, of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

We have been appointed by the Board as members of the Independent Board Committee to give a recommendation to the Independent Shareholders in respect of the terms of the Transaction Documents and the transactions thereunder, details of which are set out in the letter from the board set out on page 6 to 14 of this Circular.

Having considered the terms of the Transaction Documents and the transactions thereunder, and the advice of Independent Financial Adviser in relation thereto as set out on pages 16 to 22 of the Circular, the Independent Board Committee considers that the terms of the Transaction Documents and the transactions contemplated thereunder (including, without limitation, the acquisition of the Sale Shares and the termination of the Options) were respectively negotiated on an arm’s length basis, made on normal commercial terms, and their terms are fair and reasonable, and in the interests of the Group and the Company’s shareholders as a whole. If a general meeting of the shareholders of the Company were to be held for the purpose of considering and, if thought fit, approving the Transaction Documents and the transactions thereunder (including, without limitation, the acquisition of the Sale Shares and the termination of the Options), the Independent Board Committee would recommend the Independent Shareholders to vote in favour of the ordinary resolution(s) in this regard.

Yours faithfully,  
For and on behalf of  
the Independent Board Committee

**Chan Henry**

**Cheung Siu Kee**  
*Independent Non-Executive Directors*

**Seing Nea Yie**

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the text of a letter to the Independent Board Committee and the Independent Shareholders from Partners Capital in respect of the Transaction Documents prepared for the purpose of incorporation in this circular.*



博大資本國際有限公司  
Partners Capital International Limited

Unit 3906, 39/F, COSCO Tower  
183 Queen's Road Central  
Hong Kong

20 May 2010

*To the Independent Board Committee  
and the Independent Shareholders*

Dear Sirs,

### **DISCLOSEABLE AND CONNECTED TRANSACTION**

#### **INTRODUCTION**

We refer to our engagement to advise the Independent Board Committee and the Independent Shareholders in respect of the transaction contemplated under the Transaction Documents, particulars of which are set out in a circular to the shareholders of the Company (the "Shareholders") dated 20 May 2010 (the "Circular"), in which this letter is reproduced. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as ascribed to them under the section headed "Definitions" in the Circular.

As set out in the letter from the Board contained in the Circular (the "Letter from the Board"), the Company announced on 19 April 2010, among others, that (i) Ospella and Fortune Investment, a wholly owned subsidiary of the Company, entered into the Sale and Purchase Agreement in relation to the acquisition of 40% equity interest in Trinew Limited and (ii) the termination of the Options. Ospella is a substantial shareholder of Trinew and Trinew is in turn a 60%-owned subsidiary of the Company. Therefore, Ospella is a Connected Person of the Company. Hence the entering into of the Transaction Documents constitutes a discloseable and connected transaction for the Company according to the applicable Percentage Ratio under Chapter 14A of the Listing Rules, and is therefore subject to the disclosure requirements and Independent Shareholders' approval.

In formulating our opinion, we have relied on the accuracy of the information and representations contained in the Circular and have assumed that all information and representations made or referred to in the Circular as provided by the Directors and management of the Company were true at the time they were made and continue to be true as at the date of the Circular. We have also relied on our discussion with the Directors and management of the Company regarding the Group, the Desktop Group and the Transaction Documents, including the information and representations contained in the Circular. We have also assumed that all statements of belief, opinion and intention made by the Directors and management of the Company respectively in the Circular were reasonably made after due enquiry. We have no reason to suspect that any material facts have been omitted or

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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withheld from the information contained or opinions expressed in the Circular nor to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and management of the Company. We have not, however, conducted an independent in-depth investigation into the business and affairs of the Group and the Desktop Group nor have we carried out any independent verification of the information supplied to us.

### PRINCIPAL FACTORS CONSIDERED

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

#### 1. Brief review on the Desktop Group

The Desktop Group is principally engaged in the manufacturing, on OEM basis, of laptop bags, luxury and fashionable bags and other general bag products with operations mainly in Hong Kong and the PRC. The Desktop Group's manufacturing facilities are Dongguan Xinghao and Dongguan Xingxi, both of them are wholly-foreign owned entities located in the PRC. The Group's investment in the Desktop Group could be traced back to August 2008 when the Group acquired 60% interest in Trinew.

