
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this Circular or as to the action to be taken, you should consult your 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.

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



LUEN THAI HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 311)

CONNECTED TRANSACTIONS

**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

A letter from the Board is set out on pages 4 to 10 and a letter from the Independent Board Committee is set out on page 11 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 12 to 16 of this circular.

CONTENTS

	<i>Page</i>
CONTENTS	i
DEFINITIONS	1
LETTER FROM THE BOARD	4
INTRODUCTION	4
THE TRANSACTIONS	5
REASONS FOR ENTERING INTO THE TRANSACTIONS	7
INFORMATION OF THE GROUP AND OSPELLA	7
IMPLICATIONS UNDER THE LISTING RULES	7
RECOMMENDATIONS	9
ADDITIONAL INFORMATION	10
LETTER FROM THE INDEPENDENT BOARD COMMITTEE	11
LETTER FROM THE INDEPENDENT FINANCIAL ADVISER	12
APPENDIX I — GENERAL INFORMATION	17

DEFINITIONS

“Account Receivables”	the Shareholders’ Loan repayable by Desk Top to Ospella pursuant to the Shareholders’ Loan Agreement;
“Board”	board of Directors;
“Charge over Account”	a charge over account dated 8 August 2008 executed by Ospella in favour of Fortune Investment, under which certain cash deposits (including the Released Amount) were charged as security for the obligations of Ospella and Mr. Inglis under the Sale and Purchase Agreement concerning the settlement of the Trade Receivables;
“Charge over Account Receivables”	a charge over account receivables dated 29 December 2008 executed by Ospella in favour of Fortune Investment, under which the Account Receivables were charged as security for the obligations of Ospella and Mr. Inglis under the Sale and Purchase Agreement concerning the settlement of the Trade Receivables;
“Company”	Luen Thai Holdings Limited, the shares of which are listed on the Stock Exchange;
“Completion”	completion of the acquisition of the Sale Shares by Fortune Investment under the Sale and Purchase Agreement in accordance with its terms;
“Connected Person”	shall have the meaning as ascribed to it under the Listing Rules;
“Desk Top”	Desk Top Limited, a company incorporated under the laws of Hong Kong and a direct 99.967%-owned subsidiary of Trinew;
“Directors”	directors of the Company for the time being;
“Fortune Investment”	Fortune Investment Overseas Limited, a company incorporated under the laws of the British Virgin Islands and a wholly-owned subsidiary of each of the Company and Luen Thai Overseas Limited;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the 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;

DEFINITIONS

“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 and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Supplemental Agreement and the Supplemental Charge and the transactions thereunder;
“Independent Shareholders”	shareholders of the Company who are not required to abstain from voting on the entering into of the Supplemental Agreement and the Supplemental Charge and the transactions thereunder;
“Latest Practicable Date”	12 January 2009, 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;
“Mr. Inglis”	Mr. Owen John Inglis;
“Ospella”	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;
“Released Amount”	the sum of HK\$24,000,000, which is released from the cash deposits charged under the Charge over Account;
“Sale and Purchase Agreement”	a sale and purchase agreement dated 10 June 2008 and entered into among Ospella as the vendor, Fortune Investment as the purchaser, Mr. Inglis as the guarantor of Ospella and Luen Thai Overseas Limited as the guarantor of Fortune Investment in relation to the sale and purchase of the Sale Shares in Trinew, as supplemented by a supplemental letter agreement dated 16 June 2008;
“Sale Shares”	600 shares of Trinew, representing 60% in the issued and fully paid-up share capital of Trinew;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);

DEFINITIONS

“Shareholders’ Loans”	the shareholders’ loans in the aggregate sum of HK\$60,000,000 provided by Fortune Investment and Ospella to Desk Top pursuant to the Shareholders’ Loan Agreement, and as to 60% thereof by Fortune Investment which amounts to HK\$36,000,000, and as to 40% thereof which amounts to HK\$24,000,000 by Ospella, and a “Shareholder’s Loan” shall refer to any one of them, as the context may require;
“Shareholders’ Loan Agreement”	the shareholders’ loan agreement dated 29 December 2008 entered into among Ospella, Fortune Investment and Desk Top for the provision of the Shareholders’ Loans to Desk Top;
“Supplemental Agreement”	the second supplemental agreement dated 29 December 2008 entered into among Ospella, Fortune Investment, Mr. Inglis, Luen Thai Overseas Limited and Desk Top for variation of the terms of the Sale and Purchase Agreement;
“Supplemental Charge”	the supplemental deed 29 December 2008 entered into between Ospella and Fortune Investment for variation of the terms of the Charge over Account;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Target Group”	Trinew and its subsidiaries;
“Trade Receivables”	certain account receivables of the Target Group payable by certain trade debtors to the Target Group;
“Transactions”	the respective transactions under the Supplemental Agreement, the Supplemental Charge, the Shareholders’ Loan Agreement and the Charge over Account Receivables; and a “Transaction” refers to any one of them, as the context may require;
“Trinew”	Trinew Limited, a company incorporated in the British Virgin Islands and a 60%-owned subsidiary of the Company.

LETTER FROM THE BOARD



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
KY1-111 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, 15 January 2009

To the Shareholders

Dear Sir or Madam,

CONNECTED TRANSACTIONS

INTRODUCTION

Reference is made to the announcement of the Company dated 16 June 2008 and the circular of the Company dated 30 June 2008 both in relation to, inter alia, the acquisition of the Sale Shares in Trinew by Fortune Investment, a wholly-owned subsidiary of the Company, from Ospella pursuant to the Sale and Purchase Agreement. Completion has taken place on 8 August 2008. After the Completion, Trinew is owned as to 60% by Fortune Investment and as to 40% by Ospella.

