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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**

**聯泰控股有限公司**

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

**(Stock Code: 311)**

**MAJOR AND CONNECTED TRANSACTIONS —  
DISPOSAL OF SHARES IN SUBSIDIARIES  
AND  
FORMATION OF A JOINT VENTURE**

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



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A letter from the Board is set out on pages 9 to 33 and a letter from the Independent Board Committee is set out on pages 34 to 35 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 36 to 52 of this circular.

A notice convening the EGM of the Company to be held at Room 1004, 10/F, Nanyang Plaza, 57 Hung To Road, Kwun Tong, Kowloon, Hong Kong on 12 September 2011 at 3:30 p.m., is set out on pages 80 to 82 of this circular. Whether or not you are able to attend the EGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar, Computershare Hong Kong Investor Services Ltd., at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as practicable but in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned thereof (as the case may be) should you so wish.

26 August 2011

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## DEFINITIONS

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

“Associate(s)”	shall have the meaning as ascribed to it under the Listing Rules;
“Brand Licence and Service Agreement”	品牌使用許可及服務協議, an agreement to be signed by Sunshine 100 with each of the PRC Project Companies pursuant to which Sunshine 100 shall grant a licence to each of the PRC Project Companies for the use of the brand name “Sunshine 100” in relation to the development of the project on the PRC Land;
“Business Day”	a day (excluding Saturdays, Sundays and statutory holidays) on which banks are generally open for business in Hong Kong and the PRC;
“BVI”	British Virgin Islands;
“Chang Jia”	Chang Jia International Limited (長佳國際有限公司), a company incorporated under the laws of the BVI and an indirect wholly-owned subsidiary of the Company;
“CJ Share(s)”	ordinary share(s) with par value of US\$1.00 each in the share capital of Chang Jia;
“Company”	Luen Thai Holdings Limited, the shares of which are listed on the Stock Exchange;
“Completion”	completion of the subscription of the SS Subscription Shares, the sale and purchase of the LTH Sale Share and the sale and purchase of the LTL Sale Share pursuant to the terms of the Subscription and Share Purchase Agreement;
“Completion Date”	the date on which the Completion shall take place pursuant to the terms of the Subscription and Share Purchase Agreement;
“Conditions Precedent”	the conditions precedent to Completion under the Subscription and Share Purchase Agreement;
“Connected Person(s)”	shall have the meaning as ascribed to it under the Listing Rules;
“Director(s)”	director(s) of the Company;
“Disposal”	the disposal by Shiny New of the LTH Sale Share to Chang Jia pursuant to the Subscription and Share Purchase Agreement;
“East Talent”	East Talent Properties Limited (東泰置業有限公司), a company incorporated under the laws of Hong Kong;

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## DEFINITIONS

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“EGM”	the extraordinary general meeting of the Company to be convened and held at Room 1004, 10/F, Nanyang Plaza, 57 Hung To Road, Kwun Tong, Kowloon, Hong Kong on 12 September 2011 at 3:30 p.m. for the Independent Shareholders to consider and, if thought fit, to approve the Subscription and Share Purchase Agreement, the formation of the Joint Venture pursuant to the Shareholders’ Agreement and the transactions contemplated under the Transaction Documents;
“Eminent Star”	Eminent Star Group Limited (卓星集團有限公司), a company incorporated under the laws of the BVI;
“Gold Leader”	Gold Leader Properties Limited (金倫置業有限公司), a company incorporated under the laws of Hong Kong;
“Gold Leader (Qingyuan)”	金倫(清遠)置業有限公司 (Golder Leader (Qingyuan) Properties Limited), a wholly foreign owned enterprise incorporated in the PRC;
“Group”	the Company and its subsidiaries;
“Guangzhou-Qingyuan Light Rail”	the proposed light rail system which will connect Qingyuan City with the Guangzhou Railway Station in Guangzhou City, PRC;
“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;
“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 at the EGM;
“Independent Valuer”	CB Richard Ellis Limited, an independent property valuer not connected with the Company and its Connected Persons;

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## DEFINITIONS

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“Independent Third Party(ies)”	third party(ies) which, to the best of the Directors’ knowledge, information and belief after having made all reasonable enquiries, is (are) independent of the Company and its Connected Person(s);
“Joint Venture”	the joint venture to be formed among Keyasia, Shiny New and Shan Ying in relation to Chang Jia pursuant to the Shareholders’ Agreement;
“Keyasia”	Keyasia Investments Limited (基亞投資有限公司), a company incorporated under the laws of the BVI;
“Latest Practicable Date”	19 August 2011, 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;
“Longstop Date”	30 November 2011 or such other date as the Parties may agree in writing;
“Lofty Talent”	Lofty Talent Limited (崑駿有限公司), a company incorporated under the laws of the BVI;
“LTH Consideration Shares”	23 CJ Shares to be issued and allotted by Chang Jia to Shiny New as part of the consideration for the sale of the LTH Sale Share by Shiny New to Chang Jia pursuant to the terms of the Subscription and Share Purchase Agreement;
“LTH Corporate Guarantee”	a corporate guarantee to be executed by Sunshine 100 in favour of Shiny New, pursuant to which Sunshine 100 shall guarantee the repayment of up to 55% of all the obligations and indebtedness owed by Chang Jia to Shiny New under the Subscription and Share Purchase Agreement;
“LTH HK Companies”	Victory Land and East Talent;
“LTH Land”	LTH (QYRE) Land and LTH (Liantou) Land;
“LTH (Liantou) Land”	collectively those land use rights held by Qingyuan Liantou relating to the pieces of land situated in Qingyuan City, Guangdong Province, the PRC with a site area of approximately 423,814.17 square metres (equivalent to approximately 635.72 mu (畝)) and as identified by the following certificates of land use right (土地使用權證): (a) (清市府) 國用 (2009) 第00344號, (b) (清市府) 國用 (2009) 第00342號, (c) (清市府) 國用 (2009) 第00343號, (d) (清市府) 國用 (2010) 第00165號, and (e) (清市府) 國用 (2009) 第00345號;

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## DEFINITIONS

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“LTH Project Companies”	Luen Thai (Qingyuan) Real Estate and Qingyuan Liantou;
“LTH (QYRE) Land”	collectively those land use rights held by Luen Thai (Qingyuan) Real Estate relating to the pieces of land situated in Qingyuan City, Guangdong Province, the PRC with a site area of approximately 79,703.36 square metres (equivalent to approximately 119.55 mu (畝)) and as identified by the following certificate of land use right (土地使用權證): (清市府) 國用 (2004) 第00101號;
“LTH Sale Consideration”	the total consideration payable by Chang Jia to Shiny New for the purchase of the LTH Sale Share which comprises the LTH Consideration Shares and payment in the aggregate sum of RMB354,699,414, subject to adjustment;
“LTH Sale Share”	the entire issued share capital in Lofty Talent to be sold by Shiny New to Chang Jia pursuant to the terms of the Subscription and Share Purchase Agreement;
“LTH Share Charge”	a share charge to be executed by Chang Jia, pursuant to which Chang Jia shall charge the LTH Sale Share in favour of Shiny New as security for all the obligations and indebtedness owed by Chang Jia to Shiny New under the Subscription and Share Purchase Agreement;
“LTL Consideration Shares”	21 CJ Shares to be issued and allotted by Chang Jia to Shan Ying as part of the consideration for the sale of the LTL Sale Share by Shan Ying to Chang Jia pursuant to the terms of the Subscription and Share Purchase Agreement;
“LTL Corporate Guarantee”	a corporate guarantee to be executed by Sunshine 100 in favour of Shan Ying, pursuant to which Sunshine 100 shall guarantee the repayment of up to 55% of all the obligations and indebtedness owed by Chang Jia to Shan Ying under the Subscription and Share Purchase Agreement;
“LTL HK Companies”	Rich Hope, Top Leader, Gold Leader and Victory Link;
“LTL Land”	LTL (RH) Land, LTL (DL) Land, LTL (GL) Land and LTL (WT) Land;
“LTL Project Companies”	Qingyuan Delun, Gold Leader (Qingyuan), Qingyuan Weitai and Rich Hope (Qingyuan);

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## DEFINITIONS

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“LTL (DL) Land”	those land use rights held by Qingyuan Delun relating to the pieces of land situated in Qingyuan City, Guangdong Province, the PRC with a site area of approximately 100,346.79 square metres (equivalent to approximately 150.52 mu (畝)) and as identified by the following certificates of land use right (土地使用權證): (清市府) 國用 (2009) 第00339號;
“LTL (GL) Land”	those land use rights held by Golder Leader (Qingyuan) relating to the pieces of land situated in Qingyuan City, Guangdong Province, the PRC with a site area of approximately 133,765.69 square metres (equivalent to approximately 200.65 mu (畝)) and as identified by the following certificates of land use right (土地使用權證): (清市府) 國用 (2009) 第00338號;
“LTL (RH) Land”	those land use rights held by Rich Hope (Qingyuan) relating to the pieces of land situated in Qingyuan City, Guangdong Province, the PRC with a site area of approximately 124,006.32 square metres (equivalent to approximately 186.01 mu (畝)) and as identified by the following certificates of land use right (土地使用權證): (清市府) 國用 (2009) 第00341號;
“LTL (WT) Land”	those land use rights held by Qingyuan Weitai relating to the pieces of land situated in Qingyuan City, Guangdong Province, the PRC with a site area of approximately 70,154.1 square metres (equivalent to approximately 105.23 mu (畝)) and as identified by the following certificates of land use right (土地使用權證): (清市府) 國用 (2009) 第00340號;
“LTL Sale Consideration”	the total consideration payable by Chang Jia to Shan Ying for the purchase of the LTL Sale Share which comprises the LTL Consideration Shares and payment in the aggregate sum of RMB301,693,858, subject to adjustment;
“LTL Sale Share”	the entire issued share capital in Eminent Star to be sold by Shan Ying to Chang Jia pursuant to the terms of the Subscription and Share Purchase Agreement;
“LTL Share Charge”	a share charge to be executed by Chang Jia, pursuant to which Chang Jia shall charge the LTL Sale Share in favour of Shan Ying as security for all the obligations and indebtedness owed by Chang Jia to Shan Ying under the Subscription and Share Purchase Agreement;
“Luen Thai Land Limited”	Luen Thai Land Limited, a company incorporated under the laws of the British Virgin Islands;

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## DEFINITIONS

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“Luen Thai Overseas”	Luen Thai Overseas Limited, a wholly-owned subsidiary of the Company;
“Luen Thai (Qingyuan) Real Estate”	聯泰(清遠)房地產有限公司 (Luen Thai (Qingyuan) Real Estate Limited), a wholly foreign owned enterprise incorporated in the PRC;
“Parties”	the parties to the Subscription and Share Purchase Agreement;
“PRC”	the People’s Republic of China (excluding, for the purposes of this circular, Hong Kong, Macau and Taiwan);
“PRC Land”	LTH Land and LTL Land;
“PRC Project Companies”	LTH Project Companies and LTL Project Companies;
“Qingyuan Delun”	清遠德倫置業有限公司 (Qingyuan Delun Properties Limited), a wholly foreign owned enterprise incorporated in the PRC;
“Qingyuan Liantou”	清遠聯投置業有限公司 (Qingyuan Liantou Properties Limited), a wholly foreign owned enterprise incorporated in the PRC;
“Qingyuan Weitai”	清遠威泰置業有限公司 (Qingyuan Weitai Properties Limited), a wholly foreign owned enterprise incorporated in the PRC;
“Reorganisation”	the reorganisation steps concerning Shiny New and Shan Ying respectively which shall be completed as a condition precedent to Completion, and the particulars of which are set out in the section headed “Reorganisation” in this circular;
“Rich Hope”	Rich Hope Properties Limited (威康置業有限公司), a company incorporated under the laws of Hong Kong;
“Rich Hope (Qingyuan)”	威康(清遠)置業有限公司 (Rich Hope (Qingyuan) Properties Limited), a wholly foreign owned enterprise incorporated in the PRC;
“RMB”	Renminbi, the lawful currency of the PRC;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“sq.m.”	square metre(s);
“Shan Ying”	Shan Ying Limited (善盈有限公司), a company incorporated under the laws of the BVI and a wholly-owned subsidiary of Luen Thai Land Limited;



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## DEFINITIONS

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“Shares”	ordinary shares in the share capital of the Company;
“Shareholders”	shareholders of the Company;
“Shareholders’ Agreement”	the shareholders’ agreement to be entered into by and among Keyasia, Shiny New, Shan Ying and Chang Jia upon Completion to regulate the rights and obligations of the shareholders of Chang Jia;
“Shiny New”	Shiny New Limited (耀新有限公司), a company incorporated under the laws of the BVI and an indirect wholly-owned subsidiary of the Company;
“SS Consideration”	the total consideration payable by Keyasia to Chang Jia for the subscription of the SS Subscription Shares which is in the aggregate sum of RMB 180 million;
“SS Subscription Shares”	55 CJ Shares to be subscribed by Keyasia pursuant to the terms of the Subscription and Share Purchase Agreement;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subscription and Share Purchase Agreement”	a subscription and share purchase agreement (認購及股份購買協議) dated 9 June 2011 in relation to Chang Jia and entered into among: (a) Shiny New, an indirect wholly-owned subsidiary of the Company; (b) Shan Ying, a wholly-owned subsidiary of Luen Thai Land Limited; (c) Chang Jia, an indirect wholly-owned subsidiary of the Company; (d) the Company; (e) Luen Thai Land Limited; (f) Sunshine 100; and (g) Keyasia;
“Sunhine 100”	陽光壹佰置業集團有限公司 (Sunshine 100 Real Estate Group Co., Ltd.), a company incorporated in the PRC;
“Sunshine Share Charge”	a share charge to be executed by Keyasia, pursuant to which Keyasia shall charge all the SS Subscription Shares (representing 55% of Chang Jia’s enlarged share capital immediately after Completion) in favour of Shiny New as agent for and on behalf of Shiny New and Shan Ying as security for up to 55% of all the obligations and indebtedness owed by Chang Jia to Shiny New and Shan Ying under the Subscription and Share Purchase Agreement;
“Sunny Force”	Sunny Force Limited, a company incorporated under the laws of the BVI and an indirect wholly-owned subsidiary of the Company;
“Target Group”	Chang Jia together with its subsidiaries from time to time;

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## DEFINITIONS

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“Top Leader”	Top Leader Properties Limited (德龍置業有限公司), a company incorporated under the laws of Hong Kong;
“Transactions”	the respective transactions under the Subscription and Share Purchase Agreement, the Sunshine Share Charge, the LTH Share Charge, the LTL Share Charge, the LTH Corporate Guarantee, the LTL Corporate Guarantee and the Shareholder’s Agreement; and a “Transaction” refers to any one of them, as the context may require;
“Transaction Documents”	the Subscription and Share Purchase Agreement, the Sunshine Share Charge, the LTH Share Charge, the LTL Share Charge, the LTH Corporate Guarantee, the LTL Corporate Guarantee and the Shareholders’ Agreement;
“Victory Land”	Victory Land Properties Limited (凱龍置業有限公司), a company incorporated under the laws of Hong Kong;
“Victory Link”	Victory Link Properties Limited (偉隆置業有限公司), a company incorporated under the laws of Hong Kong.

*For ease of reference, the names of the PRC established companies have been included in this circular in both the Chinese and English languages. The name in Chinese language is the official name of such companies. In the event of any inconsistency between the Chinese names of such companies and their English translations mentioned in this circular, the Chinese names shall prevail.*



**LUEN THAI HOLDINGS LIMITED**

**聯泰控股有限公司**

*(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, 26 August 2011

*To the Shareholders*

Dear Sir or Madam,

**MAJOR AND CONNECTED TRANSACTIONS —  
DISPOSAL OF SHARES IN SUBSIDIARIES  
AND  
FORMATION OF A JOINT VENTURE**

**INTRODUCTION**

Reference is made to the announcement of the Company dated 13 June 2011 in relation to the Subscription and Share Purchase Agreement and the formation of the Joint Venture.

The purpose of this circular is to provide you with details regarding the Subscription and Share Purchase Agreement, the formation of the Joint Venture and the transactions contemplated thereunder.

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## LETTER FROM THE BOARD

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### THE SUBSCRIPTION AND SHARE PURCHASE AGREEMENT

The Directors are pleased to announce that on 9 June 2011 (after trading hours) (a) Shiny New, an indirect wholly-owned subsidiary of the Company; (b) Shan Ying, a wholly-owned subsidiary of Luen Thai Land Limited; (c) Chang Jia, an indirect wholly-owned subsidiary of the Company; (d) the Company; (e) Luen Thai Land Limited; (f) Sunshine 100; and (g) Keyasia entered into the Subscription and Share Purchase Agreement. The main terms of the Subscription and Share Purchase Agreement are set out below.

**Date:** 9 June 2011

**Parties:**

- (1) Shiny New Limited, an indirect wholly-owned subsidiary of the Company
- (2) Shan Ying Limited, a direct wholly-owned subsidiary of Luen Thai Land Limited
- (3) Chang Jia International Limited, an indirect wholly-owned subsidiary of the Company
- (4) the Company
- (5) Luen Thai Land Limited
- (6) Sunshine 100 Real Estate Group Co., Ltd.
- (7) Keyasia Investments Limited

Pursuant to the Subscription and Share Purchase Agreement, Chang Jia will issue and allot a total of 99 CJ Shares upon Completion in the following manner:

- (1) Chang Jia shall issue and allot, and Keyasia shall subscribe for, the SS Subscription Shares at the SS Consideration upon Completion, representing 55% of Chang Jia's enlarged share capital immediately after Completion. The total consideration payable by Keyasia for the subscription of the SS Subscription Shares shall be in the aggregate sum of RMB180 million, which shall be satisfied by payment in the following manner upon Completion:
  - (a) Keyasia shall at the direction of Chang Jia directly pay to Shiny New a sum of RMB97,267,747 as settlement of part of the LTH Sale Consideration payable by Chang Jia to Shiny New; and
  - (b) Keyasia shall at the direction of Chang Jia directly pay to Shan Ying a sum of RMB82,732,253 as settlement of part of the LTL Sale Consideration payable by Chang Jia to Shan Ying.

A deposit in the sum of RMB9 million has been paid by Keyasia to Chang Jia. Upon Completion, such deposit shall form part of the SS Consideration to be used by Chang Jia as settlement of part of the payment to Shiny New and Shan Ying respectively pursuant to paragraph 1(a) and paragraph 1(b) above, and Chang Jia shall out of such deposit pay to Shiny New and Shan Ying in the sum of RMB4.5 million each upon Completion.

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## LETTER FROM THE BOARD

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- (2) Shiny New shall sell, and Chang Jia shall purchase, the LTH Sale Share at the LTH Sale Consideration upon Completion. Chang Jia shall satisfy the LTH Sale Consideration by (A) issuing and allotting to Shiny New the LTH Consideration Shares upon Completion; and (B) payment in the aggregate sum of RMB354,699,414 by instalments (subject to adjustment in the manner as stated in paragraph 2 (c) below) in the following manner:
- (a) as to a sum of RMB97,267,747 (the “**LTH Initial Payment Amount**”), Chang Jia shall authorize and direct Keyasia to make payment to Shiny New upon Completion in satisfaction of the LTH Initial Payment Amount in accordance with the manner as set out in paragraph (1)(a) above;
  - (b) as to a sum of RMB200,787,055 (the “**LTH Second Payment Amount**”), Chang Jia shall repay to Shiny New the principal sum of the LTH Second Payment Amount in full no later than four years after the Completion Date in the following manner:
    - (i) Chang Jia shall repay the aggregate principal sum of not less than 20% of the LTH Second Payment Amount (representing a principal sum of not less RMB40,157,411) no later than two years after the Completion Date;
    - (ii) Chang Jia shall repay the aggregate principal sum of not less than 50% of the LTH Second Payment Amount (representing a principal sum of not less RMB100,393,528) no later than three years after the Completion Date; and
    - (iii) Chang Jia shall repay all the outstanding balance of the principal sum of the LTH Second Payment Amount no later than four years after the Completion Date.
  - (c) as to a sum of RMB56,644,612 (the “**LTH Final Payment Amount**”), Chang Jia shall repay to Shiny New the principal sum of the LTH Final Payment Amount in full within 30 days from the due date, and such due date shall fall on the last day of 5 years after the Completion Date, provided that Chang Jia shall not be required to repay the LTH Final Payment Amount if by the end of the said 30-day period from the due date: (1) the construction work of the Guangzhou-Qingyuan Light Rail has not yet commenced, or (2) the rail line of the Guangzhou-Qingyuan Light Rail under proposal will not pass through any area which is within 2 kilometres from any boundary of the PRC Land, as confirmed by any official information from the PRC government authority;

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## LETTER FROM THE BOARD

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- (d) as to the principal sum of the LTH Second Payment Amount, Chang Jia shall pay Shiny New interest accrued on the LTH Second Payment Amount in the following manner:
- (i) interest shall be calculated at the normal interest rate of 12% per annum and shall accrue on the outstanding balance of the LTH Second Payment Amount from the date upon the first occurrence of any one of the following events:
    - (A) the date on which any one of the PRC Project Companies has obtained the certificate of land use right (土地使用權證), construction land planning permit (建設用地規劃許可證), construction work planning permit (建設工程規劃許可證) and construction work execution permit (建設工程施工許可證) in relation to the relevant part of the PRC Land held by any one of the PRC Project Companies; or
    - (B) the date which shall fall on the last day of 12 months after the Completion Date, or such other date to be mutually agreed in writing by Chang Jia and Shiny New.
  - (ii) accrued and unpaid interest shall be payable on any due date for repayment of the relevant part of the principal amount of the LTH Second Payment Amount, provided that all the accrued and unpaid interest shall be repaid in full upon the due date for final repayment of all the outstanding principal sum of the LTH Second Payment Amount; and
  - (iii) Chang Jia shall pay default interest at the default interest rate of 18% per annum on any outstanding principal amount of the LTH Second Payment Amount which is due and unpaid for more than two weeks, and such default interest shall accrue from the due date of any payment until repayment in full of the outstanding amount.
- (e) no interest shall accrue on the LTH Final Payment Amount, except that Chang Jia shall pay default interest at the default interest rate of 18% per annum on any outstanding principal amount of the LTH Final Payment Amount which is due and unpaid for more than two weeks, and such default interest shall accrue from the due date of any payment until repayment in full of the outstanding amount.