The financial results of the Desktop Group have been consolidated in the financial information of the Group since August 2008. Based on the information provided by management, we summarized below the unaudited consolidated financial performance and position of the Desktop Group for two years ended 31 December 2008 and 2009:

#### Expressed in HK\$'million

	For the year ended	
	31 December	
	2008	2009
Turnover	1,124.5	841.4
Gross profit	110.4	59.6
<i>Gross margin</i>	9.8%	7.1%
Loss before taxation	12.1	39.6
Tax provision	<u>11.6</u>	<u>14.4</u>
Loss after taxation	<u>23.7</u>	<u>54.0</u>
Total assets		612.8
Total liabilities		<u>(459.2)</u>
Consolidated net asset value as at 31 December		<u>153.6</u>

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Turnover of the Desktop Group accounted for approximately 14.0% of the Group's total turnover of US\$774.9 million (equivalent to approximately HK\$6,005.4 million) for the year ended 31 December 2009 and approximately 7.7% of the Group's net asset of US\$256.2 million (equivalent to approximately HK\$1,985.6 million) as at 31 December 2009.

Major customers of the Desktop Group include international well-known brands such as COACH (to whom all-over leather bags and fabric and leather trim bags are sold). Based on the sales analysis provided, sales to COACH accounted for approximately 16.5% and 25.0% of the total sales of the Desktop Group for the two years ended 31 December 2008 and 2009. Over 800,000 and 1 million units of bags were sold to COACH for the two years ended 31 December 2008 and 2009 respectively, representing an average monthly sales volume of over 66,000 and 83,000 units of bags in the two periods respectively.

As per discussion with management, the decrease of sales from HK\$1,124.5 million to HK\$841.4 million and the increase in loss after taxation of the Desktop Group from HK\$23.7 million to HK\$54.0 million for the year ended 31 December 2009 was mainly attributable to (i) shrinking demand for laptop bags as a result of financial crisis; (ii) decrease of gross margin from 9.8% to 7.1% as a result of, inter alia, significant fixed management overheads in relation of merchandising function and technical centre; and (iii) writing-off of outdated materials amounting to HK\$8.4 million.

Tax provision of HK\$14.4 million in relation to, among others, the under-provision of tax in prior years was made in the year ended 31 December 2009. Pursuant to a tax indemnity entered into between, inter alia, the Group and the Vendor, pre-acquisition tax liabilities of the Desktop Group are indemnified by the Vendor.

## **2. Background and reasons for entering into the Transaction Documents**

Trinew is ultimately held as to 40% by Mr. Inglis. Save and except for the fact that Mr. Inglis was appointed as the chief executive officer and director of the Desktop Group, Mr. Inglis did not have any other management role nor board presence in the Group. Mr. Inglis is, as defined by the Listing Rules, a connected person of the Company pursuant to his 40% interest in Trinew.

The Group indirectly held as to 60% equity interest in the Desktop Group since August 2008, and will own the entire equity interest in the Desktop Group upon Completion. We concur with the Board that the acquisition of the Sale Shares and the entering into of the Transaction Documents would give the Group more flexibility in the management and decision-making matters of the Desktop Group, in particular, the "lean reengineering" strategy currently implemented by the Group. We are advised that, upon Completion, non-profitable customer accounts of the Desktop Group will be eliminated.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As part of our due diligence process, we have reviewed and discussed with management the estimated financial impact and the cost-cutting measures behind the “lean reengineering” strategy, which is set out below:

*HK\$ Million*

Estimated cost savings of the Desktop Group as a result of “lean reengineering” strategy:	
— Reduction in salaries and benefits as a result of resignation of senior management of the Desktop Group ( <i>Note 1</i> )	19.4
— Reduction in office overheads as a result of merger of Desktop’s office ( <i>Note 2</i> )	4.7
Costs in one-off nature incurred in the year ended 31 December 2009:	
— Separation pay and writing off of leasehold improvements of a factory in Dongguan ( <i>Note 3</i> )	8.5
— Writing off of outdated materials	<u>8.4</u>
Total estimated cost savings	<u><u>41.0</u></u>
Operating loss before taxation for the year ended 31 December 2009 ( <i>Note 4</i> )	<u><u>39.6</u></u>

*Notes:*

1. The amount is estimated based on employment contract of senior management and salaries and benefits vested to staff of the Desktop Group for the year ended 31 December 2009;
2. Being the actual office and business expenses of the Desktop Group for the year ended 31 December 2009;
3. Actual costs prior to the closure of Dongguan Xingxi;
4. Pre-tax instead of post-tax profit is considered more relevant as pre-acquisition tax liabilities of the Desktop Group is indemnified by the Vendor.