Notwithstanding the Completion, certain terms of the Sale and Purchase Agreement survive the Completion. Such terms include but not limited to the following: (a) Ospella and Mr. Inglis have jointly and severally guaranteed to Fortune Investment that the Trade Receivables of the Target Group shall be fully settled within a certain period of time after Completion; (b) As security for the settlement of the Trade Receivables, Ospella had

LETTER FROM THE BOARD

executed the Charge over Account upon Completion, under which certain cash deposits were charged by Ospella in favour of Fortune Investment. The total original amount of the principal sum charged under the Charge over Account was HK\$62,320,000.

Since Desk Top, a subsidiary of Trinew, intends to raise further finance for its working capital requirement, Fortune Investment and Osepla have agreed to provide the Shareholders' Loans in the aggregate sum of HK\$60,000,000 to Desk Top in the agreed proportion, i.e 60% of the Shareholders' Loans which amounts to HK\$36,000,000 shall be provided by Fortune Investment, while the remaining 40% which amounts to HK\$24,000,000 shall be provided by Ospella.

Fortune Investment has agreed that the Released Amount, being part of the charged amounts under the Charge over Account, be released from the Charge over Account for the specific purpose of providing Ospella with the required finance for its own portion of the Shareholders' Loans. After Ospella's injection of its own portion of the Shareholders' Loans in the sum of HK\$24,000,000, Desk Top shall repay the Shareholders' Loan to Ospella as account payable. In turn, Ospella shall charge the Account Receivables from Desk Top in respect of the Shareholders' Loan in favour of Fortune Investment as security for the full settlement of the Trade Receivables.

To implement the above arrangement, the following documents were executed by the parties concerned:

- (a) the Supplemental Agreement;
- (b) the Supplemental Charge;
- (c) the Shareholders' Loan Agreement; and
- (d) the Charge over Account Receivables.

The purpose of this circular is to provide you with details regarding the Supplemental Agreement, Supplemental Charge, Shareholders' Loan Agreement and Charge over Account Receivables and the Transactions thereunder.

THE TRANSACTIONS

1. The Supplemental Agreement

Date: 29 December 2008

Parties: (1) Ospella
(2) Fortune Investment (a wholly-owned subsidiary of the Company)
(3) Mr. Inglis, the guarantor of Ospella
(4) Luen Thai Overseas Limited (a wholly-owned subsidiary of the Company), the guarantor of Fortune Investment
(5) Desk Top

LETTER FROM THE BOARD

Pursuant to the Supplemental Agreement, the terms of the Sale and Purchase Agreement are varied to the extent that the Released Amount be released from the Charge over Account for the specific purpose of providing Ospella with the required finance for the Shareholders' Loan, and the creation of the Charge over Account Receivables as security for the full settlement of the Trade Receivables.

2. The Supplemental Charge

Date: 29 December 2008

Parties: (1) Ospella
(2) Fortune Investment

Pursuant to the Supplemental Charge, the terms of the Charge over Account are varied to provide for the early release of the Released Amount from the Charge over Account only for the specific purpose of providing Ospella with the required finance for the Shareholder's Loan.

3. The Shareholders' Loan Agreement

Date: 29 December 2008

Parties: (1) Fortune Investment
(2) Ospella
(3) Desk Top

Pursuant to the Shareholders' Loan Agreement, Fortune Investment and Osepella have agreed to provide the Shareholders' Loans in the aggregate sum of HK\$60,000,000 to Desk Top in the agreed proportion, i.e 60% of the Shareholders' Loans which amounts to HK\$36,000,000 shall be provided by Fortune Investment, while the remaining 40% which amounts to HK\$24,000,000 shall be provided by Ospella. The maturity date for repayment of the Shareholders' Loan will fall on 8 August 2011.

4. The Charge over Account Receivables

Date: 29 December 2008

Parties: (1) Ospella
(2) Fortune Investment

Pursuant to the Charge over Account Receivables, Ospella has charged the Account Receivables in favour of Fortune Investment as security for the full settlement of the Trade Receivables.

LETTER FROM THE BOARD

REASONS FOR ENTERING INTO THE TRANSACTIONS

The principal reasons for the Transactions are: (a) to facilitate the provision of further working capital to Desk Top, a subsidiary of the Company, in the form of shareholders' loan; and (b) to continue to secure the obligations of Ospella and Mr. Inglis under the Sale and Purchase Agreement in respect of the settlement of the Trade Receivables by the creation of the Charge over Account Receivables after the partial release of the charged amounts under the Charge over Account for the specific purpose of providing Ospella with the required finance for the Shareholders' Loan.

In view of the current market condition, the cost of financing the working capital requirement of the Group by external borrowings will be relatively higher. The Directors are also of the view that the commercial benefits in releasing the Released Amount from the Charge over Account for the specific purpose of providing Ospella with the required finance for the Shareholders' Loan and the creation of the Charge over Account Receivables as security for the full settlement of the Trade Receivables outweigh the benefit of maintaining the Released Amount as cash deposits charged under the Charge over Account. Under such circumstances and on the basis that the Transactions were negotiated on arm's length basis, the Directors (including the independent non-executive Directors) consider that the Transactions (including the terms of the Supplemental Agreement, the Supplemental Charge, the Shareholders' Loan Agreement and the Charge over Account Receivables) were respectively negotiated on an arm's length basis and are made on normal commercial terms, that their terms are fair and reasonable, and that the Transactions and their terms are in the interests of the Group and the Company's shareholders as a whole.