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## LETTER FROM THE BOARD

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- (3) Shan Ying shall sell, and Chang Jia shall purchase, the LTL Sale Share at the LTL Sale Consideration upon Completion. Chang Jia shall satisfy the LTL Sale Consideration by (A) issuing and allotting to Shan Ying the LTL Consideration Shares upon Completion, representing 21% of Chang Jia's enlarged share capital immediately after Completion; and (B) payment in the aggregate sum of RMB301,693,858 by instalments (subject to adjustment in the manner as stated in paragraph 3 (c) below) in the following manner:
- (a) as to a sum of RMB82,732,253 (the "**LTL Initial Payment Amount**"), Chang Jia shall authorize and direct Keyasia to make payment to Shan Ying upon Completion in satisfaction of the LTL Initial Payment Amount in accordance with the manner as set out in paragraph (1)(b) above;
  - (b) as to a sum of RMB170,781,848 (the "**LTL Second Payment Amount**"), Chang Jia shall repay to Shan Ying the principal sum of the LTL Second Payment Amount in full no later than four years after the Completion Date in the following manner:
    - (i) Chang Jia shall repay the aggregate principal sum of not less than 20% of the LTL Second Payment Amount (representing a principal sum of not less RMB34,156,370) no later than two years after the Completion Date;
    - (ii) Chang Jia shall repay the aggregate principal sum of not less than 50% of the LTL Second Payment Amount (representing a principal sum of not less RMB85,390,924) no later than three years after the Completion Date; and
    - (iii) Chang Jia shall repay all the outstanding balance of the principal sum of the LTL Second Payment Amount no later than four years after the Completion Date.
  - (c) as to a sum of RMB48,179,757 (the "**LTL Final Payment Amount**"), Chang Jia shall repay to Shan Ying the principal sum of the LTL Final Payment Amount in full within 30 days from the due date, and such due date shall fall on the last day of 5 years after the Completion Date, provided that Chang Jia shall not be required to repay the LTL Final Payment Amount if by the end of the said 30-day period from the due date: (1) the construction work of the Guangzhou-Qingyuan Light Rail has not yet commenced, or (2) the rail line of the Guangzhou-Qingyuan Light Rail under proposal will not pass through any area which is within 2 kilometres from any boundary of the PRC Land, as confirmed by any official information from the relevant PRC authority;

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## LETTER FROM THE BOARD

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- (d) as to the principal sum of the LTL Second Payment Amount, Chang Jia shall pay Shan Ying interest accrued on the LTL Second Payment Amount in the following manner:
- (i) interest shall be calculated at the normal interest rate of 12% per annum and shall accrue on the outstanding balance of the LTL Second Payment Amount from the date upon the first occurrence of any one of the following events:
    - (A) the date on which any one of the PRC Project Companies has obtained the certificate of land use right (土地使用權證), construction land planning permit (建設用地規劃許可證), construction work planning permit (建設工程規劃許可證) and construction work execution permit (建設工程施工許可證) in relation to the relevant part of the PRC Land held by any one of the PRC Project Companies; or
    - (B) the date which shall fall on the last day of 6 months after the construction work of the Guangzhou-Qingyuan Light Rail has formally commenced.
  - (ii) accrued and unpaid interest shall be payable on any due date for repayment of the relevant part of the principal amount of the LTL Second Payment Amount, provided that all the accrued and unpaid interest shall be repaid in full upon the due date for final repayment of all the outstanding principal sum of the LTL Second Payment Amount; and
  - (iii) Chang Jia shall pay default interest at the default interest rate of 18% per annum on any outstanding principal amount of the LTL Second Payment Amount which is due and unpaid for more than two weeks, and such default interest shall accrue from the due date of any payment until repayment in full of the outstanding amount.
- (e) no interest shall accrue on the LTL Final Payment Amount, except that Chang Jia shall pay default interest at the default interest rate of 18% per annum on any outstanding principal amount of the LTL Final Payment Amount which is due and unpaid for more than two weeks, and such default interest shall accrue from the due date of any payment until repayment in full of the outstanding amount.



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## LETTER FROM THE BOARD

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### Conditions precedent

Completion under the Subscription and Share Purchase Agreement is conditional upon the following Conditions Precedent being satisfied (or in respect of the Condition Precedent set out in paragraph (c) below to be fulfilled by Keyasia, waived by Shiny New and Shan Ying to such extent as Shiny New and Shan Ying think fit and are legally entitled to do so) on or before the Longstop Date:

- (a) the Reorganisation having been duly completed;
- (b) approval by the Independent Shareholders at the EGM for the Subscription and Share Purchase Agreement and all transactions contemplated under the Transaction Documents;
- (c) all other necessary approvals having been obtained for entering into the Transaction Documents and the transactions contemplated thereunder, whether pursuant to law, regulatory compliance (including but without limitation to the Listing Rules) or otherwise;
- (d) legal opinion having been issued by the lawyers for Shiny New and Shan Ying on whether the Reorganisation has been duly completed and on the legality of the terms of the Subscription and Share Purchase Agreement;
- (e) due diligence investigations having been completed by Keyasia on Chang Jia and its subsidiaries and the results of such investigations are satisfactory to Keyasia, provided that Keyasia shall no later than 15 July 2011 (or such other later day as the Parties may agree in writing) raise any requisitions in respect of the due diligence investigations, otherwise Keyasia shall be deemed to have completed the due diligence investigations and satisfied with the results of such investigations; and
- (f) there has been no material adverse change on Chang Jia, Shiny New, Shan Ying, Lofty Talent, Eminent Star, LTH HK Companies, LTL HK Companies, LTH Project Companies and LTL Project Companies.

If any of the Conditions Precedent have not been satisfied (or in respect of the Condition Precedent set out in paragraph (c) above to be fulfilled by Keyasia, has not been waived by Shiny New and Shan Ying to such extent as Shiny New and Shan Ying think fit and are legally entitled to do so) on or before 5:00 p.m. (Hong Kong time) on the Longstop Date (or such other date as the Parties may mutually agree in writing), then any Party may at any time thereafter terminate the Subscription and Share Purchase Agreement by written notice to the other Parties, whereupon the Subscription and Share Purchase Agreement shall be of no further force or effect but without prejudice to the rights and liabilities of the Parties in respect of any antecedent breach of any of the terms and conditions of the Subscription and Share Purchase Agreement.

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## LETTER FROM THE BOARD

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### Reorganisation

Pursuant to the terms of the Subscription and Share Purchase Agreement, the following reorganisation steps should be completed on the part of Shiny New and Shan Ying respectively before Completion:

- (1) As part of the reorganisation for the purpose of the sale and purchase of the LTH Sale Share, Shiny New shall procure Lofty Talent, its wholly-owned subsidiary, to acquire all the issued shares in LTH HK Companies from their existing shareholder, such that Lofty Talent shall hold 100% of the entire issued share capital in each of the LTH HK Companies prior to Completion.
- (2) As part of the reorganisation for the purpose of the sale and purchase of the LTL Sale Share, Shan Ying shall procure Eminent Star to acquire all the issued shares in LTL HK Companies from their existing shareholder, such that Eminent Star shall hold 100% of the entire issued share capital in each of the LTL HK Companies prior to Completion.

### Completion

- (1) Pursuant to the terms of the Subscription and Share Purchase Agreement, Completion shall take place at 3:00 p.m. (Hong Kong time) on the tenth Business Day after all the Conditions Precedent have been satisfied (or waived pursuant to the terms of the Subscription and Share Purchase Agreement) or at such later date as the Parties may agree.
- (2) Upon Completion, the following matters, among other things, shall be transacted:
  - (a) the Shareholders' Agreement shall be executed among Keyasia, Shiny New, Shan Ying and Chang Jia in relation to the rights of shareholders and management of Chang Jia.
  - (b) the Sunshine Share Charge shall be executed by Keyasia, pursuant to which Keyasia shall charge all the SS Subscription Shares (representing 55% of Chang Jia's enlarged share capital immediately after Completion) in favour of Shiny New as agent for and on behalf of Shiny New and Shan Ying as security for up to 55% of all the obligations and indebtedness owed by Chang Jia to Shiny New and Shan Ying under the Subscription and Share Purchase Agreement.
  - (c) the LTH Share Charge shall be executed by Chang Jia, pursuant to which Chang Jia shall charge the LTH Sale Share in favour of Shiny New as security for all the obligations and indebtedness owed by Chang Jia to Shiny New under the Subscription and Share Purchase Agreement.
  - (d) the LTL Share Charge shall be executed by Chang Jia, pursuant to which Chang Jia shall charge the LTL Sale Share in favour of Shan Ying as security for all the obligations and indebtedness owed by Chang Jia to Shan Ying under the Subscription and Share Purchase Agreement.

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## LETTER FROM THE BOARD

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- (e) the LTH Corporate Guarantee shall be executed by Sunshine 100, pursuant to which Sunshine 100 shall guarantee the repayment of up to 55% of all the obligations and indebtedness owed by Chang Jia to Shiny New under the Subscription and Share Purchase Agreement.
  - (f) the LTL Corporate Guarantee shall be executed by Sunshine 100, pursuant to which Sunshine 100 shall guarantee the repayment of up to 55% of all the obligations and indebtedness owed by Chang Jia to Shan Ying under the Subscription and Share Purchase Agreement.
- (3) Immediately after Completion:
- (a) Keyasia will own 55 CJ Shares, representing 55% of Chang Jia's enlarged share capital immediately after Completion.
  - (b) Shiny New will own a total of 24 CJ Shares (of which 23 CJ Shares will be issued and allotted to Shiny New upon Completion and the remaining one CJ Share is the existing CJ Share held by Shiny New), representing in aggregate 24% of Chang Jia's enlarged share capital immediately after Completion.
  - (c) Shan Ying will own 21 CJ Shares, representing 21% of Chang Jia's enlarged share capital immediately after Completion.
  - (d) Chang Jia will wholly own Lofty Talent. In turn, Lofty Talent will wholly own each of the LTH HK Companies. Chang Jia will indirectly through Lofty Talent and LTH HK Companies wholly own each of the LTH Project Companies.
  - (e) Chang Jia will wholly own Eminent Star. In turn, Eminent Star will wholly own each of the LTL HK Companies. Chang Jia will indirectly through Eminent Star and LTL HK Companies wholly own each of the LTL Project Companies.
- (4) Immediately after Completion, each of Chang Jia, Lofty Talent, LTH HK Companies and LTH Project Companies will cease to be a subsidiary of the Company, while the Company will indirectly retain and own 24% interest in Chang Jia. Immediately after Completion, Chang Jia will be accounted for as a jointly controlled entity in the Company's accounts.

### **Other terms**

- (1) Pursuant to the Subscription and Share Purchase Agreement:
- (a) the Company and Shiny New have given certain representations and warranties to the other Parties in respect of the corporate affairs and other information of Chang Jia, Shiny New, Lofty Talent, LTH HK Companies and LTH Project Companies. The Company has agreed with Keyasia that the Company shall be liable to Keyasia for any losses which may be suffered by Keyasia in the event that Shiny New fails to duly perform the terms of the Subscription and Share Purchase Agreement.

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## LETTER FROM THE BOARD

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- (b) Luen Thai Land Limited and Shan Ying have given certain representations and warranties to the other Parties in respect of the corporate affairs and other information of Shan Ying, Eminent Star, LTL HK Companies and LTL Project Companies. Luen Thai Land Limited has agreed with Keyasia that Luen Thai Land Limited shall be liable to Keyasia for any losses which may be suffered by Keyasia in the event that Shan Ying fails to duly perform the terms of the Subscription and Share Purchase Agreement.
- (c) Sunshine 100 and Keyasia have given certain representations and warranties to Shiny New and Shan Ying in respect of the corporate affairs and other information of Keyasia. Sunshine 100 has agreed with Shiny New and Shan Ying respectively that Sunshine 100 shall be liable to Shiny New and Shan Ying for any losses which may be suffered by Shiny New and/or Shan Ying in the event that Keyasia fails to duly perform the terms of the Subscription and Share Purchase Agreement.
- (d) the Company and Shiny New shall undertake from the date of the Subscription and Share Purchase Agreement to the date of the Completion Date to procure that Chang Jia, Lofty Talent, LTH HK Companies and LTH Project Companies shall settle their inter-company loans (if any) payable to and receivable from the Company and its related parties and Luen Thai Land Limited and its related parties, excluding the inter-company loans within Chang Jia, Lofty Talent, LTH HK Companies and LTH Project Companies, and the inter-company loans (if any) of LTH Project Companies payable to or receivable from the Company's and Luen Thai Land Limited's related companies in mainland China.
- (e) Luen Thai Land Limited and Shan Ying shall undertake from the date of the Subscription and Share Purchase Agreement to the date of the Completion Date to procure that Chang Jia, Eminent Star, LTL HK Companies and LTL Project Companies shall settle their inter-company loans (if any) payable to and receivable from the Company and its related parties and Luen Thai Land Limited and its related parties, excluding the inter-company loans within Chang Jia, Eminent Star, LTL HK Companies and LTL Project Companies, and the inter-company loans (if any) of LTL Project Companies payable to or receivable from the Company's and Luen Thai Land Limited's related companies in mainland China.

With regard to the normal interest rate of 12% chargeable in respect of the LTH Second Payment Amount and LTL Second Payment Amount and the default interest rate of 18% chargeable in respect of the LTH Second Payment Amount, LTH Final Payment Amount, LTL Second Payment Amount and LTL Final Payment Amount pursuant to the Subscription and Share Purchase Agreement, such interest rates were negotiated on an arm's length basis and were determined with reference to the interest rates charged in transactions prevailing in the market involving issue of corporate bonds. The Directors consider that the normal and default interest rates chargeable under the Subscription and Share Purchase Agreement are on normal commercial terms and fair and reasonable to the Group.

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## LETTER FROM THE BOARD

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### GENERAL INFORMATION ON THE COMPANIES INVOLVED IN THE SUBSCRIPTION AND SHARE PURCHASE AGREEMENT

#### (1) Chang Jia, Shiny New and Lofty Talent

Chang Jia, an indirect wholly-owned subsidiary of the Company, was incorporated on 5 May 2011 with limited liability in the BVI, and has an authorised share capital of US\$50,000 divided into 50,000 ordinary shares with par value of US\$1.00 each. One share in Chang Jia was issued and held by Shiny New, representing the entire issued share capital of Chang Jia. As at the Latest Practicable Date, Chang Jia does not hold any asset.

Shiny New, an indirect wholly-owned subsidiary of the Company, is an investment holding company incorporated on 28 April 2011 with limited liability in the BVI. It has an authorised share capital of US\$50,000 divided into 50,000 ordinary shares with par value of US\$1.00 each. One share in Shiny New was issued and held by Luen Thai Overseas (a wholly-owned subsidiary of the Company), representing the entire issued share capital of Shiny New. Shiny New does not hold any assets as at the Latest Practicable Date, except that it holds directly the entire issue share capital of Chang Jia and Lofty Talent.

Lofty Talent, an indirect wholly-owned subsidiary of the Company, was incorporated on 5 May 2011 with limited liability in the BVI, and has an authorised share capital of US\$50,000 divided into 50,000 ordinary shares with par value of US\$1.00 each. One share in Lofty Talent (i.e. the LTH Sale Share) was issued and held by Shiny New, representing the entire issued share capital of Lofty Talent. As at the Latest Practicable Date, Lofty Talent does not hold any asset.

#### (2) LTH HK Companies and LTH Project Companies

Victory Land, an indirect wholly-owned subsidiary of the Company, is an investment holding company incorporated on 1 November 2007 with limited liability in Hong Kong. It has an authorised share capital of HK\$10,000 divided into 10,000 ordinary shares with par value of HK\$1.00 each. One share in Victory Land was issued and held by Sunny Force (an indirect wholly-owned subsidiary of the Company), representing the entire issued share capital of Victory Land.

Luen Thai (Qingyuan) Real Estate is a wholly foreign owned enterprise established in the PRC. It was incorporated on 15 January 2004 and its entire equity interest is directly owned by Victory Land. Luen Thai (Qingyuan) Real Estate holds the LTH (QYRE) Land, which is its major asset.

East Talent, an indirect wholly-owned subsidiary of the Company, is an investment holding company incorporated on 14 December 2007 with limited liability in Hong Kong. It has an authorised share capital of HK\$10,000 divided into 10,000 ordinary shares with par value of HK\$1.00 each. 10,000 shares in East Talent were issued and held by Sunny Force (an indirect wholly-owned subsidiary of the Company), representing the entire issued share capital of East Talent.

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## LETTER FROM THE BOARD

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Qingyuan Liantou is a wholly foreign owned enterprise established in the PRC. It was incorporated on 23 September 2008 and its entire equity interest is directly owned by East Talent. Qingyuan Liantou holds the LTH (Liantou) Land, which is its major asset.

The LTH Land is basically vacant except that an old and unoccupied building owned by the Group previously as a dormitory was erected thereon and which will be demolished upon redevelopment of the LTH Land. Such demolition work will be carried out after Completion. The Group will be responsible for carrying out the demolition work on the LTH Land. It is planned that the demolition work will be carried out by a contractor to be engaged by the Group and the Group will not incur any cost for the demolition work as such contractor will be compensated for the work done by obtaining the scrap materials from the demolition work.

Set out below is the unaudited combined financial information of Victory Land, Luen Thai (Qingyuan) Real Estate, East Talent and Qingyuan Liantou prepared in accordance with Hong Kong Financial Reporting Standards:

	<b>For the financial year ended 31 December 2009</b>	<b>For the financial year ended 31 December 2010</b>
Net loss before taxation	US\$2,134,000	US\$1,590,000
Net loss after taxation	US\$2,134,000	US\$1,590,000

According to the unaudited management accounts, the aggregate net asset value of Victory Land, Luen Thai (Qingyuan) Real Estate, East Talent and Qingyuan Liantou as at 30 April 2011 was approximately US\$977,000.

### **(3) Shan Ying, Eminent Star and Luen Thai Land Limited**

Shan Ying, a direct wholly-owned subsidiary of Luen Thai Land Limited, is an investment holding company incorporated on 6 May 2011 with limited liability in the BVI. It has an authorised share capital of US\$50,000 divided into 50,000 ordinary shares with par value of US\$1.00 each. One share in Shan Ying was issued and held by Luen Thai Land Limited. Shan Ying does not hold any assets as at the Latest Practicable Date, except that it directly holds the entire issue share capital of Eminent Star.

Eminent Star, an indirect wholly-owned subsidiary of Luen Thai Land Limited, was incorporated on 11 April 2011 with limited liability in the BVI. It has an authorised share capital of US\$50,000 divided into 50,000 ordinary shares with par value of US\$1.00 each. One share in Eminent Star (i.e. the LTL Sale Share) was issued and held by Shan Ying, representing the entire issued share capital of Eminent Star. As at the Latest Practicable Date, Eminent Star does not hold any asset.

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## LETTER FROM THE BOARD

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Luen Thai Land Limited was incorporated on 12 October 2006 with limited liability in the BVI. It is ultimately controlled by Mr. Tan Siu Lin, a Director of the Company and hence Luen Thai Land Limited is a Connected Person of the Company. Luen Thai Land Limited is principally engaged in investment holding, real property development, leasing and property management.