In addition to the cost saving measures discussed above, the Group also expected turnover and margin of the Desktop Group will be enhanced. We have reviewed and discussed with management on the financial projection of the Desktop Group for the year of 2010 and noted from its order book that it is COACH’s plan to increase purchase order volume for the Desktop Group fourfold from currently 83,000 units of bags per month.

### **3. Termination of the Options**

Pursuant to the Transaction Documents, the Option Deeds shall be terminated immediately upon Completion and all the Options granted under the Option Deeds shall be cancelled and of no further effect.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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If the Option Deeds are not terminated, the Group is entitled a call option to acquire the remaining 40% equity interest in Trinew by two stages from Ospella prior to 31 December 2014, whilst Ospella is also entitled a put option to dispose of the remaining 40% equity interest in Trinew by two stages to the Group. According to the Option Deeds, the price payable by the Group under the call option for the remaining 40% equity interest was agreed as the greater of:

- (i) 40% of (a price-earnings multiple of  $5.5 \times$  average net profit after taxation of the Desktop Group for the two financial years prior to the exercise of the call option); and
- (ii) 40% of (net asset value of the Desktop Group as at year end of the financial year immediately prior to the exercise of the Options + Appreciated Value)

whereby “Appreciated Value” refers to the aggregate value of certain pieces of land owned by the Desktop Group in Dongguan, Guangdong Province, the People’s Republic of China net of the aggregate net book value of all such pieces of land, as appraised by professional valuers.

The Directors estimated that the Appreciated Value as at 31 December 2009 was approximately HK\$28.8 million, which was determined with reference to the market value of the neighbouring lands, after taking into account the information obtained from a professional valuer.

Assuming (i) the Transaction Documents have not been entered into; and (ii) the business operation of the Desktop Group would be turnaround such that its net asset value as at 31 December 2009 would not be further deteriorated, the price payable by the Group for the Sale Shares under the Option Deeds is calculated as follows:

	<i>HK\$'Million</i>
Net asset value of the Desktop Group as at 31 December 2009	153.6
Add: Appreciated Value	<u>28.8</u>
	<u>182.4</u>
@40%, being the amount of price payable by the Group under the Option Deeds	<u>73.0</u>
Price payable by the Group under the Transaction Documents	<u>57.0</u>

As illustrated above, the consideration of HK\$57.0 million under the Transaction Documents is lower than the price of HK\$73.0 million that would be payable by the Group as stipulated in (ii) above if further equity interest in the Desktop Group is to be acquired under the call option.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Having considered that (i) the sales performance of the Desktop Group is likely to be enhanced after Completion based on the indication from COACH to increase volume of procurement from the Desktop Group; (ii) the cost-cutting measures as a result of the Group's "lean reengineering" strategy and management's expectation to turnaround the Desktop Group's business after Completion; and (iii) the Transaction Documents provide a lower acquisition cost of 40% equity interest in the Desktop Group as compared to the Option Deeds, we concur with the Board that the entering into of the Transaction Documents is in the interest of the Company and is fair and reasonable so far as the Independent Shareholders are concerned.

#### **4. Financial effects of the Transaction Documents**

The Group currently owns an attributable interest of 60% in the Desktop Group. Upon Completion, the Group will effectively own the entire interest in Trinew and the Desktop Group, which will continue to be recorded as a subsidiary of the Group. Its turnover, assets and liabilities will continue to be consolidated with the Group.

##### *Earnings*

As discussed above, the Desktop Group has recorded an operating loss after taxation of approximately HK\$54.0 million (equivalent to approximately US\$7.0 million) for the year ended 31 December 2009. Assuming the Completion was in the year ended 31 December 2009, it is expected that the earnings of the Group, which recorded an audited consolidated profit after taxation of approximately US\$19.0 million, will have a negative effect upon Completion due to the increase of the Group's attributable interest in Trinew Group from 60% to 100%.

##### *Cashflow*

Based on the 2009 annual report, the cash and bank balance of the Group as at 31 December 2009 amounted to approximately US\$107.6 million (approximately equivalent to HK\$833.9 million). As the consideration of HK\$57 million will be satisfied by way of cash, it is expected that there will be a slight reduction in the cash balance of the Group. The Company has confirmed that such reduction in cash balance will not have material adverse impact on the existing business operation of the Group.