INFORMATION OF THE GROUP AND OSPELLA

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

Ospella is an investment holding company.

IMPLICATIONS UNDER THE LISTING RULES

1. The Supplemental Agreement and the Supplemental Charge

The Supplemental Agreement constitutes a material variation of the terms of the Sale and Purchase Agreement, and is therefore subject to the disclosure requirement pursuant to Rule 14.36 of 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. Hence the entering into of the Supplemental Agreement and the Supplemental Charge, and the release of the Released Amount in the sum of HK\$24,000,000 from the Charge over Account pursuant to the Supplemental Charge constitute a non-exempt connected transaction for the Company according to the applicable Percentage Ratios, and is therefore subject to the disclosures requirements and Independent Shareholders' approval under the Listing Rules.

LETTER FROM THE BOARD

Under Rule 14A.43 of the Listing Rules, Independent Shareholders' approval for the Transactions under the Supplemental Agreement and the Supplemental Charge may be obtained by written shareholders' approval in lieu of convening a general meeting if (i) 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 Supplemental Agreement and the Supplemental Charge; and (ii) written approval has been obtained from one or a closely allied group of Independent Shareholders who in aggregate hold more than 50% in nominal value of the issued share capital of the Company giving the right to attend and vote at the general meeting to approve the Transactions.

No shareholder of the Company is required to abstain from voting on the entering of the Supplemental Agreement and the Supplemental Charge. Capital Glory Limited, being the controlling shareholder of the Company holding 614,250,000 shares of the Company and representing approximately 61.89% of all shareholders' voting rights, has on 24 December 2008 given an irrevocable and unconditional written confirmation to the Company that it approves the entering into of the Supplemental Agreement and the Supplemental Charge by the Company and the Transactions contemplated thereunder.

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 in respect of the Transactions under the Supplemental Agreement and the Supplemental Charge pursuant to Rule 14A.43 of the Listing Rules 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 Supplemental Agreement and the Supplemental Charge 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. 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 Supplemental Agreement and the Supplemental Charge.

The Independent Board Committee, whose members do not have any material interest in the Transactions as contemplated under the Supplemental Agreement and the Supplemental Charge, has been set up to advise the Independent Shareholders of the Company in relation to the Supplemental Agreement and the Supplemental Charge 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 Supplemental Agreement and the Supplemental Charge and the Transactions thereunder.

LETTER FROM THE BOARD

2. The Shareholders' Loan Agreement

The Shareholders' Loan Agreement constitutes a connected transaction pursuant to Rule 14A.13(2) of the Listing Rules, under which financial assistance is provided by Ospella, a Connected Person of the Company, to Desk Top, a subsidiary of the Company. This connected transaction is exempt from reporting, announcement and Independent Shareholders' approval requirements pursuant to Rule 14A.65(4) of the Listing Rules, as the Shareholders' Loan Agreement and the Transactions thereunder are for the benefit of the Group and on normal commercial terms where no security over the assets of the Group is granted in respect of the financial assistance.

3. The Charge over Account Receivables

The Charge over Account Receivables constitutes a connected transaction pursuant to Rule 14A.13(2) of the Listing Rules, under which financial assistance is provided by Ospella to Desk Top. This connected transaction is exempt from reporting, announcement and Independent Shareholders' approval requirements pursuant to Rule 14A.65(4) of the Listing Rules, as the Charge over Account Receivables and the Transactions thereunder are for the benefit of the Group and on normal commercial terms where no security over the assets of the Group is granted in respect of the financial assistance.

RECOMMENDATIONS

The Directors consider that the Transactions (including the terms of the Supplemental Agreement, the Supplemental Charge, the Shareholders' Loan Agreement and the Charge over Account Receivables) were respectively negotiated on an arm's length basis and are made on normal commercial terms, that their terms are fair and reasonable, and that the Transactions and their terms are 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 Supplemental Agreement, the Supplemental Charge and the Transactions thereunder were respectively negotiated on an arm's length basis and are made on normal commercial terms, that their terms are fair and reasonable, and that the Transactions and their terms are 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 Supplemental Agreement, the Supplemental Charge and the Transactions thereunder, the Independent Board Committee would recommend the Independent Shareholders to vote in favour of the ordinary resolution(s) in this regard.

LETTER FROM THE BOARD

ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Independent Board Committee set out on page 11 of this circular and the letter from the Independent Financial Adviser set out on pages 12 to 16 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
Tan Henry
Chief Executive Officer and Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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)

15 January 2009

To the Independent Shareholders

Dear Sir or Madam,

CONNECTED TRANSACTIONS

We refer to the circular of the Company dated 15 January 2009 (the “**Circular**”) to the 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 the Supplemental Agreement, the Supplemental Charge and the Transactions thereunder, details of which are set out in the letter from the board set out on pages 4 to 10 of this Circular.