#### **(4) LTL HK Companies and LTL Project Companies**

Rich Hope, a direct wholly-owned subsidiary of Luen Thai Land Limited, is an investment holding company incorporated on 14 December 2007 with limited liability in Hong Kong. It has an authorised share capital of HK\$10,000 divided into 10,000 ordinary shares with par value of HK\$1.00 each. 10,000 shares in Rich Hope were issued and held by Luen Thai Land Limited, representing the entire issued share capital of Rich Hope.

Rich Hope (Qingyuan) is a wholly foreign owned enterprise established in the PRC. It was incorporated on 23 September 2008 and its entire equity interest is directly owned by Rich Hope. Rich Hope (Qingyuan) holds the LTL (RH) Land, which is its major asset.

Top Leader, a direct wholly-owned subsidiary of Luen Thai Land Limited, is an investment holding company incorporated on 14 December 2007 with limited liability in Hong Kong. It has an authorised share capital of HK\$10,000 divided into 10,000 ordinary shares with par value of HK\$1.00 each. 10,000 shares in Top Leader were issued and held by Luen Thai Land Limited, representing the entire issued share capital of Top Leader.

Qingyuan Delun is a wholly foreign owned enterprise established in the PRC. It was incorporated on 23 September 2008 and its entire equity interest is directly owned by Top Leader. Qingyuan Delun holds the LTL (DL) Land, which is its major asset.

Gold Leader, a direct wholly-owned subsidiary of Luen Thai Land Limited, is an investment holding company incorporated on 14 December 2007 with limited liability in Hong Kong. It has an authorised share capital of HK\$10,000 divided into 10,000 ordinary shares with par value of HK\$1.00 each. 10,000 shares in Gold Leader were issued and held by Luen Thai Land Limited, representing the entire issued share capital of Gold Leader.

Gold Leader (Qingyuan) is a wholly foreign owned enterprise established in the PRC. It was incorporated on 23 September 2008 and its entire equity interest is directly owned by Gold Leader. Gold Leader (Qingyuan) holds the LTL (GL) Land, which is its major asset.

Victory Link, a direct wholly-owned subsidiary of Luen Thai Land Limited, is an investment holding company incorporated on 14 December 2007 with limited liability in Hong Kong. It has an authorised share capital of HK\$10,000 divided into 10,000 ordinary shares with par value of HK\$1.00 each. 10,000 shares in Victory Link were issued and held by Luen Thai Land Limited, representing the entire issued share capital of Victory Link.

Qingyuan Weitai is a wholly foreign owned enterprise established in the PRC. It was incorporated on 23 September 2008 and its entire equity interest is directly owned by Victory Link. Qingyuan Weitai holds the LTL (WT) Land, which is its major asset.

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## LETTER FROM THE BOARD

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Set out below is the unaudited combined financial information of Rich Hope, Rich Hope (Qingyuan), Gold Leader, Gold Leader (Qingyuan), Victory Link, Qingyuan Weitai, Top Leader and Qingyuan Delun prepared in accordance with Hong Kong Financial Reporting Standards:

	<b>For the financial year ended 31 December 2009</b>	<b>For the financial year ended 31 December 2010</b>
Net loss before taxation	US\$28,582	US\$37,573
Net loss after taxation	US\$28,582	US\$37,573

According to the unaudited management accounts, the aggregate net asset value of Rich Hope, Rich Hope (Qingyuan), Gold Leader, Gold Leader (Qingyuan), Victory Link, Qingyuan Weitai, Top Leader and Qingyuan Delun as at 30 April 2011 was approximately US\$555,000.

The LTL Land is basically vacant except that some factory buildings owned by the LTL Project Companies were erected thereon and which will be demolished upon redevelopment of the LTL Land. Such demolition work will be carried out after Completion. Luen Thai Land Limited will be responsible for carrying out the demolition work on the LTL Land. It is planned that the demolition work will be carried out by a contractor to be engaged by Luen Thai Land Limited and Luen Thai Land Limited will not incur any cost for the demolition work as such contractor will be compensated for the work done by obtaining the scrap materials from the demolition work.

The original purchase cost of the LTL Land to the LTL Project Companies was RMB60,436,000.

### **(5) Keyasia and Sunshine 100**

To the best knowledge, information and belief of the Directors having made all reasonable enquiries:

- (a) Keyasia is an investment holding company incorporated in the BVI with limited liability and is an affiliated company of Sunshine 100;
- (b) Sunshine 100 is a company incorporated in the PRC and is principally engaged in property development in the PRC; and
- (c) Keyasia and Sunshine 100 and their respective ultimate beneficial owners are Independent Third Parties.



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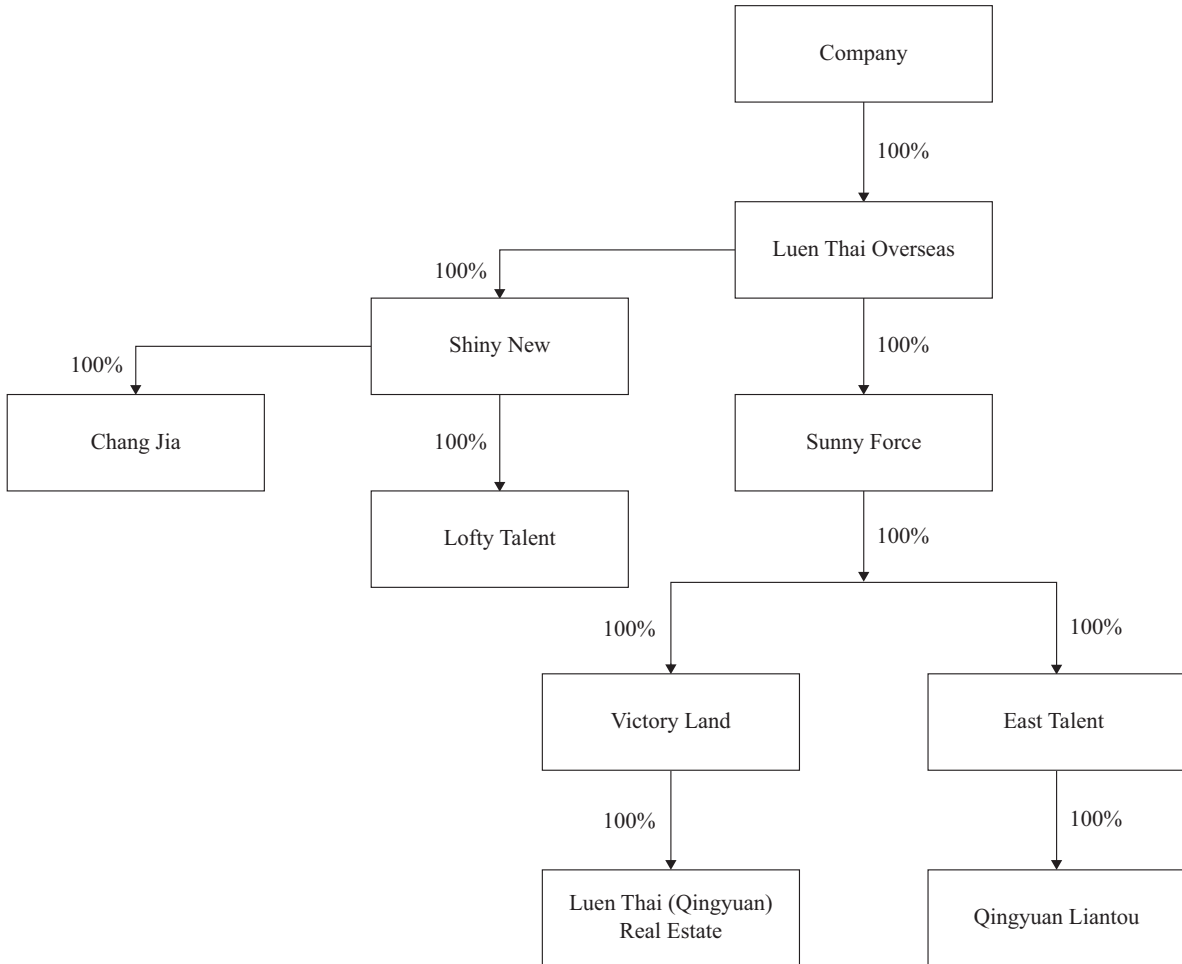
## LETTER FROM THE BOARD

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### SHAREHOLDING STRUCTURE

For illustration purpose only, the following charts show the shareholding structure of Chang Jia, the LTH Project Companies and the LTL Project Companies in different stages, assuming that the Reorganisation will be implemented and Completion will take place pursuant to the Subscription and Share Purchase Agreement:

Chart 1: The shareholding structure of Chang Jia and the LTH Project Companies as at the Latest Practicable Date:

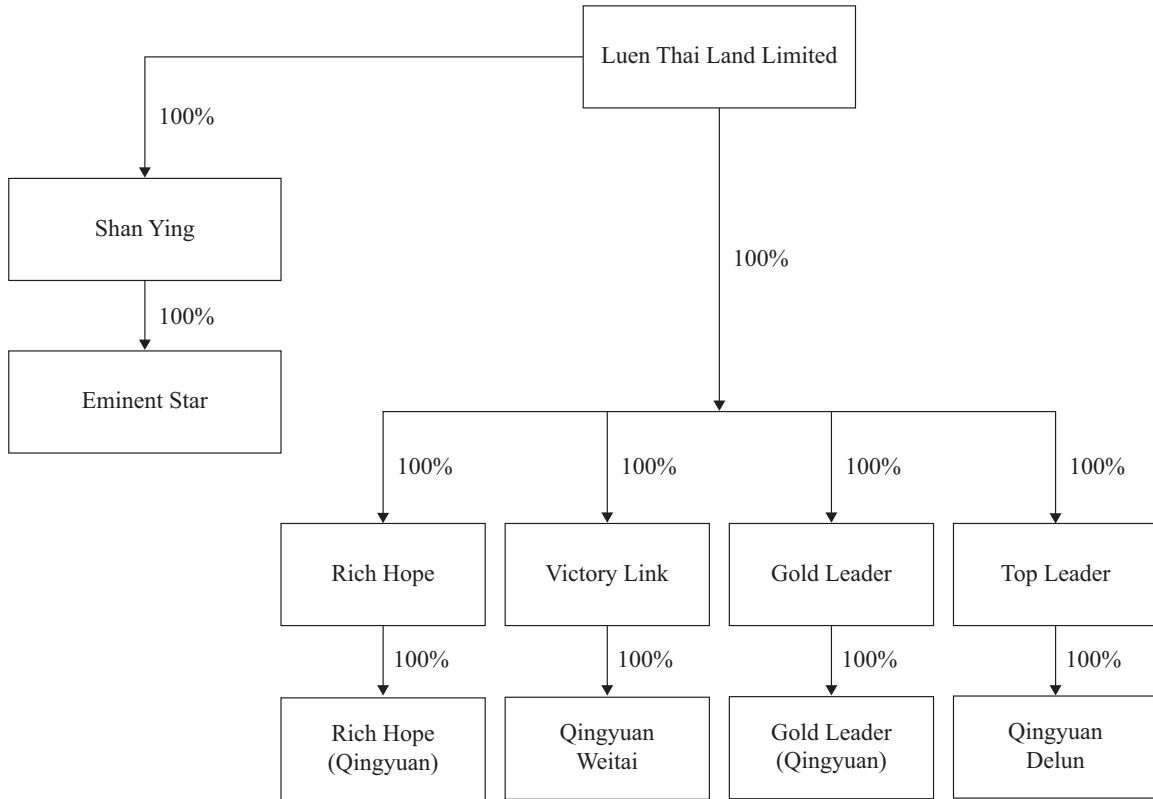


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## LETTER FROM THE BOARD

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Chart 2: The shareholding structure of the LTL Project Companies as at the Latest Practicable Date:

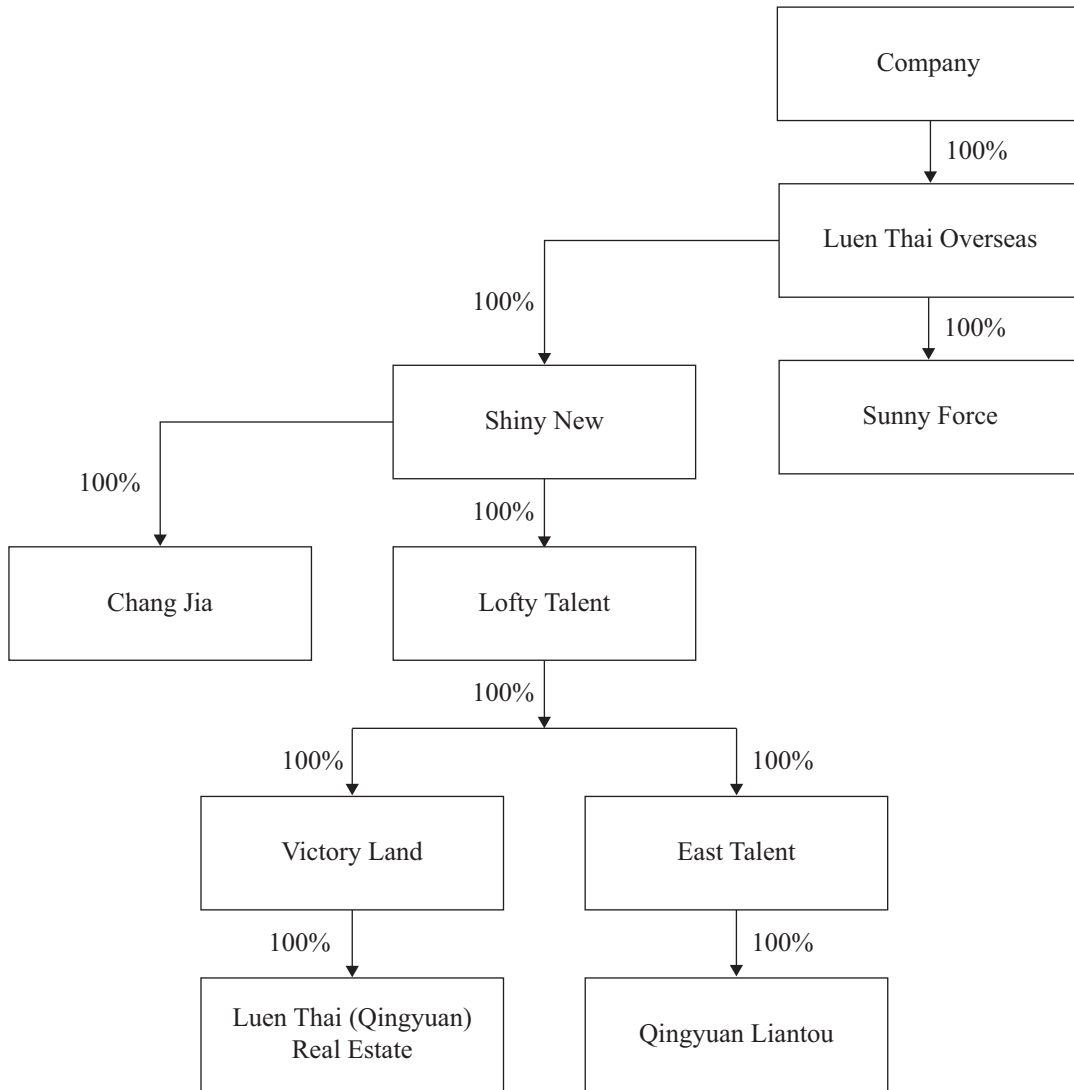


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## LETTER FROM THE BOARD

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Chart 3: The shareholding structure of Chang Jia and the LTH Project Companies immediately after the Reorganisation relating to the LTH Project Companies:

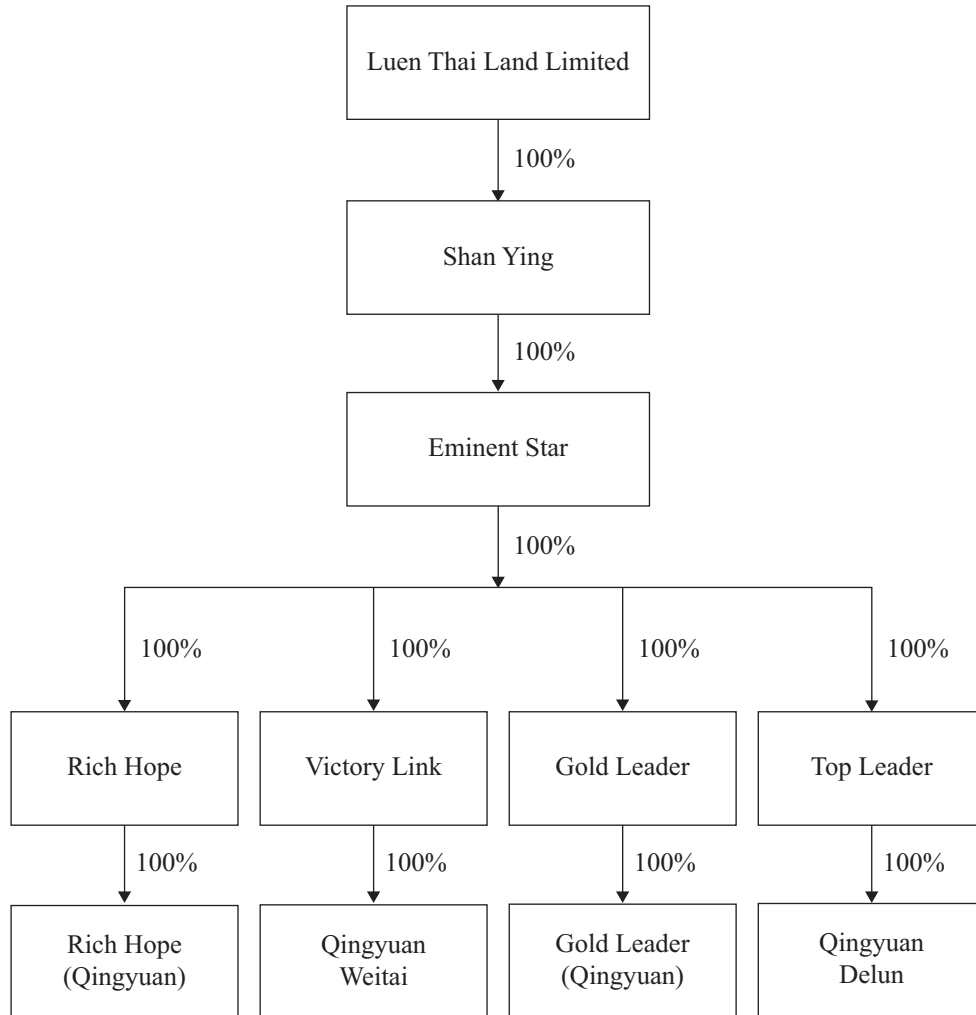


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## LETTER FROM THE BOARD

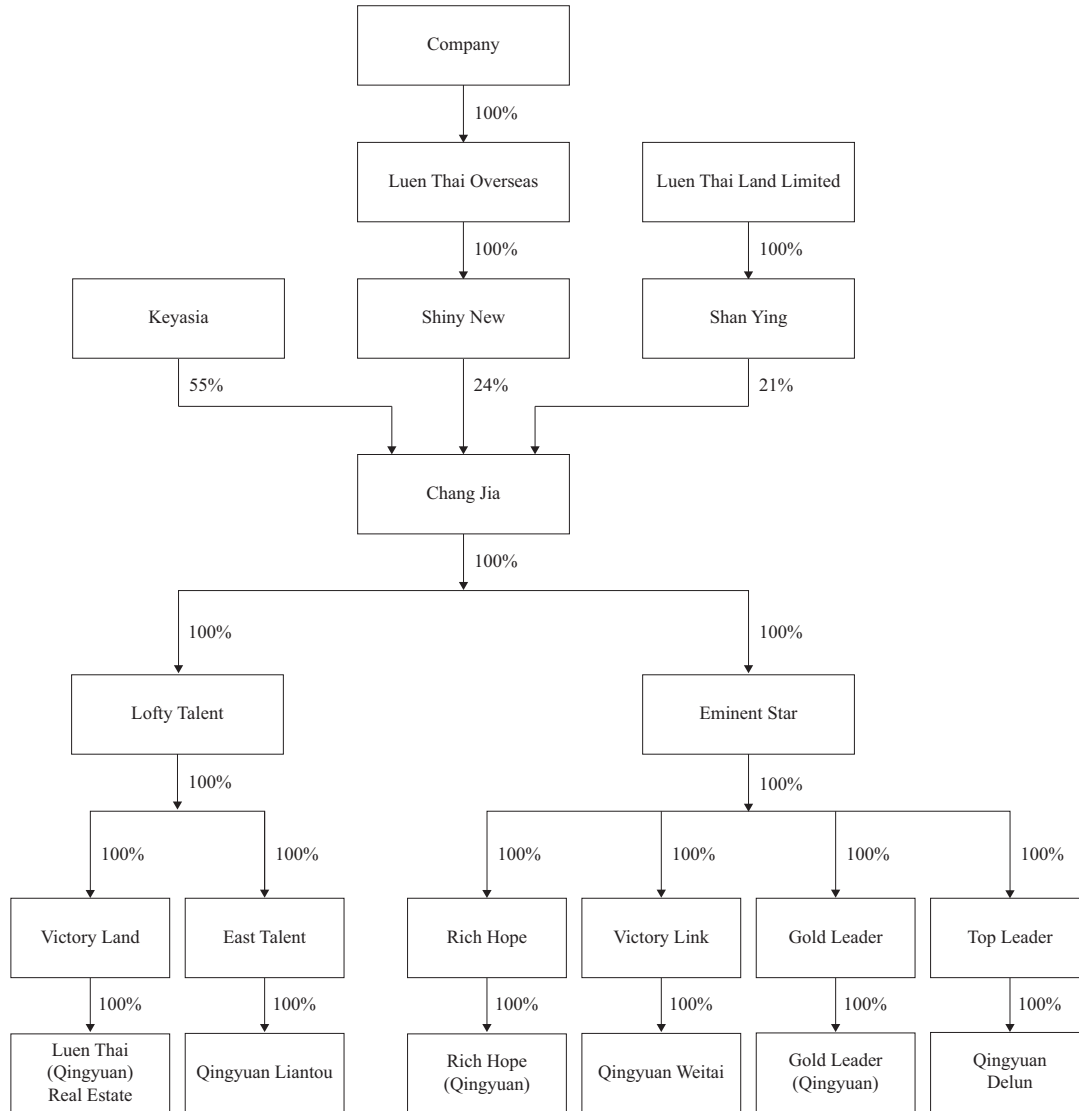
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Chart 4: The shareholding structure of the LTL Project Companies immediately after the Reorganisation relating to the LTL Project Companies:



## LETTER FROM THE BOARD

Chart 5: The shareholding structure of Chang Jia, the LTH Project Companies and the LTL Project Companies immediately after Completion:



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## LETTER FROM THE BOARD

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### FORMATION OF THE JOINT VENTURE

Chang Jia will upon Completion become a joint venture company formed among Keyasia, Shiny New and Shan Ying. Pursuant to the terms of the Subscription and Share Purchase Agreement, Keyasia, Shiny New, Shan Ying and Chang Jia will upon Completion enter into the Shareholders' Agreement to regulate the rights and obligations of the shareholders of Chang Jia.