##### *Net Asset Value*

Upon Completion, the Group will effectively own the entire equity interest in the Desktop Group. In view of the fact that the Group's attributable interest in the Desktop Group will increase from 60% to 100% and the consideration of HK\$57 million is lower than 40% equity interest of the consolidated net asset value of the Desktop Group as at 31 December 2009 of approximately HK\$153.6 million, the transaction contemplated under the Transaction Documents will bring about a slightly positive impact on the consolidated net asset position of the Group.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Based on the above and assuming the Transaction Documents were completed in the year ended 31 December 2009, it would have a negative impact on the Group's earnings and cashflow and a slightly positive effect on the Group's net asset value. Having considered the aforementioned overall benefits which the transaction would likely bring to the Group, in particular, management's estimation of financial impact on the enhancement of sales and the cost-cutting measure in relation to the Desktop Group, we consider the negative impact on the Group's earnings and cashflow is justifiable. On such basis, we are of the view that the entering into of the Transaction Documents is in the interests of the Company and the Shareholders as a whole.

### RECOMMENDATION

Having considered the principal factors and reasons as set out above, we are of the opinion that the terms of the Transaction Documents is on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and the entering into of the Transaction Documents is in the interests of the Company and the Shareholders as a whole. We consider the Transaction Documents is in the ordinary and usual course of the business of the Group. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to, and we recommend the Independent Shareholders to, vote in favour of the ordinary resolution to approve the Transaction Documents if a general meeting of the Shareholders were to be held in this regard.

Yours faithfully,  
For and on behalf of  
**Partners Capital International Limited**  
**Alan Fung**  
*Managing Director*



## 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 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

### (i) Interests of Directors in the Company and its associated corporations

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

*Long positions in the shares:*

Name of Director	Capacity	Number of ordinary shares	Approximate percentage of interest in Company
Tan Siu Lin	Trustee ( <i>Note 1</i> )	66,493,000	6.70%
	Interest of controlled corporation ( <i>Note 1</i> )	10,000,000	1.01%
Tan Henry	Beneficiary ( <i>Note 1</i> )	66,493,000	6.70%
	Beneficial owner ( <i>Notes 3 and 4</i> )	450,000	0.05%
	Interest of controlled corporation ( <i>Note 2</i> )	614,250,000	61.88%

Name of Director	Capacity	Number of ordinary shares	Approximate percentage of interest in Company
Tan Willie	Beneficiary ( <i>Note 1</i> )	66,493,000	6.70%
	Beneficial owner ( <i>Notes 3 and 6</i> )	1,450,000	0.15%
Tan Cho Lung, Raymond	Beneficiary ( <i>Note 1</i> )	66,493,000	6.70%
	Beneficial owner ( <i>Notes 3, 4 and 7</i> )	1,550,000	0.16%
Tan Sunny	Beneficiary ( <i>Note 1</i> )	66,493,000	6.70%
	Beneficial owner ( <i>Notes 3, 4 and 8</i> )	1,022,000	0.10%
Mok Siu Wan, Anne	Beneficial owner ( <i>Notes 3, 4 and 5</i> )	3,200,000	0.32%

*Notes:*

- Mr. Tan Siu Lin is the settlor and trustee of the Tan Family Trust of 2004. As the settlor and trustee of the Tan Family Trust of 2004, which is a revocable discretionary trust, Mr. Tan Siu Lin is deemed under Part XV of the SFO to be interested in the aggregate shareholdings of Tan Holdings Corporation (“Tan Holdings Corporation”), a company incorporated in Commonwealth of Northern Mariana Islands, which in turn owns directly the entire issued capital of Union Bright Limited. Union Bright Limited holds directly 60,750,000 shares of the Company (or approximately 6.12% of the issued share capital of the Company). The Tan Family Trust of 2004 also owns directly the entire issued share capital of Wincare International Company Limited, which in turn holds directly 5,743,000 shares of the Company (or approximately 0.58% of the issued share capital of the Company). Mr. Tan Siu Lin also controls and is a subscriber and founding member of Tan Siu Lin Foundation Limited, which in turn owns directly 10,000,000 shares of the Company (or approximately 1.01% of the issued share capital of the Company).

Each of Mr Tan Henry, Mr Tan Willie, Mr Tan Cho Lung, Raymond and Mr Tan Sunny is a beneficiary of the Tan Family Trust of 2004, and each of them is deemed under Part XV of the SFO to be interested in the shareholdings of Tan Holdings Corporation, Union Bright Limited and Wincare International Company Limited.