Having considered the terms of the Supplemental Agreement, the Supplemental Charge and the Transactions thereunder, and the advice of Independent Financial Adviser in relation thereto as set out on pages 12 to 16 of the Circular, the Independent Board Committee considers that the Supplemental Agreement, the Supplemental Charge and the Transactions thereunder were respectively negotiated on an arm’s length basis and are made on normal commercial terms, that their terms are fair and reasonable, and that the Transactions and their terms are 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 Supplemental Agreement, the Supplemental Charge and the Transactions thereunder, 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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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



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

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

15 January 2009

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

CONNECTED TRANSACTION

INTRODUCTION

We refer to our engagement to advise the Independent Board Committee and the Independent Shareholders in respect of the Supplemental Agreement and Supplemental Charge, particulars of which are set out in a circular to the shareholders of the Company (the "Shareholders") dated 15 January 2009 (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 29 December 2008, among others, that (i) the parties, including Ospella and Fortune Investment, a wholly owned subsidiary of the Company, to the Sale and Purchase Agreement have entered into the Supplemental Agreement to vary the terms of the Sale and Purchase Agreement concerning the amounts charged under the Charge over Account and (ii) Ospella and Fortune Investment have entered into the Supplemental Charge for variation of the terms of the Charge over Account. Desk Top is a direct 99.967%-owned subsidiary of Trinew. Ospella is a substantial shareholder of Trinew and Trinew in turn is a 60%-owned subsidiary of the Company. Therefore Ospella is a Connected Person of the Company. Hence the entering into of the Supplement Agreement and the Supplemental Charge constitute a non-exempt 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 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 regarding the Group, the Supplemental Agreement and the Supplemental Charge, 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 respectively in the Circular were reasonably made after due enquiry. We have no reason to suspect that any material facts have been omitted or 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. We have not, however, conducted an independent in-depth investigation into the business and affairs of the Group and Ospella nor have we carried out any independent verification of the information supplied to us.

PRINCIPAL FACTORS CONSIDERED

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

1. Brief review on the latest unaudited consolidated financial position of Target Group

Trinew is owned as to 60% by Fortune Investment and as to 40% by Ospella whilst Desk Top is owned as to 99.967% by Trinew. Desk Top is principally engaged in the manufacturing of laptop bags, fashionable bags and other general bag products with operations mainly in Hong Kong and the PRC.

The financial results of the Target Group have not been included in the latest published financial information of the Group, which is the interim results as at 30 June 2008, as the Completion took only place in August 2008. We have reviewed and discussed with the management on the latest unaudited consolidated financial position of the Target Group as at 31 October 2008 as part of our due diligence process and note that the current ratio and the quick ratio of the Target Group as at 31 October 2008 were maintained at 1.1 times (in term of total current asset to total current liabilities) and 0.69 time (in term of the summation of cash and bank balance and trade receivables to the total current liabilities) respectively which were comparable to those as at 31 December 2007. We have also reviewed the aging analysis of accounts receivable and noted that approximately 90% of the balance was due within normal credit period. Cash and bank balance as at 31 October 2008 was approximately HK\$8.5 million.

2. Background and reasons for entering into the Shareholders' Loans

As set out in the announcement and the circular of the Company dated 16 June 2008 and 30 June 2008 respectively, the Company had entered into the Sale and Purchase Agreement, pursuant to which, Fortune Investment, a wholly-owned subsidiary of the Company, agreed to acquire 60% interest in Trinew from Ospella. Upon Completion, Trinew is owned as to 60% by Fortune Investment and as to 40% by Ospella. Since Desk Top, a subsidiary of Trinew, intends to further finance for its working capital requirement, and therefore, Fortune Investment and Ospella agreed to provide an aggregate sum of the Shareholders' Loans of HK\$60 million based on their pro rata equity interests in Trinew. To facilitate the provision of further working capital to Desk Top by Ospella, the Supplemental Agreement was entered into, pursuant to which the terms of the Sale and

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Purchase Agreement were varied to the extent that HK\$24 million be released from the Charge over Account for the specific purpose of providing Ospella with the required funding for the Shareholders' Loans.

According to the shareholding of Ospella and Fortune Investment in Trinew, Ospella will provide a shareholder's loan of HK\$24 million to Desk Top (the "Ospella's Loan") whilst Fortune Investment will provide a shareholder's loan of HK\$36 million to Desk Top (the "FI Loan"). As Desk Top is a direct 99.967%-owned subsidiary of Trinew and Trinew is owned as to 60% by the Group, the FI Loan represents an intra-group cash transfer within the Group only, whilst the Ospella's Loan represents new cash capital to the Group due to the 40% equity interest in Trinew owned by Ospella. Under the current poor market sentiment, in particular, for obtaining borrowings from financial institutions, the Shareholders' Loans therefore represent an immediate provision of cash inflow to the Target Group.

3. Rationale behind and benefits of the release of HK\$24 million from the Charge over Account

Pursuant to the Sale and Purchase Agreement, a cash deposit of approximately HK\$62.4 million, being part of the cash consideration paid by the Group to Mr. Inglis/Ospella regarding the acquisition of Trinew, has been pledged in favour of the Group as a guarantee to the settlement of certain accounts receivable from the major customer of the Target Group (the "Subject Customer"). We note from the Sale and Purchase Agreement that such pledged cash deposit will be released to Ospella by stages subject to conditions including but not limited to the recoverability of accounts receivable from the Subject Customer. The amount of HK\$20.8 million, which represents one-third of the Charge over Account, will be released to Ospella in August 2009 if no bad and doubtful debt has arisen. The release of HK\$24 million represents 7 months ahead of the original schedule.