Chang Jia will upon Completion indirectly own the entire equity interests in the PRC Project Companies. In turn, the PRC Project Companies hold the PRC Land.

For the Company, the formation of the Joint Venture will in effect involve the injection of the assets of the Company (namely, the LTH Land) into Chang Jia by way of the Disposal. Other than such injection, the Company does not have any capital commitment for the formation of the Joint Venture, nor is there any capital commitment owed by the Company to Chang Jia. Under the proposed terms of the Shareholders' Agreement, it is intended that the operations of the Target Group will be funded by debt financing.

Under the proposed terms of the Shareholders' Agreement:

- (a) the principal business of the Target Group is to develop the PRC Land;
- (b) the initial working capital of the Target Group will be funded by external financing;
- (c) in the event that further working capital is required at any future stages, the Target Group shall apply for loan and credit facilities from banks and financial institutions to meet the operational needs of the Target Group, or adopt such other methods as the shareholders of Chang Jia may agree;
- (d) Keyasia will be responsible for the day-to-day management of the Target Group;
- (e) the board of directors of Chang Jia shall consist of 7 directors, of which four shall be appointed by Keyasia, two shall be appointed by Shiny New and one shall be appointed by Shan Ying;
- (f) all the loans (including but not limited to any principal amounts, accrued interest and any expenses) owed by Chang Jia to Shiny New and Shan Ying under the Subscription and Share Purchase Agreement shall be repaid in full before distribution of any distributable profits of the Target Group to the shareholders of Chang Jia; and
- (g) upon the signing of the Shareholders' Agreement, Sunshine 100 shall enter into the Brand Licence and Service Agreement with each of the PRC Project Companies pursuant to which Sunshine 100 shall grant a licence to each of the PRC Project Companies for the use of the brand "Sunshine 100" in relation to the development of the project on the PRC Land.

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## LETTER FROM THE BOARD

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### REASONS FOR AND BENEFITS OF THE TRANSACTIONS

The Company has a property development project on the LTH Land in Qingyuan, Guangdong, the PRC. According to the latest public information, the Directors believe that the PRC governmental authorities will start constructing Guangzhou-Qingyuan Light Rail system by the end of 2011 which will connect Qingyuan with the Guangzhou Railway Station which is major transportation hub in Guangzhou City. The Directors further believe that the plan of the Guangzhou-Qingyuan Light Rail system coupled with the expected proximity of its station with the project site on the LTH Land would enhance the value of the property development project.

On the other hand, Luen Thai Land Limited (which is ultimately controlled by Mr. Tan Siu Lin, a Director and the chairman of the Board) indirectly through the LTL Project Companies holds the LTL Land, which is located near the LTH Land.

Against the above background and in order to further enhance the value and development potential of the LTH Land, the Directors consider that it is in the interest of the Group to co-operate with Luen Thai Land Limited to re-position the development strategy for the project site on the LTH Land. Accordingly, the Company has entered into the Subscription and Share Purchase Agreement with Keyasia and Sunshine 100, an experienced property developer in the PRC, with a view to establishing the Joint Venture for the joint development of the PRC Land.

The SS Consideration, the LTH Sale Consideration and the LTL Sale Consideration were determined with reference to the preliminary valuation made an independent professional valuer regarding the market value of the LTH Land and the LTL Land in June 2011, which are approximately RMB428 million and RMB364 million respectively.

Pursuant to the terms of the Subscription and Share Purchase Agreement, Keyasia will pay an aggregate sum of RMB180 million upon Completion to acquire the SS Subscription Shares, representing 55% of Chang Jia's enlarged share capital immediately after Completion, while Shiny New and Shan Ying will hold 24% and 21% of the shareholding interest in Chang Jia respectively immediately after Completion. The basis upon which such payment of RMB180 million and the respective shareholding in Chang Jia by each party immediately after Completion were determined by the parties with reference to the amount of cash contribution, the value of the LTH Land and the LTL Land, after taking into consideration the experience and expertise of the parties involved in the Joint Venture. For the Company, the formation of the Joint Venture will in effect involve the injection of the assets of the Company (namely, the LTH Land) into Chang Jia by way of the Disposal. Other than such injection, the Company does not have any capital commitment for the formation of the Joint Venture, nor is there any capital commitment owed by the Company to Chang Jia. Sunshine 100 is a well-established and experienced property developer in the PRC with a proven track record of project development in various cities of the PRC. Since the Group is principally engaged in the manufacture and trading of garment, textile products and laptop bags, the Directors consider that the Group will benefit from the formation of the Joint Venture with an experienced property developer who has the expertise in the joint development of the PRC Land. Based on these

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## LETTER FROM THE BOARD

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considerations, the Board is of view that the respective shareholdings in Chang Jia by Keyasia, Shiny New and Shan Ying under the Subscription and Share Purchase Agreement are fair and reasonable in view of their contributions to Chang Jia.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Subscription and Share Purchase Agreement and the proposed terms of the Shareholders' Agreement and the other Transaction Documents and the respective transactions contemplated thereunder were negotiated on an arm's length basis between the relevant parties and are on normal commercial terms and fair and reasonable and in the interests of the Company and its shareholders as a whole. Taking into account the benefits to be gained by the Group, the Directors consider that there are no material disadvantages to the Group in the transactions as contemplated under the Transactions Documents.

Upon Completion, it is expected that the Group would record a gain of approximately US\$16.9 million as a result of the Disposal, being the difference between the LTH Sale Consideration and the net asset value of Victory Land, Luen Thai (Qingyuan) Real Estate, East Talent and Qingyuan Liantou as at 30 April 2011, after taking into account the accounting adjustment to be made for the Disposal.

The Directors expect that the proceeds from the Disposal will be used for general working capital of the Group.

### LISTING RULES IMPLICATIONS

As the applicable percentage ratios in respect of the Disposal calculated in accordance with the Listing Rules exceed 25% but are less than 75%, the Disposal constitutes a major transaction for the Company under the Listing Rules and is conditional upon approval by the Shareholders.

Luen Thai Land Limited is ultimately controlled by Mr. Tan Siu Lin, a Director of the Company and hence Luen Thai Land Limited is a Connected Person of the Company. Shan Ying is a wholly-owned subsidiary of Luen Thai Land Limited. Accordingly, Luen Thai Land Limited and Shan Ying, being parties to the Subscription and Share Purchase Agreement, are Connected Persons of the Company. The Disposal also constitutes a connected transaction of the Company which is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the applicable percentage ratios in respect of the Disposal calculated in accordance with the Listing Rules exceed 25% but are less than 75%, the formation of the Joint Venture constitutes a major transaction for the Company under the Listing Rules and is conditional upon approval by the Shareholders. Since Shan Ying is a Connected Person of the Company, the formation of the Joint Venture also constitutes a connected transaction of the Company which is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.



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## LETTER FROM THE BOARD

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Mr. Tan Siu Lin, together with his sons Mr. Tan Henry, Mr. Tan Willie, Mr. Tan Cho Lung, Raymond and Mr. Tan Sunny, who are all Directors, have a material interest in the transactions contemplated under the Transaction Documents. All of them have abstained from voting on the board resolutions approving the Transaction Documents.

### FINANCIAL EFFECTS ON THE GROUP

Upon completion of the Subscription and Share Purchase Agreement and the formation of the Joint Venture, the Group ceased to have any direct interest in each of LTH HK Companies and LTH Project Companies and each of them ceased to be a subsidiary of the Company. As a result, the assets and liabilities of the LTH HK Companies and LTH Project Companies will no longer be consolidated into the Group's financial statements.

The amount of the actual gain or loss arising from the Disposal will be determined upon Completion depending on the net asset value of the LTH HK Companies and LTH Project Companies on Completion. However, based on the net asset value of the LTH HK Companies and LTH Project Companies as at 30 April 2011, after taking into account the accounting adjustment to be made for the Disposal, it is expected that the Group would record a gain of approximately US\$16.9 million as a result of the Disposal.

Except for the gain on Disposal to be recorded upon Completion, the Disposal will not bring in material impact on the earnings of the Group for the year ending 31 December 2011. It is expected that the net asset value of the Group will be increased by the gain on Disposal upon Completion.

### FINANCIAL AND TRADING PROSPECTS OF THE GROUP

As mentioned above, the entering into the Subscription and Share Purchase Agreement and the formation of the Joint Venture are expected to bring gain on Disposal of approximately US\$16.9 million to the Group for the year ending 31 December 2011. In addition, the Directors consider that the formation of the Joint Venture would not only bring in new source of income to the Group but also reduces the Group's business risk of using solely the Group's resources in the real estate development.

The Directors are optimistic on the financial and trading prospects of the Group for the current financial year. As the global economy has been picking up gradually and the market consolidation continues due to the close down of small factories, the Directors expect that barring any unforeseen circumstances, the Company will be able to gain market share through continuous customer partnership in the years to come. While the Group will maintain the current production capacities in mainland China, the Group shall however remain competitive by exploring the possibilities of adding more production facilities outside China through joint venture or acquisition in Southeast Asia countries.

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## LETTER FROM THE BOARD

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### GENERAL

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.

### RECOMMENDATIONS

The Company has established the Independent Board Committee, consisting of the independent non-executive Directors, to advise the Shareholders as to whether the Transaction Documents and the transactions contemplated thereunder (including but not limited to the Subscription and Share Purchase Agreement and the formation of the Joint Venture pursuant to the Shareholders' Agreement) are fair and reasonable and in the interests of the Company and the Shareholders as a whole and to advise the Independent Shareholders on how to vote at the EGM. The Company has also appointed Partners Capital International Limited as the independent financial adviser to make recommendations to the Independent Board Committee and the Independent Shareholders in relation to the Transaction Documents and the transactions contemplated thereunder and to advise the Independent Shareholders on how to vote at the EGM.

The Independent Board Committee, after taking into account the recommendation of the Independent Financial Adviser, considers that the Subscription and Share Purchase Agreement, the formation of the Joint Venture pursuant to the Shareholders' Agreement, and the transactions contemplated under the Transaction Documents are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole, and recommends the Independent Shareholders to vote in favour of the resolution to approve the Transaction Documents and the transactions contemplated thereunder (including but not limited to the Subscription and Share Purchase Agreement and the formation of the Joint Venture pursuant to the Shareholders' Agreement) at the EGM. The Shareholders' attention is drawn to the letter from the Independent Board Committee which is set out on pages 34 to 35 of this circular.

A separate letter from the Independent Financial Adviser, Partners Capital International Limited, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 36 to 52 of this circular.

### EXTRAORDINARY GENERAL MEETING

A notice convening the EGM is set out on pages 80 to 82 of this circular. Voting at the EGM will be taken by poll.

A form of proxy for use at the EGM is enclosed. Whether or not you are able to attend the meeting, you are requested to complete and return the enclosed form of proxy to the Company's branch share registrar, Computershare Hong Kong Investor Services Ltd., at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for the holding of the meeting. Completion and return of the form of proxy will not preclude you from attending and voting at the meeting should you wish to do so.

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## LETTER FROM THE BOARD

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Mr. Tan Siu Lin, together with his sons Mr. Tan Henry, Mr. Tan Willie, Mr. Tan Cho Lung, Raymond and Mr. Tan Sunny, who are all Directors, have a material interest in the transactions contemplated under the Transaction Documents. Accordingly, they and their respective Associates will abstain from voting at the EGM on the resolution in relation to the Subscription and Share Purchase Agreement, the formation of the Joint Venture pursuant to the Shareholders' Agreement, and the transactions contemplated under the Transaction Documents. As at the Latest Practicable Date, Mr. Tan Siu Lin, Mr. Tan Henry, Mr. Tan Willie, Mr. Tan Cho Lung, Raymond and Mr. Tan Sunny together with their respective Associates controlled in aggregate 696,012,000 Shares (representing approximately 70.12% of the issued share capital of the Company).

### ADDITIONAL INFORMATION

Your attention is also drawn to the valuation report and the general information set out in the Appendices to this circular.

Yours faithfully,  
By Order of the Board  
**Luen Thai Holdings Limited**  
**Tan Henry**  
*Chief Executive Officer and President*

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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 Subscription and Share Purchase Agreement, the formation of the Joint Venture pursuant to the Shareholders' Agreement, the other Transaction Documents and the respective transactions contemplated thereunder for inclusion in this circular:*



**LUEN THAI HOLDINGS LIMITED**

**聯泰控股有限公司**

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

**(Stock Code: 311)**

26 August 2011

*To the Independent Shareholders*

Dear Sir or Madam,

**MAJOR AND CONNECTED TRANSACTIONS —  
DISPOSAL OF SHARES IN SUBSIDIARIES  
AND  
FORMATION OF A JOINT VENTURE**

We refer to the circular of the Company dated 26 August 2011 (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 Transaction Documents and the respective transactions contemplated thereunder, details of which are set out in the letter from the board set out on pages 9 to 33 of this Circular.

Having considered the terms of the Transaction Documents and the respective transactions contemplated thereunder, and the advice of Independent Financial Adviser in relation thereto as set out on pages 36 to 52 of the Circular, the Independent Board Committee considers that the terms of the Transaction Documents and the respective transactions contemplated thereunder (including, without limitation, the terms of the Subscription and Share Purchase Agreement, the formation of the Joint Venture pursuant to the Shareholders' Agreement, the Sunshine Share Charge, the LTH Share Charge, the LTL Share Charge, the LTH Corporate Guarantee and the LTL Corporate Guarantee)

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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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.

Accordingly, the Independent Board Committee recommends that the Independent Shareholders vote in favour of the resolution to be proposed at the EGM to approve the Transaction Documents and the respective transactions contemplated thereunder.

The Independent Board Committee draws the attention of the Independent Shareholders to the letter from the Board and the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders which sets out the considerations and factors taken into account in arriving at its recommendations, each as contained in the Circular.

Yours faithfully,  
For and on behalf of  
*the Independent Board Committee*  
**Chan Henry** **Cheung Siu Kee** **Seing Nea Yie**  
*Independent Non-Executive Directors*

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## LETTER FROM PARTNERS CAPITAL

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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 terms of the Transactions 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

26 August 2011

*To the Independent Board Committee and  
the Independent Shareholders*

Dear Sirs,

### MAJOR AND CONNECTED TRANSACTIONS

#### INTRODUCTION

We refer to our engagement to advise the Independent Board Committee and the Independent Shareholders in respect of the Subscription and Share Purchase Agreement, particulars of which are set out in the letter from the Board (the "Letter from the Board") of the circular to the shareholders (the "Shareholders") of the Company dated 26 August 2011 (the "Circular") and in which this letter is reproduced. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as given to them under the definitions section of the Circular.

As set out in the Letter from the Board and pursuant to the Subscription and Share Purchase Agreement, Chang Jia, an indirect wholly owned subsidiary of the Company, will (a) acquire from Shan Ying, a wholly owned subsidiary of Luen Thai Land Limited, a property development project in Qingyuan with an aggregate site area of 428,272.90 square meters at a consideration of approximately RMB302 million (equivalent to approximately HK\$368 million), subject to adjustment and LTL Consideration Shares; and (b) acquire from Shiny New, an indirect wholly owned subsidiary of the Company, a property development project in Qingyuan with an aggregate site area of 503,517.53 square meters at a consideration of approximately RMB355 million (equivalent to approximately HK\$433 million, the "Disposal") and LTH Consideration Shares; and (c) Keyasia will subscribe shares in Chang Jia at the consideration of RMB180 million while Shiny New and Shan Ying will inject the Implied Contributions (defined below) into Chang Jai. Upon completion of the Transactions, Chang Jia will be owned as to 55%, 24% and 21% by Keyasia, Shiny New and Shan Ying respectively. Upon Completion, the Company's interest in Chang Jia will decrease from 100% to 24%.

We are not connected with the Directors, chief executive and substantial shareholders of the Company or Keyasia or any of its subsidiaries or their respective Associates and are therefore considered suitable to give independent advice to the Independent Board

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## LETTER FROM PARTNERS CAPITAL

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Committee and the Independent Shareholders. Apart from normal professional fees payable to us by the Company in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company or the directors, chief executive and substantial shareholders of the Company or any of its subsidiaries or their respective Associates.

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 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 and the Subscription and Share Purchase Agreement, 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 in the Circular were reasonably made after due enquiry. We consider that we have reviewed sufficient information to reach an informed view, to justify our reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our advice. 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 and management of the Company. We have not, however, conducted an independent in-depth investigation into the business and affairs of the Group, Luen Thai Land Limited, Keyasia, Chang Jia and their respective Associates nor have we carried out any independent verification of the information supplied.

### THE TRANSACTION

#### Principal factors considered

In arriving at our opinion regarding the terms of the Subscription and Share Purchase Agreement, we have considered the following principal factors and reasons:

**1. *Background of Qingyuan City, Chang Jia and the PRC Land, and Sunshine 100 and Keyasia***

*Qingyuan City*

Qingyuan City is located at approximately 60km north of Guangzhou and at approximately 30 km north of the Baiyun International Airport. Pursuant to 2010 年清遠市國民經濟和社會發展統計公報 (2010 Statistic Bulletin of National Economic and Social Development in Qingyuan City), Qingyuan recorded value of gross domestic product of approximately RMB111.25 billion in 2010, representing a compound annual growth rate of approximately 24% for 2005–2010, which exceeded that of Guangzhou of approximately 15.52% in the same period.

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## LETTER FROM PARTNERS CAPITAL

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According to 廣東省政府工作報告 (Guangdong Provincial Government Work Report, the “Report”) and 清遠市人民經濟和社會發展規劃綱要 (Qingyuan People’s Economic and Social Development Plan) dated 22 January 2011 and 25 February 2011 respectively, the construction of Guangzhou-Qingyuan Light Rail (“Light Rail”) was included in the development plan of Guangdong Provincial Government of 2011. Pursuant to the Report, the Light Rail will, if completed, connect Qingyuan with the Guangzhou Railway Station.