- Mr. Tan Henry is the beneficial owner of 3,500 issued shares (representing 70% interest) in Helmsley Enterprises Limited (“**Helmsley**”), a company incorporated in the Commonwealth of the Bahamas. Helmsley wholly owns Capital Glory Limited, which in turn owns 614,250,000 shares, or approximately 61.88% interest in the issued share capital of the Company.

3. Each of Mr. Tan Henry, Mr. Tan Willie, Mr. Tan Cho Lung, Raymond, Ms. Mok Siu Wan Anne and Mr. Tan Sunny is a grantee of the respective share options granted by the Company on 26 January 2006.
4. Each of Mr. Tan Henry, Mr. Tan Cho Lung, Raymond, Ms. Mok Siu Wan Anne and Mr. Tan Sunny is a grantee of the share options granted by the Company on 10 November 2006.
5. Ms. Mok Siu Wan, Anne is a grantee of the share options granted by the Company on 21 April 2008.
6. A total of 1,150,000 shares of the Company were acquired by an associate of Mr. Tan Willie between 2005 and 2008. He is therefore deemed under Part XV of the SFO to be interested in all of the 1,150,000 shares of the Company acquired by his associate.
7. A total of 1,250,000 shares of the Company were acquired by an associate of Mr. Tan Cho Lung, Raymond in 2006, 2008 and 2009. He is therefore deemed under Part XV of the SFO to be interested in all of the 1,250,000 shares acquired by his associate.
8. Mr. Tan Sunny acquired a total of 322,000 shares of the Company in 2006.

*Long positions in the shares of associated corporations of the Company (as defined in the SFO)*

<b>Name of Director</b>	<b>Name of associated corporation</b>	<b>Capacity</b>	<b>Number of ordinary shares</b>	<b>Approximate percentage of attributable interest in corporation</b>
Tan Siu Lin	Helmsley ( <i>Note 1</i> )	Trustee ( <i>Note 4</i> )	1,500	30%
	Capital Glory Limited ( <i>Note 2</i> )	Trustee ( <i>Note 4</i> )	1	100%
	Justintime Development Limited ( <i>Note 3</i> )	Trustee ( <i>Note 4</i> )	1	100%
	Tripletrio International Limited ( <i>Note 3</i> )	Trustee ( <i>Note 4</i> )	42,500	100%
	Newtex International Limited ( <i>Note 3</i> )	Trustee ( <i>Note 4</i> )	2	100%
	Torpedo Management Limited ( <i>Note 3</i> )	Trustee ( <i>Note 4</i> )	1	100%
	Integrated Solutions Technology Inc. ( <i>a Cayman Islands corporation</i> ) ( <i>Note 3</i> )	Trustee ( <i>Note 4</i> )	1	100%
	Eldex Del Golfo, SA de CV ( <i>Note 3</i> )	Trustee ( <i>Note 4</i> )	11,819	100%

Name of Director	Name of associated corporation	Capacity	Number of ordinary shares	Approximate percentage of attributable interest in corporation
	Servicios Textiles Mexicanos, SA (Note 3)	Trustee (Note 4)	50	100%
	Hanium Industries Limited (Note 3)	Trustee (Note 4)	1	100%
	Integrated Solutions Technology Inc. (a HK corporation) (Note 3)	Trustee (Note 4)	2	100%
	Integrated Solutions Technology Inc. (a BVI corporation) (Note 3)	Trustee (Note 4)	1	100%
	Integrated Solutions Technology Inc. (a Philippines corporation) (Note 3)	Trustee (Note 4)	1	100%
Tan Henry	Helmsley (Note 1)	Beneficial owner	3,500	100%
		Beneficiary (Note 5)	1,500	
	Capital Glory Limited (Note 2)	Beneficiary (Note 5)	1	100%
	Justintime Development Limited (Note 3)	Beneficiary (Note 5)	1	100%
	Tripletrio International Limited (Note 3)	Beneficiary (Note 5)	42,500	100%
	Newtex International Limited (Note 3)	Beneficiary (Note 5)	2	100%
	Torpedo Management Limited (Note 3)	Beneficiary (Note 5)	1	100%
	Integrated Solutions Technology Inc. (a Cayman Islands corporation) (Note 3)	Beneficiary (Note 5)	1	100%
	Eldex Del Golfo, SA de CV (Note 3)	Beneficiary (Note 5)	11,819	100%