We have also reviewed the aging analysis of the accounts receivable of the Target Group as at 31 October 2008 and the scale of sales of the Subject Customer. Approximately 90% of the accounts receivable of the Subject Customer as at 31 October 2008 was within normal credit period and no bad or doubtful debt was recorded. We were advised by the Directors that there is no indication of collectibility issue in relation to the accounts receivable of the Subject Customer as at 31 October 2008. In addition, a credit insurance and support mechanism pursuant to the Sale and Purchase Agreement has been in place to mitigate risks in relation to the non-recoverability of the accounts receivable from the Subject Customer. The Directors therefore do not expect any recoverability issue from the Subject Customer due to continuing repayment and ongoing business relationship.

We also consider that the risks inherent to the non-recoverability of accounts receivable from the Subject Customer after the release of HK\$24 million is minimal to the Group given (i) such HK\$24 million is to be injected into Desk Top, which is a subsidiary of the Group, immediately after the release; (ii) remaining HK\$38.4 million is still pledged in favour of the Group and the aforesaid credit insurance and support mechanism to cover the possible risks arisen from the non-recoverability of the accounts receivable from the Subject Customer; (iii) certain equity interest of Trinew owned by Ospella is also charged in favour

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

of the Group as security for the settlement of the accounts receivable due from the Subject Customer and (iv) the Account Receivables (being the Ospella's Loan which is to be recorded as receivable in the accounting records of Ospella) will also be pledged in favour of the Group.

Given that the provision of the Shareholders' Loans will enhance the liquidity and financial position of the Target Group and having regard to the fact that (i) the early release of HK\$24 million from the Charge over Account; (ii) no bad or doubtful debt in relation to the accounts receivable from the Subject Customer has been recorded; and (iii) protection mechanism namely the credit insurance and support mechanism has been in place to mitigate risks arisen from the release of pledge, we therefore consider the release of charge amounting to HK\$24 million under the Charge over Account is in the interests of the Company and the Shareholders as a whole.

4. Financial effects of the release of HK\$24 million from the Charge over Account

The provision of the FI Loan will not have any financial effect on the Group as it does not attract additional cash inflow to the Group. The discussion on the financial effects below is attributable to the Ospella's Loan.

Cashflow

According to its interim report, the Group had cash and cash equivalents and pledged short-term bank deposits of approximately US\$116.9 million as at 30 June 2008. Upon release and drawdown of HK\$24 million from the Charge over Account, the liquidity and cash position of the Group will be improved as the amount of HK\$24 million (equivalent to approximately US\$3.5 million) will be injected by Ospella into the Target Group. Accordingly, the cash position and current ratio of the Company are expected to be improved.

Earnings

The release and drawdown of HK\$24 million from the Charge over Account will not have any immediate material impact on the earnings of the Company. As set out in the Letter from the Board, the Ospella's Loan, which attracts an interest to be calculated with reference to the market interest rate, will be used as general working capital of the Target Group. Given the immaterial amount of the Ospella's Loan as compared to the borrowings of the Group amounting to US\$58.2 million as at 30 June 2008, it is expected that incremental finance costs arising from the Ospella's Loan will not have significant impact to the earnings position of the Group.

Net Asset Value

The net asset value of the Company remains unchanged as both the asset position and liabilities will be increased as a result of the Ospella's Loan.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The release of the HK\$24 million from the Charge over Account for the purpose of the Shareholders' Loans to Desk Top will not have any material adverse impact on cashflow, earnings and net asset value of the Group. On such basis, we are of the view that the release of the HK\$24 million from the Charge over Account is in the interests of the Company and the Shareholders as a whole.

RECOMMENDATION

Having considered the above principal factors, in particular,

- (i) the release of HK\$24 million from the Charge over Account for the purpose of the Shareholders' Loans represents immediate cash inflow to Desk Top which could enhance its liquidity and financial position;
- (ii) the satisfactory credit record of the Subject Customer and no indication of collectibility issue in relation to the accounts receivable of the Subject Customer;
- (iii) remaining HK\$38.4 million is still under pledge in favour of the Group;
- (iv) protection mechanism has been in place to mitigate risks to the Group in relation to possible non-recoverability of the accounts receivable from the Subject Customer;

we consider that the terms of the Supplemental Agreement and the Supplement Charge are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and the entering into of the Supplemental Agreement and the Supplement Charge is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to, and we recommend the Independent Shareholders to, vote in favour of the ordinary resolution to approve the Supplemental Agreement and Supplement Charge 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 (Note 1)	687,640,000	69.28%
Tan Henry	Beneficiary (Notes 2 and 3)	614,250,000	61.89%
	Beneficial owner (Notes 7 and 8)	450,000	0.05%
Tan Willie	Beneficiary (Notes 2 and 4)	614,250,000	61.89%
	Beneficial owner (Notes 7 and 10)	1,450,000	0.15%

Name of Director	Capacity	Number of ordinary shares	Approximate percentage of interest in Company
Tan Cho Lung, Raymond	Beneficiary <i>(Notes 2 and 5)</i>	614,250,000	61.89%
	Beneficial owner <i>(Notes 7, 8 and 11)</i>	749,000	0.08%
Tan Sunny	Beneficiary <i>(Note 2 and 6)</i>	614,250,000	61.89%
	Beneficial owner <i>(Notes 7, 8 and 12)</i>	1,022,000	0.1%
Mok Siu Wan, Anne	Beneficial owner <i>(Notes 7, 8 and 9)</i>	3,200,000	0.32%

Notes:

1. Mr. Tan Siu Lin is the settlor and trustee of each of the Tan Family Trust of 2004, the Pak Kim Lam Tan Trust of 2004, the HJ Trust, the WR5C Trust, the LS Trust, the RC Trust, the JL Trust and the ST Trust (collectively referred to as the “Trusts”). As the settlor and trustee of the Trusts, all of which are revocable discretionary trusts, 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 and Helmsley Enterprises Limited (“Helmsley”), a company incorporated in the Commonwealth of the Bahamas, held in the Company, together with the interest in Tan Siu Lin Foundation Limited, representing approximately 69.28% of the issued share capital of the Company as at the date of this Circular.
2. Pursuant to a shareholders’ agreement dated 12 June 2004 and entered into between Mr. Tan Siu Lin as trustee for each of the Trusts and Helmsley, each of the Trusts have agreed to adhere to certain pre-emptive arrangements concerning the transfer of shares in Helmsley. For the purposes of Part XV of the SFO, each of the Trusts is therefore deemed to have effective voting power in respect of the interests of Helmsley in the Company.
3. Mr. Tan Henry is one of the beneficiaries of the HJ Trust, which is a revocable discretionary trust. He is therefore deemed under Part XV of the SFO to be interested in the interests of the HJ Trust in the Company.
4. Mr. Tan Willie is one of the beneficiaries of the WR5C Trust, which is a revocable discretionary trust. He is therefore deemed under Part XV of the SFO to be interested in the interests of the WR5C Trust in the Company.

5. Mr. Tan Cho Lung, Raymond is one of the beneficiaries of the RC Trust, which is a revocable discretionary trust. He is therefore deemed under Part XV of the SFO to be interested in the interests of the RC Trust in the Company.
6. Mr. Tan Sunny is one of the beneficiaries of the ST Trust, which is a revocable discretionary trust. He is therefore deemed under Part XV of the SFO to be interested in the interests of the ST Trust in the Company.
7. 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.
8. 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.
9. Ms. Mok Siu Wan, Anne is a grantee of the share options granted by the Company on 21 April 2008.
10. A total of 1,150,000 Company Shares 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 Company Shares acquired by his associate.
11. A total of 449,000 Company Shares were acquired by an associate of Mr. Tan Cho Lung, Raymond in 2006 and 2008. He is therefore deemed under Part XV of the SFO to be interested in all of the 449,000 shares acquired by his associate.
12. Mr. Tan Sunny acquired a total of 322,000 Company Shares in 2006.

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

Name of Director	Name of associated corporation	Capacity	Number of ordinary shares	Approximate percentage of attributable interest in corporation
Tan Siu Lin	Helmsley <i>(Note 1)</i>	Trustee <i>(Note 4)</i>	5,000	100%
	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%

Name of Director	Name of associated corporation	Capacity	Number of ordinary shares	Approximate percentage of attributable interest in corporation
	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%
	Servicios Textiles Mexicanos, SA (<i>Note 3</i>)	Trustee (<i>Note 4</i>)	50	100%
	Hanium Industries Limited (<i>Note 3</i>)	Trustee (<i>Note 4</i>)	1	100%
	Integrated Solutions Technology Inc. (<i>a HK corporation</i>) (<i>Note 3</i>)	Trustee (<i>Note 4</i>)	2	100%
	Integrated Solutions Technology Inc. (<i>a BVI corporation</i>) (<i>Note 3</i>)	Trustee (<i>Note 4</i>)	1	100%
	Integrated Solutions Technology Inc. (<i>a Philippines corporation</i>) (<i>Note 3</i>)	Trustee (<i>Note 4</i>)	1	100%
Tan Henry	Helmsley (<i>Note 1</i>)	Beneficiary (<i>Note 5</i>)	5,000	100%
	Capital Glory Limited (<i>Note 2</i>)	Beneficiary (<i>Note 5</i>)	1	100%
	Justintime Development Limited (<i>Note 3</i>)	Beneficiary (<i>Note 5</i>)	1	100%
	Tripletrio International Limited (<i>Note 3</i>)	Beneficiary (<i>Note 5</i>)	42,500	100%
	Newtex International Limited (<i>Note 3</i>)	Beneficiary (<i>Note 5</i>)	2	100%
	Torpedo Management Limited (<i>Note 3</i>)	Beneficiary (<i>Note 5</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. <i>(a Cayman Islands corporation) (Note 3)</i>	Beneficiary <i>(Note 5)</i>	1	100%
	Eldex Del Golfo, SA de CV <i>(Note 3)</i>	Beneficiary <i>(Note 5)</i>	11,819	100%
	Servicios Textiles Mexicanos, SA <i>(Note 3)</i>	Beneficiary <i>(Note 5)</i>	50	100%
	Hanium Industries Limited <i>(Note 3)</i>	Beneficiary <i>(Note 5)</i>	1	100%
	Integrated Solutions Technology Inc. <i>(a HK corporation) (Note 3)</i>	Beneficiary <i>(Note 5)</i>	2	100%
	Integrated Solutions Technology Inc. <i>(a BVI corporation) (Note 3)</i>	Beneficiary <i>(Note 5)</i>	1	100%
	Integrated Solutions Technology Inc. <i>(a Philippines corporation) (Note 3)</i>	Beneficiary <i>(Note 5)</i>	1	100%
Tan Willie	Helmsley <i>(Note 1)</i>	Beneficiary <i>(Note 6)</i>	5,000	100%
	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%