The Directors are of the view that the residential property development in Qingyuan enjoys potential in the long term given that (i) it is the policy of the PRC government to encourage people moving from rural to urban area and recent sales performance of new residential properties in Qingyuan and (ii) the proposed construction of Light Rail would accelerate the pace of urbanization and investment which in turn would translate into steady demand for residential properties in Qingyuan.

### *Chang Jia and the PRC Land*

Chang Jia, currently an indirect wholly-owned subsidiary of the Company, was incorporated on 5 May 2011 with limited liability in the BVI and has remained dormant since its incorporation. Chang Jia has an authorised share capital of US\$50,000 divided into 50,000 ordinary shares with par value of US\$1.00 each. One share in Chang Jia, representing the entire issued share capital of Chang Jia, was issued and held by Shiny New. As at the Latest Practicable Date, Chang Jia did not hold any asset.

The PRC Land comprises the LTH Land and the LTL Land, both of which are adjacent to each other. The LTH Land, with an area of 503,517.53 square meters, is located at the northern part of Luen Thai Industrial City in Longtang Town, Qingcheng District, Qingyuan City, Guangdong Province, the PRC. The LTL Land, with an area of 428,272.90 square meters, is located at the southern part of Luen Thai Industrial city in Longtang Town, Qingcheng District, Qingyuan City, Guangdong Province, the PRC. The residual terms of land use right of the LTH Land ends on 7 September 2078 for residential uses and 20 January 2053 for commercial and residential uses. The residual terms of land use right of the LTL Land ends on 7 September 2078 for residential uses and 7 September 2058 for composite uses.

As mentioned in the Company’s 2010 annual report, the Directors believe the Light Rail will enhance the value of the LTH Land. As disclosed in the Company’s announcement dated 14 August 2009, the Company entered into a construction contract with a property construction developer to develop the LTH Land. The contract sum of the construction contract is RMB240,700,000 (approximately HK\$272,977,870). According to the original development plan of the Company on the construction of LTH Land and in anticipation of the completion of construction on the Light Rail, LTH Land was expected to be completed by 2012. Due to the delay of the commencement of construction of



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**LETTER FROM PARTNERS CAPITAL**

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Light Rail, the said construction contract was agreed to be terminated by the Company and the construction developer in April 2011. We were advised by the Independent Valuer that, as at the Latest Practicable Date, site formation works, foundation works and structural works in relation to the LTH Land have been carried out by the property construction developer. A total construction sum of approximately RMB42.5 million has been paid by the Company to such property construction developer for the above construction works. We are advised that, as at the Latest Practicable Date, the PRC Land is still largely vacant with only certain industrial premises and dormitories erected thereon.

As at the Latest Practicable Date, the LTH Land and the LTL Land are indirectly held by LTH HK Companies and LTL HK Companies respectively. A summary of unaudited combined financial information (prepared in accordance with Hong Kong Financial Reporting Standards) in relation to LTH HK Companies and its subsidiaries and LTL HK Companies and its subsidiaries is set out below:

<b>Expressed in US\$'000</b>	<b>LTH HK Companies and its subsidiaries</b>	<b>LTL HK Companies and its subsidiaries</b>
Unaudited combined net loss after tax for the year ended 31 December 2009	(2,134.0)	(28.6)
Unaudited combined net loss after tax for the year ended 31 December 2010	(1,590.0)	(37.6)
Net assets as at 30 April 2011 <sup>1</sup>	977 <sup>2</sup>	555

<sup>1</sup> Before adjustment for the independent valuation prepared by the Independent Valuer

<sup>2</sup> Included the construction cost paid by the Company to the construction developer of RMB42.5 million

LTH HK Companies and its subsidiaries remained dormant and did not generate any revenue for the two years ended 31 December 2010. Based on its unaudited combined financial information, LTH HK Companies and its subsidiaries in aggregate incurred net loss after taxation of approximately US\$2.1 million and US\$1.6 million respectively for each of the two years ended 31 December 2010 which were mainly due to the recognition of general and administrative expenses. We also noted that LTH HK Companies and its subsidiaries in aggregate incurred net loss after taxation of approximately US\$547,000 for the four months ended 30 April 2011. Its net assets as at 30 April 2011 were approximately US\$977,000, of which its major assets and liabilities as at 30 April 2011 were mainly comprised of property under development and shareholders' loan.

LTL HK Companies and its subsidiaries remained dormant and did not generate any revenue for the two years ended 31 December 2010. Based on its unaudited combined financial information, LTL HK Companies and its

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## LETTER FROM PARTNERS CAPITAL

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subsidiaries in aggregate incurred net loss after taxation of approximately US\$28,600 and US\$37,600 respectively for the each of the two years ended 31 December 2010 which were mainly due to recognition of license fees, loss on foreign exchange transactions and interest payable to shareholder's loan. We noted that LTL HK Companies and its subsidiaries recorded net loss after taxation of approximately US\$240 for the four months ended 30 April 2011. Its net asset as at 30 April 2011 were approximately US\$555,000, whilst its major assets and liabilities as at 30 April 2011 were mainly comprised of cost of land, cost of demolishing and shareholder's loan.

### *Sunshine 100 and Keyasia*

Pursuant to the Letter from the Board, Keyasia is an investment holding company incorporated in the BVI with limited liability and is an affiliated company of Sunshine 100. Sunshine 100 is a company established in the PRC and is principally engaged in property development in the PRC. Keyasia and Sunshine 100 and their respective ultimate beneficial owners are Independent Third Parties.

Established in 1999, Sunshine 100 is a real estate developer that focuses on the PRC's emerging urban white-collar and middle class market. According to its website, Sunshine 100 has participated in more than 20 large-scale projects in the PRC, including Sunshine100 international apartment in Beijing, Tianjin, Chongqing, Changsha, Ji'nan, Nanning, Shenyang, Chengdu, Wuxi, Yantai, Dongying, Liuzhou and Guilin. In addition to the project in Beijing, the quantity of annual development is more than 1 million square meters. Since 2004, Sunshine 100 has been recognized as "China Real Estate Enterprise Scale Top 10" (中國房地產百強企業Top10), "China's 500 Most Valuable Brands" (中國最具價值品牌), and "China blue-chip real estate enterprise" (中國藍籌地產企業).

## **2. Rationale behind the Transactions and benefits to the Group**

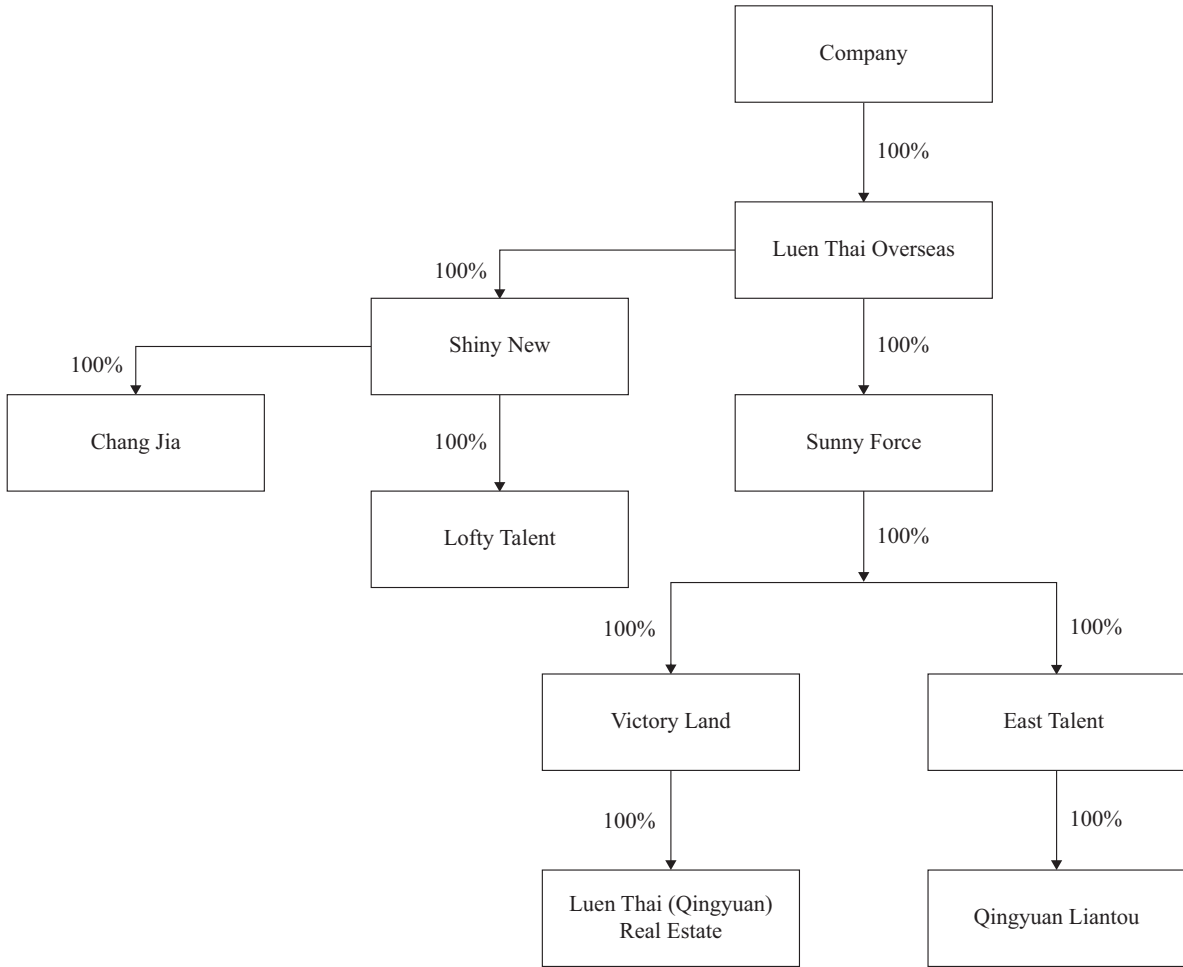
As stated in the Company's 2010 annual report, the global economy gradually showed signs of recovery in 2010 after the financial turmoil and credit crunch in 2008 through the shrinking in consumer demands in 2009. For the year ended 31 December 2010, the Group's revenue from the United States and Europe accounted for over 78% of its aggregate revenue, whilst revenue from garment/textile products accounted for approximately 97% of its revenue. The Group's cash and bank balance as at 31 December 2010 totaled to approximately US\$83.6 million.

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## LETTER FROM PARTNERS CAPITAL

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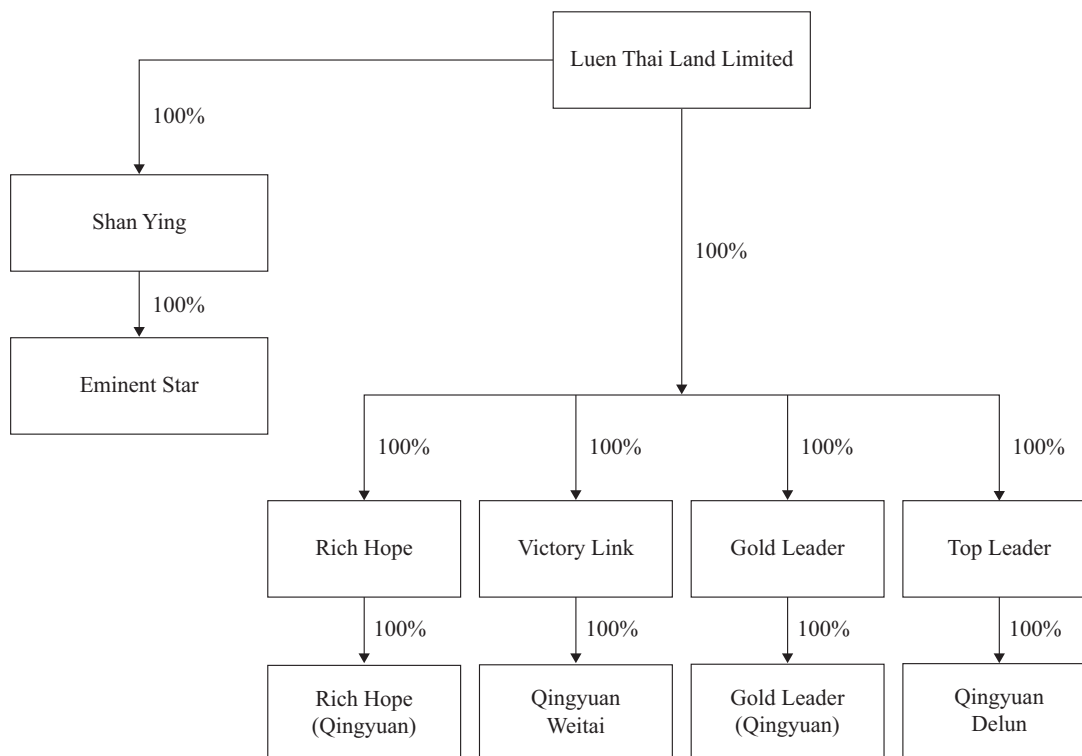
The existing structure of the Group, Chang Jia, LTH Project Companies and LTL Project Companies are illustrated below:



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**LETTER FROM PARTNERS CAPITAL**

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<sup>1</sup> Luen Thai Land Limited is ultimately controlled by Mr. Tan Siu Lin who is the Director.

<sup>2</sup> LTH Land comprises six plots of land which are currently owned indirectly by the Company. Total land area is 503,517.53 m<sup>2</sup> with independent valuation on 30 June 2011 of approximately RMB428 million.

<sup>3</sup> LTL Land comprises four plots of land parcels which are currently owned indirectly by Luen Thai Land Limited. Total land area is 428,272.90 m<sup>2</sup> with independent valuation on 30 June 2011 of approximately RMB364 million.

The transactions contemplated under the Disposal and the formation of a joint venture in substance merge the ownership of the LTH Land, which is currently indirectly wholly-owned by the Company, with the LTL Land, which is currently indirectly wholly-owned by Luen Thai Land Limited, under Chang Jia, whilst Keyasia will own as to 55% interest in Chang Jia after capital injection of RMB180 million and taking into account of the Implied Contributions from Shan Ying and Shiny New. Out of such RMB180 million, approximately RMB97.3 million will be payable by Chang Jia as partial consideration to Shiny New for the disposal of the LTH Land.

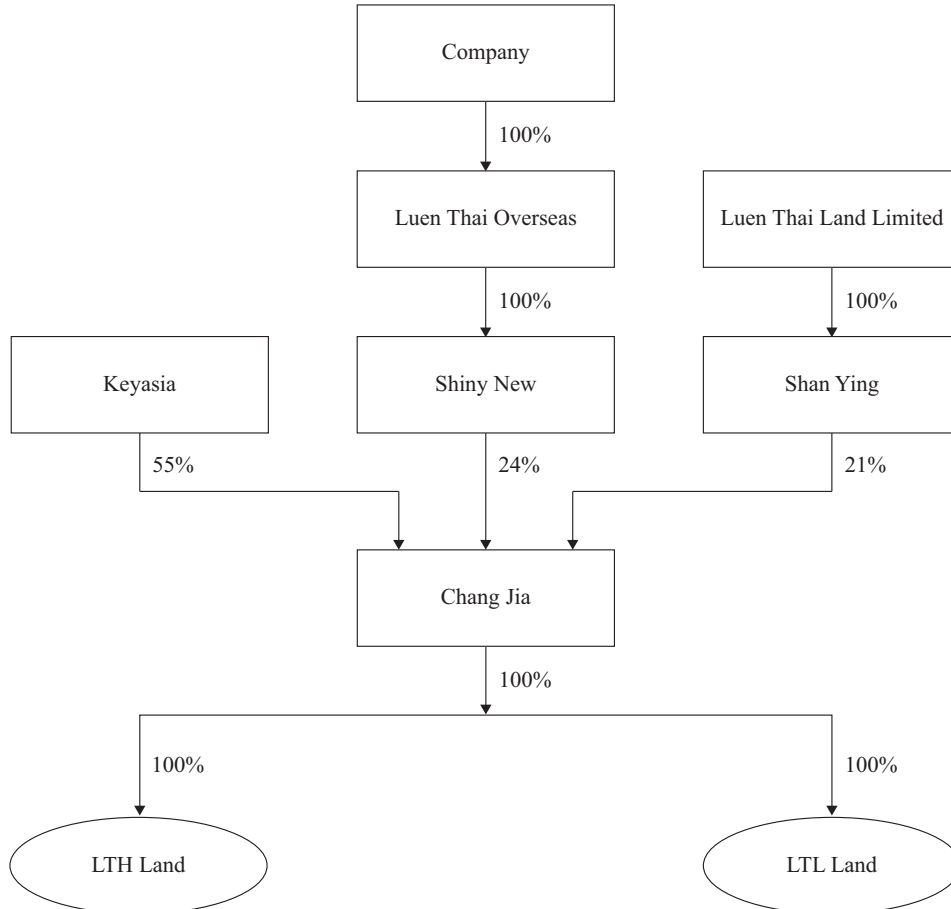
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## LETTER FROM PARTNERS CAPITAL

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Upon Completion, the Company's shareholding in Chang Jia will decrease from 100% before the Transactions to 24% illustrated below:

### Upon Completion of the Transactions



Based on the original construction development plan of the Company, should the LTH Land be solely developed by the Company, the construction costs for phase one will be approximately RMB241 million which is to be financed by the internal resources of the Group and debt financing. No debt financing has ever been utilized by the Company. We consider that, should the LTH Land be solely developed by the Company, substantial existing internal resources of the Group will inevitably be depleted.

As set out in the Letter from the Board, in order to further enhance the value and development potential of the LTH Land, the Directors consider that it is in the interest of the Group to co-operate with Luen Thai Land Limited and re-position the development strategy to co-develop the project site on the LTH Land together with the LTL Land. Before the Transactions, the Group principally engaged in the manufacture and trading of garment, textile products and laptop bags and holds the LTH Land. Upon Completion of the Transactions, the Company will indirectly hold 24% of the shareholding interest in Chang Jia which holds the LTH Land. In the past years, the

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## LETTER FROM PARTNERS CAPITAL

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Group went through acquisitions and joint ventures to strengthen its capabilities and competitiveness. In accordance with Company's 2010 annual report, the Group will continue to look for acquisition targets in garment related industries and also on other industries in order to diversify its risks. On the other hand, Sunshine 100 is a well-established property developer in the PRC with a proven track record of more than 20 large-scale projects in various cities of the PRC. Accordingly, the Company has entered into the Subscription and Share Purchase Agreement with Keyasia and Sunshine 100, with a view to establishing the Joint Venture for the joint development of the PRC Land. We concur with the Directors that, given the LTH Land and the LTL Land are adjacent to each other, the combined scale of the PRC Land will enable incorporation of different design features and enhances the ambience and the attractiveness of the property project which, in turn, will enhance the commercial value of the land as a whole. We were advised by the Directors that it is the intention among shareholders of Chang Jia that financing required for construction will be arranged by Chang Jia itself and no shareholders' loan is expected.

As at the Latest Practicable Date, no financing has been arranged by Chang Jia.

Having considered that the Transactions (i) avail the Group to enjoy mid to long term potential benefit in Qingyuan's property market resulted from the continual urbanization and economic development and possible extension of Light Rail; (ii) enable the Group to enjoy future return from property development sector in the PRC and reduce geographical concentration risk in long term; (iii) enhance the aggregate commercial value of the LTH Land and the LTL Land as a whole; and (iv) avail the Group to take advantage of the expertise of and share risks with Sunshine 100, the largest shareholder of Chang Jia upon Completion, which will manage the development of the PRC Land on a day-to-day basis, we are of the view that there is a commercial justification for the Company to enter into the Subscription and Share Purchase Agreement.

### ***3. Development plan of the PRC Land***

Pursuant to the proposed terms of the Shareholder's Agreement available to us, Keyasia will hold majority seats in the board of directors of Chang Jia by nominating four directors while, Shiny New and Shan Ying shall nominate, two directors and one director respectively. The principal business of Chang Jia is to develop the PRC Land and Keyasia will be responsible for the day-to-day management of Chang Jia.

The total land area of the PRC Land is approximately 932,000 square meters. We have reviewed the initial business development plan of Chang Jia in relation to the PRC land. Based on the estimated plot ratio of 3.0, the gross floor area is approximately 2.8 million square meters of which 94% and 6% are for the development of residential properties and commercial properties respectively. The construction project of the PRC Land is expected to be completed by stage from 2012. All completed residential and commercial properties are to be held for sales.

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## LETTER FROM PARTNERS CAPITAL

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The initial development plan of the PRC land is as follow:

- the development project of the PRC Land, including the sales of the properties, will be completed in 10 years;
- the construction and development of the PRC Land will be carried out by Sunshine 100 which, pursuant to the Brand License and Service Agreement to be entered into upon Completion, will grant a license for the use of the brand “Sunshine 100” for the development of the project on the PRC Land to Chang Jia;
- all consents, approvals and licenses from relevant government authorities for the PRC Land are expected to be granted or can be obtained or renewed without onerous conditions or undue time delay; and
- construction work of the Light Rail is expected to be commenced or the rail line of the Light Rail will pass through any area which is within 2 kilometres from any boundary of the PRC Land within the five years after the Completion Date.