Name of Director	Name of associated corporation	Capacity	Number of ordinary shares	Approximate percentage of attributable interest in corporation
	Servicios Textiles Mexicanos, SA (Note 3)	Beneficiary (Note 5)	50	100%
	Hanium Industries Limited (Note 3)	Beneficiary (Note 5)	1	100%
	Integrated Solutions Technology Inc. (a HK corporation) (Note 3)	Beneficiary (Note 5)	2	100%
	Integrated Solutions Technology Inc. (a BVI corporation) (Note 3)	Beneficiary (Note 5)	1	100%
	Integrated Solutions Technology Inc. (a Philippines corporation) (Note 3)	Beneficiary (Note 5)	1	100%
Tan Willie	Helmsley (Note 1)	Beneficiary (Note 6)	1,500	30%
	Capital Glory Limited (Note 2)	Beneficiary (Note 6)	1	100%
	Justintime Development Limited (Note 3)	Beneficiary (Note 6)	1	100%
	Tripletrio International Limited (Note 3)	Beneficiary (Note 6)	42,500	100%
	Newtex International Limited (Note 3)	Beneficiary (Note 6)	2	100%
	Torpedo Management Limited (Note 3)	Beneficiary (Note 6)	1	100%
	Integrated Solutions Technology Inc. (a Cayman Islands corporation) (Note 3)	Beneficiary (Note 6)	1	100%
	Eldex Del Golfo, SA de CV (Note 3)	Beneficiary (Note 6)	11,819	100%
	Servicios Textiles Mexicanos, SA (Note 3)	Beneficiary (Note 6)	50	100%

Name of Director	Name of associated corporation	Capacity	Number of ordinary shares	Approximate percentage of attributable interest in corporation
	Hanium Industries Limited (Note 3)	Beneficiary (Note 6)	1	100%
	Integrated Solutions Technology Inc. (a HK corporation) (Note 3)	Beneficiary (Note 6)	2	100%
	Integrated Solutions Technology Inc. (a BVI corporation) (Note 3)	Beneficiary (Note 6)	1	100%
	Integrated Solutions Technology Inc. (a Philippines corporation) (Note 3)	Beneficiary (Note 6)	1	100%
Tan Cho Lung, Raymond	Helmsley (Note 1)	Beneficiary (Note 6)	1,500	30%
	Capital Glory Limited (Note 2)	Beneficiary (Note 6)	1	100%
	Justintime Development Limited (Note 3)	Beneficiary (Note 6)	1	100%
	Tripletrio International Limited (Note 3)	Beneficiary (Note 6)	42,500	100%
	Newtex International Limited (Note 3)	Beneficiary (Note 6)	2	100%
	Torpedo Management Limited (Note 3)	Beneficiary (Note 6)	1	100%
	Integrated Solutions Technology Inc. (a Cayman Islands corporation) (Note 3)	Beneficiary (Note 6)	1	100%
	Eldex Del Golfo, SA de CV (Note 3)	Beneficiary (Note 6)	11,819	100%
	Servicios Textiles Mexicanos, SA (Note 3)	Beneficiary (Note 6)	50	100%
	Hanium Industries Limited (Note 3)	Beneficiary (Note 6)	1	100%

Name of Director	Name of associated corporation	Capacity	Number of ordinary shares	Approximate percentage of attributable interest in corporation
	Integrated Solutions Technology Inc. <i>(a HK corporation)</i> <i>(Note 3)</i>	Beneficiary <i>(Note 6)</i>	2	100%
	Integrated Solutions Technology Inc. <i>(a BVI corporation)</i> <i>(Note 3)</i>	Beneficiary <i>(Note 6)</i>	1	100%
	Integrated Solutions Technology Inc. <i>(a Philippines corporation)</i> <i>(Note 3)</i>	Beneficiary <i>(Note 6)</i>	1	100%
Tan Sunny	Helmsley <i>(Note 1)</i>	Beneficiary <i>(Note 6)</i>	1,500	30%
	Capital Glory Limited <i>(Note 2)</i>	Beneficiary <i>(Note 6)</i>	1	100%
	Justintime Development Limited <i>(Note 3)</i>	Beneficiary <i>(Note 6)</i>	1	100%
	Tripletrio International Limited <i>(Note 3)</i>	Beneficiary <i>(Note 6)</i>	42,500	100%
	Newtex International Limited <i>(Note 3)</i>	Beneficiary <i>(Note 6)</i>	2	100%
	Torpedo Management Limited <i>(Note 3)</i>	Beneficiary <i>(Note 6)</i>	1	100%
	Integrated Solutions Technology Inc. <i>(a Cayman Islands corporation)</i> <i>(Note 3)</i>	Beneficiary <i>(Note 6)</i>	1	100%
	Eldex Del Golfo, SA de CV <i>(Note 3)</i>	Beneficiary <i>(Note 6)</i>	11,819	100%
	Servicios Textiles Mexicanos, SA <i>(Note 3)</i>	Beneficiary <i>(Note 6)</i>	50	100%
	Hanium Industries Limited <i>(Note 3)</i>	Beneficiary <i>(Note 6)</i>	1	100%