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 Cayman Islands corporation) (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%
	Integrated Solutions Technology Inc. <i>(a HK corporation) (Note 3)</i>	Beneficiary <i>(Note 6)</i>	2	100%
	Integrated Solutions Technology Inc. <i>(a BVI corporation) (Note 3)</i>	Beneficiary <i>(Note 6)</i>	1	100%
	Integrated Solutions Technology Inc. <i>(a Philippines corporation) (Note 3)</i>	Beneficiary <i>(Note 6)</i>	1	100%
Tan Cho Lung, Raymond	Helmsley <i>(Note 1)</i>	Beneficiary <i>(Note 7)</i>	5,000	100%
	Capital Glory Limited <i>(Note 2)</i>	Beneficiary <i>(Note 7)</i>	1	100%
	Justintime Development Limited <i>(Note 3)</i>	Beneficiary <i>(Note 7)</i>	1	100%
	Tripletrio International Limited <i>(Note 3)</i>	Beneficiary <i>(Note 7)</i>	42,500	100%
	Newtex International Limited <i>(Note 3)</i>	Beneficiary <i>(Note 7)</i>	2	100%
	Torpedo Management Limited <i>(Note 3)</i>	Beneficiary <i>(Note 7)</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. <i>(a Cayman Islands corporation) (Note 3)</i>	Beneficiary <i>(Note 7)</i>	1	100%
	Eldex Del Golfo, SA de CV <i>(Note 3)</i>	Beneficiary <i>(Note 7)</i>	11,819	100%
	Servicios Textiles Mexicanos, SA <i>(Note 3)</i>	Beneficiary <i>(Note 7)</i>	50	100%
	Hanium Industries Limited <i>(Note 3)</i>	Beneficiary <i>(Note 7)</i>	1	100%
	Integrated Solutions Technology Inc. <i>(a HK corporation) (Note 3)</i>	Beneficiary <i>(Note 7)</i>	2	100%
	Integrated Solutions Technology Inc. <i>(a BVI corporation) (Note 3)</i>	Beneficiary <i>(Note 7)</i>	1	100%
	Integrated Solutions Technology Inc. <i>(a Philippines corporation) (Note 3)</i>	Beneficiary <i>(Note 7)</i>	1	100%
Tan Sunny	Helmsley <i>(Note 1)</i>	Beneficiary <i>(Note 8)</i>	5,000	100%
	Capital Glory Limited <i>(Note 2)</i>	Beneficiary <i>(Note 8)</i>	1	100%
	Justintime Development Limited <i>(Note 3)</i>	Beneficiary <i>(Note 8)</i>	1	100%
	Tripletrio International Limited <i>(Note 3)</i>	Beneficiary <i>(Note 8)</i>	42,500	100%
	Newtex International Limited <i>(Note 3)</i>	Beneficiary <i>(Note 8)</i>	2	100%
	Torpedo Management Limited <i>(Note 3)</i>	Beneficiary <i>(Note 8)</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. <i>(a Cayman Islands corporation) (Note 3)</i>	Beneficiary <i>(Note 8)</i>	1	100%
	Eldex Del Golfo, SA de CV <i>(Note 3)</i>	Beneficiary <i>(Note 8)</i>	11,819	100%
	Servicios Textiles Mexicanos, SA <i>(Note 3)</i>	Beneficiary <i>(Note 8)</i>	50	100%
	Hanium Industries Limited <i>(Note 3)</i>	Beneficiary <i>(Note 8)</i>	1	100%
	Integrated Solutions Technology Inc. <i>(a HK corporation) (Note 3)</i>	Beneficiary <i>(Note 8)</i>	2	100%
	Integrated Solutions Technology Inc. <i>(a BVI corporation) (Note 3)</i>	Beneficiary <i>(Note 8)</i>	1	100%
	Integrated Solutions Technology Inc. <i>(a Philippines corporation) (Note 3)</i>	Beneficiary <i>(Note 8)</i>	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 Company.
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 each of the Trusts. As the settlor and trustee of the Trusts, all of which are revocable discretionary trusts, Mr. Tan Siu Lin is deemed under Part XV of the SFO to be interested in the aggregate interests of the Trusts in each of Helmsley and its subsidiaries respectively.

5. Mr. Tan Henry is one of the beneficiaries of the HJ Trust, which is a revocable discretionary trust. By virtue of the shareholders' agreement dated 12 June 2004 (as described above), he is therefore deemed under Part XV of the SFO to be interested in the aggregate interests of the Trusts in each of Helmsley and its subsidiaries respectively.
6. Mr. Tan Willie is one of the beneficiaries of the WR5C Trust, which is a revocable discretionary trust. By virtue of the shareholders' agreement dated 12 June 2004 (as described above), he is therefore deemed under Part XV of the SFO to be interested in the aggregate interests of the Trusts in each of Helmsley and its subsidiaries respectively.
7. Mr. Tan Cho Lung, Raymond is one of the beneficiaries of the RC Trust, which is a revocable discretionary trust. By virtue of the shareholders' agreement dated 12 June 2004 (as described above), he is therefore deemed under Part XV of the SFO to be interested in the aggregate interests of the Trusts in each of Helmsley and its subsidiaries respectively.
8. Mr. Tan Sunny is one of the beneficiaries of the ST Trust, which is a revocable discretionary trust. By virtue of the shareholders' agreement dated 12 June 2004 (as described above), he is deemed under Part XV of the SFO to be interested in the aggregate interests of the Trusts 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 (Note 1)	Beneficial owner	614,250,000	61.89%
Helmsley (Note 1)	Interest of controlled corporation	614,250,000	61.89%
Tan Family Trust of 2004 (Notes 2 and 3)	Interest of controlled corporation	680,743,000	68.59%
Trusts (other than the Tan Family Trust of 2004) (Note 3)	Interest of controlled corporation	614,250,000	61.89%