Pursuant to the Independent Valuer, the estimated gross development value of the PRC Land assuming the proposed development were just completed and fit for occupation and the total estimated construction costs are expected to be RMB13.40 billion and RMB7.72 billion respectively.

#### **4. Terms of the Subscription and Share Purchase Agreement**

##### *Shareholding percentage of the Company in Chang Jia*

Pursuant to the Subscription and Share Purchase Agreement, the shareholding percentage of Keyasia, Shiny New and Shan Ying in Chang Jia is 55%, 24% and 21% respectively. As Keyasia will inject, upon Completion, a cash of RMB180 million for 55% interest in Chang Jia, Shiny New and Shan Ying are obligated to inject RMB78.5 million (being  $24\% \times (\text{RMB}180 \text{ million}/55\%)$ ) and RMB68.7 million (being  $21\% \times (\text{RMB}180 \text{ million}/55\%)$ ) (“Implied Contribution”) for their respective interests in Chang Jia. As Chang Jia will, upon Completion, acquire the LTH Land from Shiny New at the consideration of approximately RMB355 million, the aforesaid RMB78.5 million is deducted from the Independent Valuation of the LTH Land. We therefore are of the view that, pursuant to the Subscription and Share Purchase Agreement, the shareholding percentage of Keyasia, Shiny New and Shan Ying in Chang Jia is in substance determined with reference to amount of cash contribution from the joint venture partners. The Independent Valuations are adopted as a reference for determining the considerations of Chang Jia to acquire from Shiny New the LTH Land and from Shan Ying the LTL Land.

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## LETTER FROM PARTNERS CAPITAL

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Pursuant to the Subscription and Share Purchase Agreement, the Company will dispose of the LTH Land to Chang Jia at a consideration of approximately RMB354.7 million. The amount of Implied Contribution is offset against the Independent Valuation of the LTH Land of RMB428 million and therefore the Group should be entitled RMB349.5 million. The consideration of the LTH Land of approximately RMB354.7 million therefore represents a slight premium of RMB5.2 million over the said amount of RMB349.5 million that should be entitled to the Group.

Pursuant to the Subscription and Share Purchase Agreement, Luen Thai Land Limited will dispose of the LTL Land to Chang Jia at a consideration of approximately RMB302 million. The amount of Implied Contribution of RMB68.7 million is offset against the Independent Valuation of the LTL Land of RMB364 million and therefore Luen Thai Land Limited should be entitled RMB297.3 million. The consideration of the LTL Land of approximately RMB302 million therefore represents a slight premium of approximately RMB6.3 million over the said amount of RMB297.3 million that should be entitled to Luen Thai Land Limited.

Upon Completion, Chang Jia will record (i) the ownership of the LTH Land and the LTL Land; and (ii) liabilities owing to Shiny New and Shan Ying at the sums of RMB354.7 million and RMB302 million respectively arising from the acquisition of the LTH Land and the LTL Land. Chang Jia will not have any material cash and bank balance as the cash contribution of RMB180 million from Keyasia will be payable to Shiny New and Shan Ying as partial consideration of the LTH Land and the LTL Land.

Having regard to the fact that (i) the consideration of the LTL Land and the LTH Land represents a slight premium of RMB5.2 million and RMB6.3 million over their respective Independent Valuation, and (ii) the shareholding percentage of Keyasia, Shiny New and Shan Ying in Chang Jia of 55%, 24% and 21% respectively is determined based on the actual cash injection of RMB180 million from Keyasia and the amounts of RMB78.5 million and RMB68.7 million are deducted from the respective consideration of the LTH Land (disposed of by Shiny New) and the LTL Land (disposed of by Shan Ying), we are of the view that such 55%, 24% and 21% shareholding structure of Chang Jia is fair and reasonable to the Independent Shareholders.

### *Sunshine Share Charge*

Pursuant to the Subscription and Share Purchase Agreement, a share charge will be executed by Keyasia, pursuant to which Keyasia shall charge all its 55% equity interest Chang Jia immediately after Completion in favour of Shiny New as agent for and on behalf of Shiny New and Shan Ying as security for up to 55% of all the obligations and indebtedness owed by Chang Jia to Shiny New and Shan Ying. We consider it serves as an additional protection to the Company, provided



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## LETTER FROM PARTNERS CAPITAL

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the consideration of the LTH Land is not settled by Chang Jia according to the Subscription and Share Purchase Agreement, the Company could exercise the Sunshine Share Charge and obtain 55% interest in Chang Jia.

### *Valuation of the LTH Land*

We note that the Independent Valuer adopted a direct comparison approach by making reference to comparable sales evidence as available in the relevant market as the valuation basis. As discussed with the Independent Valuer, we were advised that the comparable sales evidences included four plots of land sale transactions in Qingcheng District, Qingyuan (the “Comparable Transactions”) were made between February 2010 to January 2011 and were reasonably close to the date of valuation. Further, direct comparison is the most commonly used method of valuation which provides the accurate and reliable conclusion where good market evidences are available.

The valuation of the LTH Land was arrived by taking into account the unit selling price per square meter of the Comparable Transactions with adjustments for the differences between the subject lands and the Comparable Transactions for factors including the time, location (both transportation and environmental conditions), permitted usage/development plan, site layout and topography, development scale and building density.

The comparable sales evidences included four plots of land sale transactions in Qingcheng District, Qingyuan were advised to be the lands available in the said area during the time close to the independent valuation and the adjustments made by the Independent Valuer in comparison to the LTH Land, which we consider are fair and reasonable. We consider the adjustments made by the Independent Valuer including time, location, permitted usage/development plan, site layout and topography, development scale and building density are common adjustments to valuations for similar transactions.

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**LETTER FROM PARTNERS CAPITAL**

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*Settlement of consideration of the LTH Land*

The consideration of the LTH Land to be disposed of to Chang Jia is approximately RMB354.7 million. Pursuant to the Subscription and Share Purchase Agreement, the consideration will be settled in cash by installments in five years after Completion. Based on the business plan of Chang Jia and the PRC Land available to us, the settlement of the consideration to the Company is in line with the progress of pre-sale of completed properties of the PRC Land. Based on the business plan of Chang Jia and the PRC Land, the comparison of (i) the independent valuation of the LTH Land; and (ii) consideration given by Chang Jia to the Company together with the Company's investment in Chang Jia is summarized below:

<b>Expressed in RMB'million</b>	<b>With Light Rail</b>	<b>Without Light Rail</b>
Cash receivable by the Company from Chang Jia:		
— Upon Completion	97.3	97.3
— 1st Year after Completion	—	—
— 2nd Year after Completion	40.2	40.2
— 3rd Year after Completion	60.2	60.2
— 4th Year after Completion	100.4	100.4
— 5th Year after Completion	<u>56.6</u>	<u>—</u>
Total cash receivable by the Company from Chang Jia	354.7	298.1
Implied Contribution <sup>1</sup>	<u>78.5</u>	<u>78.5</u>
Total including cost of investment	433.2	376.6
Independent valuation of the LTH Land	<u>(428.0)</u>	<u>(373.0)</u>
Premium	<u><u>5.2</u></u>	<u><u>3.6</u></u>

<sup>1</sup> Given Keyasia will inject upon Completion RMB180 million into Chang Jia for 55% interest, Shiny New, which will own 24% interest, should have an obligation to inject upon Completion approximately RMB78.5 million (being 24% X (RMB180 million/ 55%)) into Chang Jia.

As shown above, the total amount of expected cash receivable without interest income but including the Implied Contribution exceeded the independent valuation of the LTH Land.

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**LETTER FROM PARTNERS CAPITAL**

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In order to assess the fair and reasonableness of the interest rate of 12%, we have identified and reviewed the 60 months RMB lump-sum deposit rate of 5.50% per annum from the Bank of China and, on a best effort basis, the transactions involving issue of corporate bonds by PRC property development companies listed on the Stock Exchange (the “Comparables”) from 1 January 2011 to 13 June 2011, being the date of the Subscription and Share Purchase Agreement, as summarized below:

<b>Date of announcement</b>	<b>Company/(stockcode)</b>	<b>Principal amount</b> <i>(‘million)</i>	<b>Interest rate per annum</b> <i>(%)</i>	<b>Maturity</b> <i>(years)</i>
9 January 2011	China SCE Property (1966)	RMB2,000 (approximately US\$309)	10.5	5
17 February 2011	Country Garden (2007)	US\$900	11.125	7
2 March 2011	Shimao Property (0813)	US\$350	11	6
24 March 2011	KWG Property (1813)	US\$350	12.75	5
1 April 2011	Longfor Propoerties (0960)	US\$750	9.5	5
4 April 2011	SPG Land (0337)	US\$200	13.5	5
5 May 2011	Fantasia (1777)	US\$120	14	4
20 May 2011	China resources Land (1109)	US\$750	4.625	5
23 May 2011	Kaisa Group (1638)	US\$300	13.5	4
	The Company	RMB428 (approximately US\$66)	12	4
	Mean	US\$423.25	11.181	5.11
	Median	US\$330	11.250	5
	Minimum	US\$120	4.625	4
	Maximum	US\$900	14.0	7

As the terms of the corporate bonds are determined under recent market conditions and sentiments as the Transactions and having regard to the deposit rate, we believe that the Comparables reflect the recent trend of terms of the similar transactions in the market and consider the Comparables are fair and representative samples. As illustrated in the Comparables above, the annual interest rate of corporate bonds issued by PRC property development companies listed on the Stock Exchange ranged from 4.625% to 14% with the median of 11.250%.

We noted that given the LTH Sale Consideration and the related interest receivables would be received by the Group over a span of four years or more, pursuant to the Subscription and Share Purchase Agreement, interest shall be calculated at the normal interest rate of 12% per annum and shall accrue on the outstanding balance of the LTH Second Payment Amount from the date upon the first occurrence on anyone of the events mentioned on page 14 of the Letter from

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## LETTER FROM PARTNERS CAPITAL

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the Board. The interest rate as entitled by Chang Jia of 12% falls within the range of the Comparables and lies well above the median of that of the Comparables. Nevertheless, we have not conducted any in-depth investigation into the businesses and operations of the Comparables. The credit risk and repayment risk of the consideration of the LTH Land is not significant given the Sunshine Share Charge avails the Group according to the Subscription and Share Purchase Agreement, the Company could exercise the Sunshine Share Charge and obtain 55% interest in Chang Jia, and the interest receivable of 12% could compensate the time value of money of the LTH Sale Consideration over a span of four years or more, we therefore consider the interest of 12% per annum on the outstanding amount of the LTH Land is fair and reasonable so far as the Independent Shareholders are concerned.

### *Future financing from shareholders of Chang Jia*

Upon Completion, Chang Jia will own the PRC Land without any resources for development and construction. Pursuant to the proposed terms of the Shareholders' Agreement available to us, the initial working capital of Chang Jia will be funded by external financing and any further working capital is required at future stages, Chang Jia and its subsidiaries shall apply for loan and credit facilities from banks and financial institutions. Based on the initial business plan of Chang Jia and the PRC land, no equity and debt financing is expected from its shareholders. We consider that this arrangement, as compared to the scenario that LTH Land is solely developed by the Company, will lower the potential interest burden and leverage of the Company.

Based on the above, we consider that the consideration of the LTH Land and its settlement are fair and reasonable so far as the Independent Shareholders are concerned.

### **5. *Financial effects of the Subscription and Share Purchase Agreement on the Group***

LTH Project Companies, which indirectly owns the LTH Land, is currently an indirect wholly-owned subsidiary of the Company. Upon Completion, Chang Jia will become a jointly controlled entity of the Company and the Company will indirectly own the LTH land, via Chang Jia, as to 24% equity interest. The financial results of LTH HK Companies and its subsidiaries will cease to be consolidated into the accounts of the Group.

The Company currently does not own any interest in Shan Ying. After Reorganisation, Shan Ying will indirectly own the LTH Land. Upon Completion, the Company indirectly owns the LTH Land, via Chang Jia, as to 24% equity interest.

Upon Completion, the financial performance and the financial position of Chang Jia will be accounted for in the Group's financial statement under equity method.

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## LETTER FROM PARTNERS CAPITAL

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### *Earnings*

As set out in the Letter from the Board, the consolidated unaudited net loss of the LTH HK Companies and their subsidiaries for the year ended 31 December 2010 was approximately US\$1,590,000, which was mainly attributable to the recognition of administration. Assuming the Transactions were completed in the year ended 31 December 2010, it is expected that the Group would record a gain of approximately US\$16.9 million as a result of the Disposal, being the difference between the LTH Sale Consideration and the net asset value of Victory Land, Luen Thai (Qingyuan) Real Estate, East Talent and Qingyuan Liantou as at 31 December 2011, after taking into account the accounting adjustment to be made for the Disposal.

### *Cashflow*

Based on its 2010 annual report, the cash and bank balance (excluding pledged bank deposits) of the Group as at 31 December 2010 amounted to approximately US\$81.9 million (approximately HK\$637.1 million, based on the exchange rate of US\$ against HK\$ of US\$1: HK\$7.78). Given (i) a deposit of RMB97.3 million will be satisfied by way of cash upon Completion; and (ii) the remaining consideration of the LTH Land of RMB354.7 million, with an interest element calculated on 12% per annum, will be satisfied by way of cash by instalments, it is expected that there will be a gradual positive impact on the cashflow of the Group arising from the Transactions.

### *Net Asset Value*

Based on its 2010 annual report, the consolidated net assets attributable to equity holders of the Company were approximately US\$287.6 million (approximately HK\$2.24 billion). As the consideration of the LTH Land was determined with reference to its independent fair value of RMB428 million of which the value has been appreciated, it would have a positive impact on the net asset position of the Group.

Based on the above and assuming the Subscription and Share Purchase Agreement was completed in the year ended 31 December 2010, it would have a positive effect to the Group's earnings, cashflow and net asset value.

## **6. Recommendation**

Based on the above principal factors, in particular:

- the Group could utilize the expertise of and share risks with Sunshine 100, the largest shareholder of Chang Jia upon Completion, who will manage the development of the PRC Land on a day-to-day basis;

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## LETTER FROM PARTNERS CAPITAL

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- the Group could decrease its interest in the LTH Land from 100% to 24% via Chang Jia and concentrate on its core business of manufacturing and trading of apparels and accessories;
- the Group could enjoy future return from property development sector in the PRC and reduce geographical concentration risk in long term;
- according to the Subscription and Share Purchase Agreement, the Company could exercise the Sunshine Share Charge and obtain 55% interest in Chang Jia;
- the respective shareholding percentage of Shiny New's 24% in Chang Jia and Shan Ying's 21% in Chang Jia is determined based on actual cash contribution of RMB180 million from Keyasia and the Implied Contribution of RMB78.5 million from Shiny New which is to be deducted from the Independent Valuation of the LTH Land;
- the considerations of the LTH Land and the LTL Land represent a slight premium to their respective Independent Valuations; and
- the gross development value of the PRC Land exceeds its estimated construction cost pursuant to the Independent Valuer,

we consider that the entering into of the Subscription and Share Purchase Agreement is in the ordinary course and usual course of business of the Company. The terms of the Subscription and Share Purchase Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and the transaction contemplated under the Subscription and Share Purchase Agreement 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 Subscription and Share Purchase Agreement at the EGM.

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

## 1. STATEMENT OF INDEBTEDNESS

**Borrowings**

As at the close of business on 31 July 2011, being the latest practicable date for the purpose of this indebtedness statement, the Group had outstanding bank and other borrowings analysed as below:

*Secured bank borrowings*

	<b>Trust receipt bank loans</b>	<b>Bank borrowings</b>	<b>Total</b>
	<i>US\$'million</i>	<i>US\$'million</i>	<i>US\$'million</i>
Current			
Repayable within 1 year	0.3	0.1	0.4
Portion of bank borrowings from banks due for repayment after 1 year, which contain a repayment on demand clause	—	1.5	1.5
	<u>0.3</u>	<u>1.6</u>	<u>1.9</u>
Non-current			
Repayable between 1 and 2 years	—	0.3	0.3
Repayable between 2 and 5 years	—	2.7	2.7
Repayable after 5 years	—	0.1	0.1
	<u>—</u>	<u>3.1</u>	<u>3.1</u>
	<u>0.3</u>	<u>4.7</u>	<u>5.0</u>

*Non-secured bank borrowings*

	<b>Bank overdrafts</b> <i>US\$'million</i>	<b>Trust receipt bank loans</b> <i>US\$'million</i>	<b>Bank borrowings</b> <i>US\$'million</i>	<b>Total</b> <i>US\$'million</i>
Current				
Repayable within 1 year	6.4	38.5	23.0	67.9
Portion of bank borrowings from banks due for repayment after 1 year, which contain a repayment on demand clause	<u>—</u>	<u>—</u>	<u>23.1</u>	<u>23.1</u>
	<u><u>6.4</u></u>	<u><u>38.5</u></u>	<u><u>46.1</u></u>	<u><u>91.0</u></u>

**Other borrowings**

As at 31 July 2011, the remaining financial liabilities arising from the acquisitions of a subsidiary (the “Consideration Payable”) amounted to approximately US\$1.0 million as at 31 July 2011.

The Consideration Payable comprises the amounts payable upon the exercise of the put option granted to the vendor of a non-wholly owned subsidiary for the remaining interests held by this non-controlling shareholder.

**Collateral**

As at the close of business on 31 July 2011, being the latest practicable date for the purpose of this indebtedness statement, the outstanding secured bank borrowings of the Group were supported by:

- (a) corporate guarantees from the Company and certain subsidiaries of the Company amounting to approximately US\$321.4 million;
- (b) bank deposits of subsidiaries of the Company amounting to approximately US\$1.6 million;
- (c) inventories amounting to approximately US\$1.0 million were held under trust receipts bank loan arrangement; and
- (d) certain properties with carrying value of approximately US\$5.8 million of the Group.



**Contingent liabilities, litigation and guarantee**

- a) At the close of business on 31 July 2011, 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 result of the operations or the financial position of the Group. Accordingly, no provision for such liabilities has been made in the Group's consolidated financial statements.
- b) The Group provided corporate guarantees to the extent of HK\$90,000,000, equivalent to US\$11,613,000 to Yuen Thai Industrial Co. Ltd. ("Yuen Thai"), a jointly controlled entity of the Group for the banking facilities available to Yuen Thai.

Save as aforesaid and apart from intra-group liabilities and normal trade payables, the Group did not have any loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities issued and outstanding, and authorized or otherwise created but unissued and term loans or other borrowings, indebtedness in the nature of borrowings, liabilities under acceptance (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance lease or hire purchase commitments, which are either guaranteed, unguaranteed, secured or unsecured, guarantees or other material contingent liabilities outstanding at the close of business on 31 July 2011.

**2. WORKING CAPITAL STATEMENT**

Taking into account the expected completion of the Transactions and the financial resources available to the Group, including the internally generated funds and the available banking facilities, the directors of the Company are of the opinion that the Group has sufficient working capital for its present requirements, that is for at least the next 12 months from the date of this circular.

*The following is the text of a letter and valuation certificate prepared for the purpose of incorporation in this circular received from CB Richard Ellis Limited, an independent property valuer, in connection with their opinion of value of the LTH Land (as defined below) as at 30 June 2011.*



26 August 2011

The Directors  
**Luen Thai Holdings Limited**  
5th Floor, Nanyang Plaza  
57 Hung To Road  
Kwun Tong, Kowloon  
Hong Kong

Dear Sirs,

**Re: Lot Nos. G1100527, G1100569, G1100570, G1100571, G1100572 and G1100577  
(collectively known as “LTH Land”),  
Luen Thai Industrial City, Longtang Town,  
Qingcheng District, Qingyuan City,  
Guangdong Province, the PRC**

We refer to the instruction from Luen Thai Holdings Limited (hereinafter refer to the “**Company**”) for us to carry out a valuation of the captioned property interests in Qingyuan City held by the Company and/or its subsidiaries (collective refer to the “**Group**”) for the purpose of inclusive our valuation in a public circular document. We confirm that we have made relevant investigations and enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the capital value of the property interests as at 30 June 2011 (the “**date of valuation**”).

Our valuation is prepared in accordance with the “HKIS Valuation Standards on Properties (1st Edition 2005)” published by the Hong Kong Institute of Surveyors (“**HKIS**”). We have complied with all the requirements contained in Paragraphs 34 (2) and (3), Third Schedule of the Companies Ordinance (Cap. 32), Chapter 5, Practice Note 12 and Practice Note 16 of the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

Our valuation is made on the basis of Market Value which is defined by the HKIS to mean “the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.”