Name of Director	Name of associated corporation	Capacity	Number of ordinary shares	Approximate percentage of attributable interest in corporation
	Integrated Solutions Technology Inc. (a HK corporation) (Note 3)	Beneficiary (Note 6)	2	100%
	Integrated Solutions Technology Inc. (a BVI corporation) (Note 3)	Beneficiary (Note 6)	1	100%
	Integrated Solutions Technology Inc. (a Philippines corporation) (Note 3)	Beneficiary (Note 6)	1	100%

*Notes:*

1. Helmsley is the holding company of Capital Glory Limited, which is, in turn, the holding company of the Company. Helmsley is therefore an associated corporation of the Company as defined under Part XV of the SFO.
2. Capital Glory Limited is the holding company of the Company. It is therefore an associated corporation of the Company.
3. This is a subsidiary of Helmsley. It is therefore an associated corporation of the Company.
4. Mr. Tan Siu Lin is the settlor and trustee of the Tan Family Trust of 2004, which directly holds 1,500 issued shares (or 30% interest) in Helmsley. As the settlor and trustee of the Tan Family Trust of 2004, which is a revocable discretionary trust, Mr. Tan Siu Lin is deemed under Part XV of the SFO to be interested in the interests of the Tan Family Trust of 2004 in each of Helmsley and its subsidiaries respectively.
5. Mr. Tan Henry directly holds 3,500 issued shares (or 70% interest) in Helmsley. Mr. Tan Henry is also one of the beneficiaries of the Tan Family Trust of 2004, which directly holds 1,500 issued shares (or 30% interest) in Helmsley. He is therefore deemed under Part XV of the SFO to be interested in the interests of the Tan Family Trust of 2004 in each of Helmsley and its subsidiaries respectively.
6. Each of Mr. Tan Willie, Mr. Tan Cho Lung, Raymond and Mr. Tan Sunny is a beneficiary of the Tan Family Trust of 2004, which directly holds 1,500 issued shares (or 30% interest) in Helmsley. Each of them is therefore deemed under Part XV of the SFO to be interested in the interests of the Tan Family Trust of 2004 in each of Helmsley and its subsidiaries respectively.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and the chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations which are required (a) to be notified to the Company and the Stock



Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and Stock Exchange.

- (b) As at the Latest Practicable Date, none of the Directors had entered into any service agreement with any member of the Group which was not terminable by the employer within one year without payment of compensation other than statutory compensation.

**(ii) Interests of Substantial Shareholders**

- (a) As at the Latest Practicable Date, so far as was known to the Directors, the following persons, not being Directors or chief executive of the Company had, or were deemed to have, interests or short positions in the shares, underlying shares and debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO; or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group or held any option in respect of such capital:

Name	Capacity	Number of ordinary shares	Approximate percentage of shareholding
Capital Glory Limited <i>(Note 1)</i>	Beneficial owner	614,250,000	61.88%
Helmsley Enterprises Limited <i>(Note 1)</i>	Interest of controlled corporation	614,250,000	61.88%

*Notes:*

1. Capital Glory Limited is a wholly-owned subsidiary of Helmsley. Helmsley is therefore deemed to be interested in the interests of Capital Glory Limited held in the Company.
2. (a) Both of Mr. Tan Siu Lin and Mr. Tan Henry are directors in each of Capital Glory Limited and Helmsley Enterprises Limited.
- (b) Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other person, other than the Directors and the chief executives of the Company, who had, or was deemed to have, interests or short positions in the shares, underlying shares and debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO; or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group or held any option in respect of such capital.