Notes:

- 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.
- The Tan Family Trust of 2004 is interested in the entire issued share capital of Tan Holdings Corporation and 30% of the issued share capital of Helmsley. For the purposes of Part XV of the SFO, it is deemed to be interested in the shares held by both Tan Holdings Corporation and Helmsley.
- Pursuant to a shareholders' agreement dated 12 June 2004 and entered into between Mr. Tan Siu Lin as trustee for each of the Trusts and Helmsley, each of the Trusts has agreed to enter into a pre-emptive arrangement concerning the transfer of shares in Helmsley. For the purposes of Part XV of the SFO, each of the Trusts is therefore deemed to have effective voting power in respect of the shareholding of Helmsley in the Company, representing 68.59% of the issued share capital of the Company as at the date of this Circular.

4. (a) Both of Mr. Tan Siu Lin and Mr. Henry Tan 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.

Save as disclosed in the circular dated 15 December 2008 of the Company concerning the Old Master Agreements and the New Master Agreement (both as defined in the said circular dated 15 December 2008), pursuant to which Mr. Tan Siu Lin has a material interest in the Transactions as contemplated thereunder, 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 2007, 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

Pursuant to the letter of re-appointment from the Company to each of Mr. Seing Nea Yie, Mr. Chan Henry and Mr. Cheung Siu Kee dated 28 January 2008, 4 April 2007 and 4 April 2007 respectively, the re-appointment of each of these independent non-executive Directors was for a term of three years commencing from 28 January 2008, 16 April 2007 and 16 April 2007 respectively. Each of these independent non-executive Directors shall be entitled to an annual fee of HK\$120,000 with effect from 1 January 2007.

Except for Ms. Mok Siu Wan, Anne and Mr. Sunny Tan, each of the executive Directors has entered into a service agreement with the Company for an initial fixed period of three years commencing from 27 June 2007, and thereafter shall continue subject to termination by either the Company or the Director giving three months' notice in writing to the other party.

The respective monthly salaries of the executive Directors are set out below:

Mr. Tan Siu Lin	HK\$76,700
Mr. Tan Henry	HK\$198,000
Mr. Tan Cho Lung, Raymond	HK\$144,000
Ms. Mok Siu Wan, Anne	HK\$224,584
Mr. Tan Sunny	HK\$67,000

On 17 September 2007, Mr. Lu Chin Chu was appointed as a non-executive Director with an annual director's fee of HK\$120,000. He held office until the next following annual general meeting of the Company and was re-elected to the post of non-executive Director on 30 May 2008 after such annual general meeting.

The directorship of Mr. Tan Willie was re-designated from an executive Director to a non-executive Director on 26 May 2006 with an annual salary of US\$150,000 pursuant to a service agreement dated 26 May 2006.

Save as disclosed in this circular, the Company has not entered into any service agreements of directors as at the Latest Practicable Date.

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 15 January 2009 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 2007, 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. LITIGATION

As at the Latest Practicable Date, the Group was involved in various labour lawsuits and claims arising from the normal course of business. The Directors believe that the Group has substantial legal and factual bases for their position and are of the opinion that losses arising from these lawsuits, if any, will not have a material adverse impact on the results of the operations or the financial position of the Group.

Save as disclosed above, none of the members of the Group was engaged in any litigation or arbitration of material importance and there was no litigation or arbitration of material importance known to the Directors to be pending or threatened by or against any member of the Group.

8. 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 2007, being the date to which the latest published audited financial statements of the Group was made up.

9. MISCELLANEOUS

- (a) The registered head office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111 Cayman Islands.
- (b) The principal share registrar and transfer office of the Company is Bank of Bermuda (Cayman) Limited at P.O. Box 513 G.T., Strathvale House, North Church Street, George Town, Grand Cayman, Cayman Islands.
- (c) The share registrar and transfer office of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited at Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (d) The company secretary of the Company is Mr. Chiu Chi Cheung, Associate Member of The Hong Kong Institute of Certified Public Accountants.
- (e) The qualified accountant of the Company is Mr. Chiu Chi Cheung, Associate Member of The Hong Kong Institute of Certified Public Accountants.
- (f) In the event of any inconsistency, the English text of this Circular shall prevail over the Chinese text.

10. 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 Latest Practicable Date:

- (a) the letter from the Board, the text of which is set out on pages 4 to 10 of this circular;
- (b) the memorandum and articles of association of the Company;
- (c) the annual reports of the Company for the years ended 31 December 2007, 31 December 2006 and 31 December 2005;
- (d) the service contracts and letters of appointment referred to in paragraph 4 above;
- (e) the letter from the Independent Board Committee dated 15 January 2009, the text of which is set out on page 11 of this circular;

- (f) the letter from the Independent Financial Adviser dated 15 January 2009, the text of which is set out on pages 12 to 16 of this circular;
- (g) the written consent from Partners Capital referred to in the section headed “Expert Qualification and Consent” in this Appendix;
- (h) this circular;
- (i) the Supplemental Agreement;
- (j) the Supplemental Charge;
- (k) the Shareholders’ Loan Agreement;
- (l) the Charge over Account Receivables; and
- (m) any other contracts referred to in this circular.