In forming our opinion of the value of the property interests, we have valued the property interests in existing state. We have adopted the direct comparison approach by making reference to comparable sales evidence as available in the relevant market. In the course of our valuation, we have identified four land sale transactions all within Qingcheng District, Qingyuan. The sales were made between February 2010 to January 2011, which were reasonably close to the date of valuation. The valuation of the property was arrived by taking into account the differences between the subject property and the comparable transactions for the factors including the time, location (both transportation and environmental conditions), permitted usage/development plan, site layout and topography, development scale and building density. Downward adjustments were made to the value of the property on the factors where the subject property is inferior to the comparables, and vice versa, upward adjustments were made where the subject property is superior to the comparables.

Our valuation has been made on the assumption that the owner sells the property on the open market without the benefit or burden of any deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which would serve to affect the value of the property.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property nor for any expenses or taxation which may be incurred in effecting sale. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoings of an onerous nature which could affect the value.

We have relied to a considerable extent on the information given by the Company and have accepted the advice given to us on such matters as tenure, planning approvals, statutory notices, easements, site areas, developable plot ratio, areas of existing buildings occupancy and all other relevant matters. No on-site measurement has been taken. Dimensions, measurements and areas included in the valuation certificate are based on information contained in the documents provided to us and are therefore only approximations. We have had no reason to doubt the truth and accuracy of the information provided to us by you, which are material to the valuation. We were also advised that no material factors have been omitted from the information supplied.

In forming our value to the property in the PRC, we have relied on the legal opinion provided by the Company's PRC legal advisors, Guang Dong Rui Jia Law Office and Beijing Dacheng Law Office. We have been provided with copies of the title documents relating to the property, however due to the nature of the land registration system in the PRC, we cannot cause searches to be made on the title of the property nor have we scrutinised all the original documents to verify ownership and encumbrances or to ascertain the subsequent amendments, if any, which may not appear on the copies handed to us.

We have carried out external inspection of the property. During our inspection, we have not carried out investigations on the sites to determine the suitability of the ground conditions and the services for any future developments. We have not undertaken archaeological, ecological or environmental surveys. This report also does not make any allowance for contamination or pollution of the land, if any, which may have occurred as a

result of past usage. Our valuation is on the basis that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during the construction period, due to these, or to archaeological or ecological matters.

The property interests have been valued in Renminbi (“**RMB**”).

We enclose herewith our valuation certificate.

Yours faithfully,  
For and on behalf of  
**CB Richard Ellis Limited**

**Alex PW Leung** *MHKIS MRICS RPS (GP)*

*Director*

**Valuation & Advisory Services**

*Note:* Mr. Leung is a Registered Professional Surveyor (General Practice), a member of the Hong Kong Institute of Surveyors, a member of Royal Institution of Chartered Surveyors. He has over 15 years experience in valuation in the PRC and Hong Kong.

## PROPERTY HELD FOR FUTURE DEVELOPMENT

## VALUATION CERTIFICATE

Property	Description and tenure	Details of occupancy	Capital value in existing state as at 30 June 2011
Lot Nos. G1100527, G1100569, G1100570, G1100571, G1100572 and G1100577 (collectively known as "LTH Land"), Luen Thai Industrial City, Longtang Town, Qingcheng District, Qingyuan City, Guangdong Province, the PRC.	The property comprises six adjoining plots with a total site area of about 503,517.53 sq.m..	Parts of the lands, approximately 11,487 sq.m., were occupied by the Group for staff quarters whilst other parts were generally vacant.	RMB428,000,000 (RENMINBI FOUR HUNDRED TWENTY EIGHT MILLION)
	Approx. site area (sq.m.)		
	Five plots for residential uses	423,814.17	The staff quarters were built in 2006.
	One plot for commercial and residential uses	79,703.36	
	The property is proposed to be developed into a residential estate with ancillary commercial facilities at a plot ratio of 3.0.		
	The property is held under State-owned Land Use Certificates for terms expiring 7 September 2078 (residential uses) and 20 January 2053 (commercial and residential uses).		

*Notes:*

- i. The Company, Luen Thai Land Limited and Zhong Yi (Qingyuan) Electronics Plastic Metal Company Limited ("Zhong Yi", which owned a piece of land of approximately 23,138.96 sq.m.) jointly applied to the government authority for a change of the permitted uses for their pieces of land in Qingyuan, other than Lot No. G1100527 which is owned by Luen Thai (Qingyuan) Real Estate Limited and the permitted use of which are for commercial and residential purposes. Pursuant to the following State-Owned Land Use Rights Grant Contract, the land use rights of the property were granted.

Contract No:	441801-2008-000234
Date:	7 March 2008
Site Area:	875,214.803 sq.m. which comprised the pieces of land owned by Luen Thai Land Limited ("LTL Land"), the pieces of land owned by the Company and Zhong Yi
Uses:	Residential and Commercial
Grantor:	Land Bureau of Qingyuan City
Grantees:	a) East Talent Properties Limited, Luen Thai (Qingyuan) Real Estate Limited and GJM (Qing Yuan) Light Industrial Development Limited, which are indirect subsidiaries of the Company;

- b) Victory Link Properties Limited, Rich Hope Properties Limited, Gold Leader Properties Limited, Top Leader Properties Limited, which are direct subsidiaries of Luen Thai Land Limited;
- c) Yuen Thai (Qingyuan) Light Industrial Development Limited, and Chong Ka (Qing Yuan) Enterprises Limited, which are indirect subsidiaries of Luen Thai Land Limited; and
- d) Zhong Yi, an independent third party.

Remarks: Project companies to be set up: Luen Thai (Qingyuan) Real Estate Limited and Qingyuan Liantou Properties Limited (“Qingyuan Liantou”), which are indirect subsidiaries of the Company; Qingyuan Weitai Properties Limited, Rich Hope (Qingyuan) Properties Limited, Gold Leader (Qingyuan) Properties Limited and Qingyuan Delun Properties Limited, which are indirect subsidiaries of Luen Thai Land Limited (collectively the “Six Project Companies”).

- ii. Pursuant to the following State-Owned Land Use Rights Certificates, the land use rights of the property has been granted to the Group.

- a) Certificates Nos: Qing Shi Fu Guo Yong (2009) 00342, 00343, 00344, and 00345 ; and (2010) 00165  
 Dates: 22 July 2009 and 16 April 2010  
 Lot No. and Address: Lot Nos. G1100569, G1100570, G1100571, G1100572 and G1100577 Beikeng Luen Thai Industrial City, Longtang Town, Qingcheng District, Qingyuan City  
 Site Area: 423,814.17 sq.m.  
 Uses: Residential  
 Land Grantee: Qingyuan Liantou  
 Land Use Term Expiry: 7 September 2078
- b) Certificate No: Qing Shi Fu Guo Yong (2004) 00101  
 Date: 9 March 2004  
 Lot No. and Address: Lot No. G1100527, Beikeng Luen Thai Industrial City Longtang Town, Qingcheng District, Qingyuan City  
 Site Area: 79,703.36 sq.m.  
 Uses: Commercial and Residential  
 Land Grantee: Luen Thai (Qingyuan) Real Estate Limited  
 Land Use Term Expiry: 20 January 2053

- iii. We have been provided with the PRC legal opinion on the property as well as the significant terms of a proposed joint venture agreement prepared by the Company’s legal advisors, which contains, inter alia, the following information.

- a) Under the PRC City Real Estate Management Law, companies engaged in property development business are required to fulfill certain legal and administrative requirements including amount of registered capital, number of technical staff, etc..
- b) Qingyuan Liantou is a project company set up for the purpose of property development. The permitted business scopes of Qingyuan Liantou consist of real estate investment, development, sale and lease, management and related services.
- c) Qingyuan Liantou, as one of the project companies under the Land Use Rights Contract in Note i., was one of the 15 parties in the State-Owned Land Use Rights Grant Contract. Qingyuan Liantou is therefore entitled to be one the grantees of the land use rights.

- d) The permitted business scopes of Luen Thai (Qingyuan) Real Estate Limited consist of real estate development, sale and management.
- e) The scopes of business of East Talent Properties Limited and GJM (Qing Yuan) Light Industrial Development Limited do not cover real estate development. They are not permitted to operate real estate development related business, and therefore authorized project companies to apply for the State-Owned Land Use Rights Certificates. The legal title to the LTH Land had been duly vested in Luen Thai (Qingyuan) Real Estate Limited and Qingyuan Liantou.
- f) Qingyuan Liantou is the sole legal owner of the lands under the Land Use Rights Certificates Nos. Qing Shi Fu Guo Yong (2010) 00165, and (2009) 00342, 00343, 00344 and 00345.
- g) Luen Thai (Qingyuan) Real Estate Limited is the sole legal owner of the land under the Land Use Rights Certificate No. Qing Shi Fu Guo Yong (2004) 00101.
- h) Both owners possess the rights to transfer and develop their lands.
- i) Luen Thai (Qingyuan) Real Estate Limited has obtained a Construction Land Use Planning Permit No. 20040028.
- j) A joint venture company, namely, Chang Jia International Limited, will be formed for holding the lands owned by the Six Project Companies with Keyasia Investments Limited, Shiny New Limited and Shan Ying Limited being the shareholders with equity sharing of 55%, 24% and 21% respectively.
- k) Shiny New Limited is a wholly owned subsidiary of the Company whereas Shan Ying Limited is a wholly owned subsidiary of Luen Thai Land Limited, a connected party of the Company.
- l) Subject to the operating fund requirements of the joint venture company, after the resettlement of outstanding debt as proposed in the relevant shareholder agreement and outstanding payment owing to Shiny New Limited and/or Shan Ying Limited, profit will be shared among the three parties based on the ratio of their equity interests.
- iv. In our valuation, we have made the following assumptions with regard to the title particulars and land use conditions:
- a) The land area of 875,214.803 sq.m. stated under the State-Owned Land Use Rights Grant Contract in Note i) comprised the piece of land of approximately 23,138.96 sq.m. owned by Zhong Yi as well as various pieces of land owned by the Six Project Companies, other than Lot No. G1100527 of approximately 79,703.36 sq.m.. This site area, however, was subject to on-site measurement. The land areas of the property as recorded in various State-Owned Land Use Rights Certificates are accurate and have been adopted in the valuation, though its sum is marginally smaller than the one stated in the State-Owned Land Use Rights Grant Contract. The site area reconciliation is shown as follows:
- |   |                             |
|---|-----------------------------|
| Site area as per the Land Use Rights Grant Contract   | 875,214.80 sq.m.            |
| Add: Lot No. G1100527, a Commercial and Residential Land,<br>formerly granted to Luen Thai (Qingyuan) Real Estate Limited | 79,703.36 sq.m.             |
| Less: Land owned by Zhong Yi  | <u>(23,138.96) sq.m.</u>    |
|   | <u>931,779.20 sq.m.</u>     |
| <br>Total site area of LTH Land and LTL Land under the Land Use Rights Certificate  | <br><u>931,790.43 sq.m.</u> |

- b) All compensation costs, land grant premium, infrastructure costs, and expenses otherwise payable in respect of the grant of the subject property have been fully settled.
- c) All the relevant authority approvals will be secured during the design and construction of this project and all the necessary completion certificates and approvals are secured either prior to the completion of the development or immediately thereafter.
- d) The property is freely transferable to both local and foreign purchasers.
- e) Upon completion, the proposed development is freely transferable/lettable either on strata title basis or as a whole to local and foreign purchasers/tenants.
- f) Guangzhou-Qingyuan Light Rail is proposed to construct by the government authorities linking this part of Qingyuan with Guangzhou Railway Station. As instructed, our valuation is based on the assumption that the Light Rail system will be proceeded in a foresable future.
- v. Regarding the assumption as stated in Note iv.f), if the Light Rail system were aborted or the rail line of the Light Rail would not pass through any area which is within 2 kilometres from any boundary of the property, the value of the property would be RMB373,000,000.
- vi. Taking the PRC legal opinion in account, together with copies of the title documents, we opine the property interests are vested in the indirect subsidiaries of the Company. There is no material factor in the PRC legal opinion affecting the title of the property. A summary of major certificates/approvals obtained or to be obtained by each of Luen Thai (Qingyuan) Real Estate Limited and Qingyuan Liantou which are necessary to operate in the LTH Land according to the PRC legal opinion is shown as follows:
- |   |   |
|---|---|
| a) Business Licences                      | Yes   |
| b) State-owned Land Use Certificates      | Yes   |
| c) Construction Land Use Planning Permit  | Obtained by Luen Thai (Qingyuan) Real Estate Limited only |
| d) Construction Works Planning Permit     | Not yet obtained  |
| e) Construction Works Commencement Permit | Not yet obtained  |



*The following is the text of a letter and valuation certificate prepared for the purpose of incorporation in this circular received from CB Richard Ellis Limited, an independent property valuer, in connection with their opinion of value of the LTL Land (as defined below) as at 30 June 2011.*



26 August 2011

The Directors  
**Luen Thai Holdings Limited**  
5th Floor, Nanyang Plaza  
57 Hung To Road  
Kwun Tong, Kowloon  
Hong Kong

Dear Sirs,

**Re: Lot Nos. G1100573, G1100574, G1100575 and G1100576**  
**(collectively known as “LTL Land”),**  
**Luen Thai Industrial City, Longtang Town,**  
**Qingcheng District, Qingyuan City,**  
**Guangdong Province, the PRC**

We refer to the instruction from Luen Thai Holdings Limited (hereinafter refer to the “**Company**”) for us to carry out a valuation of the captioned property interests in Qingyuan City for the purpose of inclusive our valuation in a public circular document. We confirm that we have made relevant investigations and enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the capital value of the property interests as at 30 June 2011 (the “**date of valuation**”).

Our valuation is prepared in accordance with the “HKIS Valuation Standards on Properties (1st Edition 2005)” published by the Hong Kong Institute of Surveyors (“**HKIS**”). We have complied with all the requirements contained in Paragraphs 34 (2) and (3), Third Schedule of the Companies Ordinance (Cap. 32), Chapter 5, Practice Note 12 and Practice Note 16 of the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

Our valuation is made on the basis of Market Value which is defined by the HKIS to mean “the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.”

In forming our opinion of the value of the property interests, we have valued the property interests in existing state. We have adopted the direct comparison approach by making reference to comparable sales evidence as available in the relevant market. In the

course of our valuation, we have identified four land sale transactions all within Qingcheng District, Qingyuan. The sales were made between February 2010 to January 2011, which were reasonably close to the date of valuation. The valuation of the property was arrived by taking into account the differences between the subject property and the comparable transactions for the factors including the time, location (both transportation and environmental conditions), permitted usage/development plan, site layout and topography, development scale and building density. Downward adjustments were made to the value of the property on the factors where the subject property is inferior to the comparables, and vice versa, upward adjustments were made where the subject property is superior to the comparables.

Our valuation has been made on the assumption that the owner sells the property on the open market without the benefit or burden of any deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which would serve to affect the value of the property.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property nor for any expenses or taxation which may be incurred in effecting sale. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoings of an onerous nature which could affect the value.

In forming our value to the property in the PRC, we have relied on the legal opinion provided by the Company's PRC legal advisors, Guang Dong Rui Jia Law Office and Beijing Dacheng Law Office. We have been provided with copies of the title documents relating to the property, however due to the nature of the land registration system in the PRC, we cannot cause searches to be made on the title of the property nor have we scrutinised all the original documents to verify ownership and encumbrances or to ascertain the subsequent amendments, if any, which may not appear on the copies handed to us.

We have relied to a considerable extent on the information given by the Company and have accepted the advice given to us on planning approvals and developable plot ratio which cover both LTL Land (owned by Luen Thai Land Limited, a connected party of the Company) and LTH Land which owned by the Company. For matters such as the existence of statutory notices (if any), easements, areas of the existing buildings, occupancy and others, we have relied on the information provided by Luen Thai Land Limited.

No on-site measurement has been taken. Dimensions, measurements and areas included in the valuation certificate are based on information contained in the documents provided to us and are therefore only approximations. We have had no reason to doubt the truth and accuracy of the information provided to us by you, which are material to the valuation. We were also advised that no material factors have been omitted from the information supplied.

We have carried out external inspection of the property. During our inspection, we have not carried out investigations on the sites to determine the suitability of the ground conditions and the services for any future developments. We have not undertaken archaeological, ecological or environmental surveys. This report also does not make any allowance for contamination or pollution of the land, if any, which may have occurred as a

result of past usage. Our valuation is on the basis that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during the construction period, due to these, or to archaeological or ecological matters.

The property interests have been valued in Renminbi (“**RMB**”).

We enclose herewith our valuation certificate.

Yours faithfully,  
For and on behalf of  
**CB Richard Ellis Limited**

**Alex PW Leung** *MHKIS MRICS RPS (GP)*  
*Director*  
**Valuation & Advisory Services**

*Note:* Mr. Leung is a Registered Professional Surveyor (General Practice), a member of the Hong Kong Institute of Surveyors, a member of Royal Institution of Chartered Surveyors. He has over 15 years experience in valuation in the PRC and Hong Kong.

## PROPERTY HELD FOR FUTURE DEVELOPMENT

## VALUATION CERTIFICATE

Property	Description and tenure	Details of occupancy	Capital value in existing state as at 30 June 2011
Lot Nos. G1100573, G1100574, G1100575, and G1100576 (collectively known as "LTL Land"), Luen Thai Industrial City, Longtang Town, Qingcheng District, Qingyuan City, Guangdong Province, the PRC.	The property comprises four adjoining plots with a total site area of about 428,272.90 sq.m..  Approx. site area (sq.m.)  Two plots for residential uses 234,112.48  Two plots for composite uses 194,160.42	Parts of the lands, approximately 12,301 sq.m., were occupied by the Group for industrial uses whilst other parts were generally vacant. There are workshop, staff quarters, sewage treatment plant and other supporting facilities built in 2005.	RMB364,000,000 (RENMINBI THREE HUNDRED SIXTY FOUR MILLION)
	The property is proposed to be developed into a residential estate with ancillary commercial facilities at a plot ratio of 3.0.		
	The property is held under State-owned Land Use Certificates for terms expiring 7 September 2078 (residential uses) and 7 September 2058 (composite uses).		

*Notes:*

- i. The Company, Luen Thai Land Limited and Zhong Yi (Qingyuan) Electronics Plastic Metal Company Limited ("Zhong Yi", which owned a piece of land of approximately 23,189.96 sq.m.) jointly applied to the government authority for a change of the permitted uses for their pieces of land in Qingyuan, other than Lot No. G1100527 which is owned by Luen Thai (Qingyuan) Real Estate Limited and the permitted use of which are for commercial and residential purposes. Pursuant to the following State-Owned Land Use Rights Grant Contract, the land use rights of the property were granted.

Contract No: 441801-2008-000234  
Date: 7 March 2008  
Site Area: 875,214.803 sq.m. which comprised the LTL Land, the pieces of land owned by the Company (other than Lot No. G1100527) and Zhong Yi  
Uses: Residential and Commercial  
Grantor: Land Bureau of Qingyuan City  
Grantees: a) East Talent Properties Limited, Luen Thai (Qingyuan) Real Estate Limited and GJM (Qing Yuan) Light Industrial Development Limited, which are indirect subsidiaries of the Company;

- b) Victory Link Properties Limited, Rich Hope Properties Limited, Gold Leader Properties Limited, Top Leader Properties Limited, which are direct subsidiaries of Luen Thai Land Limited;
- c) Yuen Thai (Qingyuan) Light Industrial Development Limited, and Chong Ka (Qing Yuan) Enterprises Limited, which are indirect subsidiaries of Luen Thai Land Limited; and
- d) Zhong Yi, an independent third party.

Remarks: Project companies to be set up: Luen Thai (Qingyuan) Real Estate Limited and Qingyuan Liantou Properties Limited, which are indirect subsidiaries of the Company; Qingyuan Weitai Properties Limited (“Qingyuan Weitai”), Rich Hope (Qingyuan) Properties Limited (“Rich Hope (Qingyuan)”), Gold Leader (Qingyuan) Properties Limited (“Gold Leader (Qingyuan)”) and Qingyuan Delun Properties Limited (“Qingyuan Delun”), which are indirect subsidiaries of Luen Thai Land Limited (collectively the “Six Project Companies”).

- ii. Pursuant to the following State-Owned Land Use Rights Certificates, the land use rights of the property has been granted.