### 3. DIRECTORS' INTERESTS IN COMPETING BUSINESSES

As at the Latest Practicable Date, so far as the Directors are aware, none of the Directors or any of their respective associates had a controlling interest in a business which causes or may cause any significant direct or indirect competition with the business of the Group or any significant conflicts with the interests of the Group, save for Kardon International Worldwide Ltd. ("**Kardon**"). The particulars of such business of Kardon are as follows:

Kardon is a company incorporated in the British Virgin Islands, which manufactures knitted sweaters in Indonesia. A.M. International Manufacturing Company Limited ("**AMI**") is a Connected Person of the Company and a wholly owned company of Kardon, which is a 42%-owned company of Luen Thai Direct Investment Limited ("**LTDI**"). Though LTDI is a shareholder of Kardon, Kardon is in fact a joint venture in which LTDI has no control, either at the shareholder or board levels. Kardon is owned as to the other 42% by an independent third party who is not a Connected Person of the Company and the remaining 16% by the management of Kardon who is also not a Connected Person of the Company. LTDI is wholly owned by Admirable Investment Holdings Limited, which in turn is indirectly owned by Mr. Tan Siu Lin, a Director.

As disclosed in the circular dated 15 December 2008 of the Company, Mr. Tan Siu Lin has a material interest in the master agreement dated 26 November 2008 (the "**New Master Agreement**") and the transactions as contemplated thereunder. The New Master Agreement was entered into between AMI and Partner Joy Group Limited ("**Partner Joy**"), an indirect 95%-owned subsidiary of the Company. Pursuant to the New Master Agreement, the Group, through Partner Joy, engaged AMI as its sub-contractor for the provision of garment manufacturing services. As disclosed above, AMI is a Connected Person of the Company by virtue of its shareholding relationship with Admirable Investment Holdings Limited, which is indirectly owned by Mr. Tan Siu Lin. Save as disclosed above, there are no contracts or arrangements subsisting as at the Latest Practicable Date in which a Director is materially interested or which is significant in relation to the business of the Group.

As at the Latest Practicable Date, no Director has any interest, direct or indirect, in any assets which have been, since 31 December 2009, acquired or disposed of by or leased to any member of the Group or proposed to be acquired or disposed of by or leased to any member of the Group.

### 4. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had a service contract or a proposed service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

## 5. EXPERT QUALIFICATION AND CONSENT

The following is the qualification of the expert who has made statement in this circular:

Name	Qualification
Partners Capital International Limited (“Partners Capital”)	A corporation licensed to carry out regulated activities Type 1 (dealing in securities) and Type 6 (advising on corporate finance) under the SFO

Partners Capital has no shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities of any member in the Group.

Partners Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter/opinion dated 20 May 2010 and references to its name in the form and context in which they are included.

## 6. EXPERTS’ INTERESTS

As at the Latest Practicable Date,

- (a) Partners Capital did not have any direct or indirect interest in any asset which had since 31 December 2009, being the date to which the latest published audited financial statements of the Company were made up, been acquired or disposed of by, or leased to, any member of the Group, or was proposed to be acquired or disposed of by, or leased to, any member of the Group; and
- (b) Partners Capital was not beneficially interested in the share capital of any member of the Group or did they have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

## 7. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial position or trading position of the Group since 31 December 2009, being the date to which the latest published audited financial statements of the Group was made up.

## 8. MISCELLANEOUS

- (a) The registered head office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111Cayman Islands.
- (b) The principal share registrar and transfer office of the Company is HSBC Trustee (Cayman) Limited at P.O. Box 484, HSBC House, 68 West Bay Road, Grand Cayman, KY1-1106, Cayman Islands.

- (c) The share registrar and transfer office of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong.
- (d) In the event of any inconsistency, the English text of this circular shall prevail over the Chinese text.

## **9. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection during normal business hours at the Company’s principal place of business in Hong Kong at 5/F, Nanyang Plaza, 57 Hung To Road, Kwun Tong, Kowloon, Hong Kong for a period of 14 days (except public holidays) from the date of this circular:

- (a) the Sale and Purchase Agreement;
- (b) the Charge over Account Receivables;
- (c) the Deed of Tax Indemnity;
- (d) the Employment Agreement;
- (e) the First Option Deed;
- (f) the Old Charge over Account;
- (g) the Previous S& P Agreement;
- (h) the Second Option Deed;
- (i) the Share Charge;
- (j) the Shareholders’ Loans Agreement; and
- (k) the New Master Agreement.