- a) Certificate No: Qing Shi Fu Guo Yong (2009) 00338  
Date: 22 July 2009  
Lot No. and Address: Lot No. G1100573, Beikeng Luen Thai Industrial City Longtang Town, Qingcheng District, Qingyuan City  
Site Area: 133,765.69 sq.m.  
Uses: Residential  
Land Grantee: Gold Leader (Qingyuan)  
Land Use Term Expiry: 7 September 2078
- b) Certificate No: Qing Shi Fu Guo Yong (2009) 00339  
Date: 22 July 2009  
Lot No. and Address: Lot No. G1100575, Beikeng Luen Thai Industrial City Longtang Town, Qingcheng District, Qingyuan City  
Site Area: 100,346.79 sq.m.  
Uses: Residential  
Land Grantee: Qingyuan Delun  
Land Use Term Expiry: 7 September 2078
- c) Certificate No: Qing Shi Fu Guo Yong (2009) 00340  
Date: 22 July 2009  
Lot No. and Address: Lot No. G1100576, Beikeng Luen Thai Industrial City Longtang Town, Qingcheng District, Qingyuan City  
Site Area: 70,154.10 sq.m.  
Uses: Composite  
Land Grantee: Qingyuan Weitai  
Land Use Term Expiry: 7 September 2058
- d) Certificate No: Qing Shi Fu Guo Yong (2009) 00341  
Date: 22 July 2009  
Lot No. and Address: Lot No. G1100574, Beikeng Luen Thai Industrial City Longtang Town, Qingcheng District, Qingyuan City  
Site Area: 124,006.32 sq.m.  
Uses: Composite  
Land Grantee: Rich Hope (Qingyuan)  
Land Use Term Expiry: 7 September 2058

- iii. We have been provided with the PRC legal opinion on the property as well as the significant terms of a proposed joint venture agreement prepared by the Company's legal advisors, which contains, inter alia, the following information.
- a) Under the PRC City Real Estate Management Law, companies engaged in property development business are required to fulfill certain legal and administrative requirements including amount of registered capital, number of technical staff, etc..
  - b) Gold Leader (Qingyuan), Qingyuan Delun, Qingyuan Weitai and Rich Hope (Qingyuan) are project companies set up for the purpose of property development. The permitted business scopes of these project companies consist of real estate investment, development, sale and lease, management and related services.
  - c) Gold Leader (Qingyuan), Qingyuan Delun, Qingyuan Weitai and Rich Hope (Qingyuan), as the project companies under the Land Use Rights Contract in Note i., were four of the 15 parties in the State-Owned Land Use Rights Grant Contract. These project companies are therefore entitled to be the grantees of the land use rights.
  - d) The scopes of business of Victory Link Properties Limited, Rich Hope Properties Limited, Gold Leader Properties Limited, Top Leader Properties Limited, Yuen Thai (Qingyuan) Light Industrial Development Limited and Chong Ka (Qing Yuan) Enterprises Limited do not cover real estate development. They are not permitted to operate real estate development related business, and therefore authorized project companies to apply for the State-Owned Land Use Rights Certificates. The legal title to the LTL Land had been duly vested in Gold Leader (Qingyuan), Qingyuan Delun, Qingyuan Weitai and Rich Hope (Qingyuan).
  - e) Gold Leader (Qingyuan) is the sole legal owner of the land under the Land Use Rights Certificate No. Qing Shi Fu Guo Yong (2009) 00338.
  - f) Qingyuan Delun is the sole legal owner of the land under the Land Use Rights Certificate No. Qing Shi Fu Guo Yong (2009) 00339.
  - g) Qingyuan Weitai is the sole legal owner of the land under the Land Use Rights Certificate No. Qing Shi Fu Guo Yong (2009) 00340.
  - h) Rich Hope (Qingyuan) is the sole legal owner of the land under the Land Use Rights Certificate No. Qing Shi Fu Guo Yong (2009) 00341.
  - i) The owners above possess the rights to transfer and develop their lands.
  - j) A joint venture company, namely, Chang Jia International Limited, will be formed for holding the lands owned by the Six Project Companies with Keyasia Investments Limited, Shiny New Limited and Shan Ying Limited being the shareholders with equity sharing of 55%, 24% and 21% respectively.
  - k) Shiny New Limited is a wholly owned subsidiary of the Company whereas Shan Ying Limited is a wholly owned subsidiary of Luen Thai Land Limited, a connected party of the Company.
  - l) Subject to the operating fund requirements of the joint venture company, after the resettlement of outstanding debt as proposed in the relevant shareholder agreement and outstanding payment owing to Shiny New Limited and/or Shan Ying Limited, profit will be shared among the three parties based on the ratio of their equity interests.

iv. In our valuation, we have made the following assumptions with regard to the title particulars and land use conditions:

- a) The land area of 875,214.803 sq.m. stated under the State-Owned Land Use Rights Grant Contract in Note i) comprised the piece of land of approximately 23,189.96 sq.m. owned by Zhong Yi as well as various pieces of land owned by the Six Project Companies, other than Lot No. G1100527 of approximately 79,703.36 sq.m.. This site area, however, was subject to on-site measurement. The land areas of the property as recorded in various State-Owned Land Use Rights Certificates are accurate and have been adopted in the valuation, though its sum is marginally smaller than the one stated in the State-Owned Land Use Rights Grant Contract. The site area reconciliation is shown as follows:

Site area as per the Land Use Rights Grant Contract	875,214.80 sq.m.
Add: Lot No. G1100527, a Commercial and Residential Land, formerly granted to Luen Thai (Qingyuan) Real Estate Limited	79,703.36 sq.m.
Less: Land owned by Zhong Yi	<u>(23,138.96) sq.m.</u>
	<u>931,779.20 sq.m.</u>

Total site area of LTH Land and LTL Land under the Land Use Rights Certificate	<u>931,790.43 sq.m.</u>
--	-------------------------

- b) All compensation costs, land grant premium, infrastructure costs, and expenses otherwise payable in respect of the grant of the subject property have been fully settled.
- c) All the relevant authority approvals will be secured during the design and construction of this project and all the necessary completion certificates and approvals are secured either prior to the completion of the development or immediately thereafter.
- d) The property is freely transferable to both local and foreign purchasers.
- e) Upon completion, the proposed development is freely transferable/lettable either on strata title basis or as a whole to local and foreign purchasers/tenants.
- f) Guangzhou-Qingyuan Light Rail is proposed to construct by the government authorities linking this part of Qingyuan with Guangzhou Railway Station. As instructed, our valuation is based on the assumption that the Light Rail system will be proceeded in a foresable future.
- v. Regarding the assumption as stated in Note iv. f), if the Light Rail system were aborted or the rail line of the Light Rail would not pass through any area which is within 2 kilometres from any boundary of the property, the value of the property would be RMB308,000,000.

vi. Taking the PRC legal opinion in account, together with copies of the title documents, we opine the property interests are vested in the above mentioned owners. There is no other material factor in the PRC legal opinion affecting the titles of the property. A summary of major certificates/approvals obtained or to be obtained by each of Qingyuan Weitai, Rich Hope (Qingyuan), Qingyuan Delun and Gold Leader (Qingyuan) which are necessary to operate in the LTL Land according to the PRC legal opinion is shown as follows:

a)	Business Licences	Yes
b)	State-owned Land Use Certificates	Yes
c)	Construction Land Use Planning Permit	Not yet obtained
d)	Construction Works Planning Permit	Not yet obtained
e)	Construction Works Commencement Permit	Not yet obtained



## 1. RESPONSIBILITY STATEMENT

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

## 2. 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> )	6,300,000	0.63%
	Interest of controlled corporation ( <i>Note 1</i> )	10,000,000	1.01%
Tan Henry	Beneficial owner ( <i>Note 3</i> )	250,000	0.03%
	Interest of controlled corporation ( <i>Note 2</i> )	677,000,000	68.20%
Tan Willie	Beneficial owner ( <i>Note 5</i> )	1,000,000	0.10%
Tan Cho Lung, Raymond	Beneficial owner ( <i>Notes 3 and 6</i> )	1,853,000	0.19%
Tan Sunny	Beneficial owner ( <i>Notes 3 and 7</i> )	722,000	0.07%
Mok Siu Wan, Anne	Beneficial owner ( <i>Notes 3 and 4</i> )	2,700,000	0.27%

*Notes:*

1. Mr. Tan Siu Lin as a trustee indirectly controls the entire issued capital of Wincare International Company Limited, which in turn holds directly 6,300,000 shares of the Company (or approximately 0.63% 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).
2. 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 and indirectly owns Hanium Industries Limited, which own 614,250,000 Shares and 17,100,000 Shares respectively or approximately 63.60% aggregate interest in the issued share capital of the Company.  
  
Mr. Tan Henry is the beneficial owner of 5,543,668 issued shares (representing 35% interest) in Tan Holdings Corporation. Tan Holdings Corporation wholly owns Union Bright Limited, which in turn owns 43,650,000 Shares, or approximately 4.40% interest in the issued share capital of the Company.  
  
Mr. Tan Henry also controls and has the interest in Double Joy Investment Limited, a company incorporated in the British Virgin Islands, which directly owns 2,000,000 shares of the Company (or approximately 0.20% of the issued share capital of the Company).
3. 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.
4. Ms. Mok Siu Wan, Anne is a grantee of the share options granted by the Company on 21 April 2008.
5. A total of 1,000,000 shares of the Company were acquired by an associate of Mr. Tan Willie in 2011. He is therefore deemed under Part XV of the SFO to be interested in all of the 1,000,000 shares of the Company acquired by his associate.
6. A total of 1,703,000 shares of the Company were acquired by an associate of Mr. Tan Cho Lung, Raymond between 2006 and 2011. He is therefore deemed under Part XV of the SFO to be interested in all of the 1,703,000 shares acquired by his associate.
7. 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 Henry	Helmsley ( <i>Note 1</i> )	Beneficial owner ( <i>Note 4</i> )	3,500	100%
	Capital Glory Limited ( <i>Note 2</i> )	Interest of controlled corporation ( <i>Note 4</i> )	1	100%
	Justintime Development Limited ( <i>Note 5</i> )	Beneficial owner ( <i>Note 4</i> )	1	100%
	Tripletrio International Limited ( <i>Note 3</i> )	Interest of controlled corporation ( <i>Note 4</i> )	42,500	100%
	Newtex International Limited ( <i>Note 3</i> )	Interest of controlled corporation ( <i>Note 4</i> )	2	100%
	Torpedo Management Limited ( <i>Note 3</i> )	Interest of controlled corporation ( <i>Note 4</i> )	1	100%
	Integrated Solutions Technology Inc. ( <i>a Cayman Islands corporation</i> ) ( <i>Note 3</i> )	Interest of controlled corporation ( <i>Note 4</i> )	1	100%
	Eldex Del Golfo, SA de CV ( <i>Note 3</i> )	Interest of controlled corporation ( <i>Note 4</i> )	11,819	100%
	Servicios Textiles Mexicanos, SA ( <i>Note 3</i> )	Interest of controlled corporation ( <i>Note 4</i> )	50	100%
	Hanium Industries Limited ( <i>Note 3</i> )	Interest of controlled corporation ( <i>Note 4</i> )	1	100%
	Integrated Solutions Technology Inc. ( <i>a HK corporation</i> ) ( <i>Note 3</i> )	Interest of controlled corporation ( <i>Note 4</i> )	2	100%
	Integrated Solutions Technology Inc. ( <i>a BVI corporation</i> ) ( <i>Note 3</i> )	Interest of controlled corporation ( <i>Note 4</i> )	1	100%
	Integrated Solutions Technology Inc. ( <i>a Philippines corporation</i> ) ( <i>Note 3</i> )	Interest of controlled corporation ( <i>Note 4</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 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 Henry directly holds 3,500 issued shares (or 70% interest) in Helmsley. He is therefore deemed under Part XV of the SFO to be interested in the interests of Helmsley and its subsidiaries.
5. Mr. Henry Tan is beneficial own Justintime Development Limited. Jusintime Development Limited is therefore an associated corporation of the Company as defined under Part XV of the SFO.

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.

**(ii) Interests of Substantial Shareholders**

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 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>(Notes 1 and 2)</i>	Beneficial owner	614,250,000	61.88%
Helmsley Enterprises Limited <i>(Notes 1 and 2)</i>	Interest of controlled corporation	631,350,000	63.60%

*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. Both of Mr. Tan Siu Lin and Mr. Tan Henry are directors in each of Capital Glory Limited and Helmsley Enterprises Limited, companies which have interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

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 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 the material interests of Mr. Tan Siu Lin, Mr. Tan Henry, Mr. Tan Willie, Mr. Tan Cho Lung, Raymond and Mr. Tan Sunny in the transactions contemplated under the Transaction Documents as disclosed in this circular, 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 2010, 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. EXPERTS' QUALIFICATION AND CONSENT

- (a) The following are the qualifications of the experts who have made statement in this circular:

Name	Qualification
Partners Capital International Limited (" <b>Partners Capital</b> ")	A corporation licensed to carry out regulated activities type 1 (dealing in securities) and type 6 (advising on corporate finance) under the SFO
CB Richard Ellis Limited (" <b>CBRE</b> ")	A professional property valuer

- (b) Each of Partners Capital and CBRE has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its letter/opinion both dated 26 August 2011 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) Each of Partners Capital and CBRE did not have any direct or indirect interest in any asset which had since 31 December 2010, 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) Each of Partners Capital and CBRE 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.

## 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 2010, being the date to which the latest published audited financial statements of the Group was made up.

## 8. LITIGATION

As at the Latest Practicable Date, none of the members of the Group is engaged in any litigation of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against any member of the Group.

## 9. MATERIAL CONTRACTS

As at the Latest Practicable Date, the following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of the Group within the two years immediately preceding the Latest Practicable Date which are or may be material:

- (a) a construction contract entered into between 廣東中城建設集團有限公司 and Luen Thai (Qingyuan) Real Estate Limited on 14 August 2009 in respect of the construction work for the development of the LTH Land for a contract sum of RMB240,700,000;
- (b) a sale and purchase agreement dated 19 April 2010 (“**Ospella SPA**”) and entered into among Fortune Investment Overseas Limited (“**Fortune Investment**”), an indirect wholly-owned subsidiary of the Company as the purchaser, Ospella International Limited (“**Ospella**”) as the vendor, Owen John Inglis (“**Mr. Inglis**”) and Luen Thai Overseas Limited in relation to the acquisition of 400 shares of Trinew Limited (“**Trinew**”), a subsidiary of the Company, representing 40% interest in the issued share capital of Trinew at a consideration of HK\$57,000,000;
- (c) a termination agreement dated 24 May 2010 entered into between Fortune Investment and Mr. Frank Fleischer in relation to the termination of an option deed dated 10 March 2006 entered into between Mr. Frank Fleischer and Fortune Investment in relation to certain call option and put options in respect of 40% interest in On Time International Limited, a 60%-owned subsidiary of the Company;
- (d) an assignment of the account receivable in the sum of US\$226,151.75 due from UPLA to Desk Top Limited and all related sureties dated 4 June 2010 and executed by Desk Top Limited to Ospella in relation to the Ospella SPA;
- (e) a charge over account dated 4 June 2010 executed by Ospella in favour of Fortune Investment as security for certain obligations and liabilities from time to time and at any time owing by Ospella and Mr. Inglis to Fortune Investment and Trinew Limited and its subsidiaries pursuant to the Ospella SPA;
- (f) a supplemental deed to a deed of tax Indemnity dated 4 June 2010 executed by Ospella, Mr Inglis, Trinew Limited, Fortune Investment, Desk Top Limited, Desk Top Bags (Mfg) Ltd., DLuxe Bags Limited, 東莞星系手袋廠有限公司 (Dongguan Xingxi Handbags Factory Co., Limited) and 東莞星浩手袋有限公司 (Dongguan Xing Hao Handbags Factory Co., Limited) in relation to the Ospella SPA;
- (g) the sale and purchase agreement dated 9 July 2010 entered into among: (i) Kardon International Worldwide Ltd.; (ii) Linktop Enterprises Ltd.; (iii) H.K.I. Company Limited; (iv) Luen Thai Direct Investment Limited; (v) Mr. Chan Kwan Yung; and (vi) Partner Joy Group Limited (“**Partner Joy**”), a 95%-owned subsidiary of the Company, in relation to the purchase by Partner Joy of: (a) 1,000 ordinary shares of Glory Silk International Ltd. (“**Glory Silk**”), representing 100% interest

in the entire issued capital of Glory Silk, (b) 1,000 ordinary shares of Gold Chain Enterprise Limited (“**Gold Chain**”), representing 100% interest in the entire issued capital of Gold Chain, (c) 1,000 ordinary shares of Texcorp Investments Limited (“**Texcorp**”), representing 100% interest in the entire issued capital of Texcorp, (d) the shareholders’ loans owed by Texcorp to its shareholders, and (e) the net amount of the inter-company receivables, at the total consideration of HK\$13,000,000 plus an amount equivalent to the net working capital of the target group comprising Gold Chain, PT. Buana Intisari Gamen, Glory Silk, PT. Eka Sandang Duta Prima, Texcorp and PT. Cedrateks Indah Busana; and

- (h) the Subscription and Share Purchase Agreement dated 9 June 2011 entered into in relation to Chang Jia and entered into among Shiny New, Shan Ying, Chang Jia, the Company, Luen Thai Land Limited, Sunshine 100 and Keyasia.

#### 10. 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 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 Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, 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 English text of this circular shall prevail over the Chinese text, in case of any inconsistency.

#### 11. 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 letter from the Board, the text of which is set out on pages 9 to 33 of this circular;
- (b) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 34 to 35 of this circular;



- (c) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 36 to 52 of this circular;
- (d) the letter form the Independent Valuer, the text of which is set out on pages 56 to 70 of this circular;
- (e) the memorandum and articles of association of the Company;
- (f) this circular;
- (g) the written consents as referred to in the paragraph headed “5. Experts’ Qualification and Consent” in this Appendix III;
- (h) all the material contracts referred to in the paragraph headed “9. Material Contracts” in this Appendix III; and
- (i) the annual reports of the Company for each of the two years ended 31 December 2009 and 2010.

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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### LUEN THAI HOLDINGS LIMITED

### 聯泰控股有限公司

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

**(Stock Code: 311)**

### NOTICE OF THE EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (“the “EGM”) of Luen Thai Holdings Limited (the “**Company**”) will be held at Room 1004, 10/F, Nanyang Plaza, 57 Hung To Road, Kwun Tong, Kowloon, Hong Kong on 12 September 2011 Monday at 3:30 p.m., or any adjournment thereof, for the purpose of considering and, if thought fit, passing (with or without amendments) the following ordinary resolutions of the Company:

#### **1. ORDINARY RESOLUTION (1):**

**“THAT:**

- (a) the Subscription and Share Purchase Agreement dated 9th June 2011 (“**Subscription and Share Purchase Agreement**”) entered into among Shiny New Limited (“**Shiny New**”), an indirect wholly-owned subsidiary of the Company; Shan Ying Limited (“**Shan Ying**”), a direct wholly-owned subsidiary of Luen Thai Land Limited; Chang Jia International Limited (“**Chang Jia**”), an indirect wholly-owned subsidiary of the Company; the Company; Luen Thai Land Limited; (Sunshine 100 Real Estate Group Co., Ltd.) (“**Sunshine 100**”); Keyasia Investments Limited (“**Keyasia**”), the terms of the Subscription and Share Purchase Agreement and all the transactions contemplated under the Subscription and Share Purchase Agreement, including but not limited to entering into the Transaction Documents (as defined in the Subscription and Share Purchase Agreement) be and are hereby approved, confirmed and ratified (as the case may be); and
- (b) the directors of the Company (the “**Directors**”) be and are hereby generally and unconditionally authorized to do all such acts and things and to sign and execute all such documents and to take all such steps which, in the opinion of the Directors, may be necessary, desirable or expedient to give effect to the terms of,

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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or the transactions contemplated by the Subscription and Share Purchase Agreement and the Transaction Documents and to agree to such variation, amendment or waiver or matter relating thereto as are, in the opinion of the Directors, not of a material nature and in the interests of the Company and its shareholders as whole.”

### 2. ORDINARY RESOLUTION (2):

**“THAT:**

- (a) the entering into the Shareholders’ Agreement (as defined in the Subscription and Share Purchase Agreement) among Shiny New; Shan Ying, Keyasia and Chang Jia upon completion of the Subscription and Share Purchase Agreement, the terms of the Shareholders’ Agreement, the formation of the Joint Venture (as defined in the Subscription and Share Purchase Agreement) and all the transactions contemplated under the Shareholders’ Agreement be and are hereby approved and confirmed; and
  
- (b) the Directors be and are hereby generally and unconditionally authorized to do all such acts and things and to sign and exercise all such documents and to take all such steps which, in the opinion of the Directors, may be necessary, desirable or expedient to give effect to the terms of, or the transactions contemplated by the Shareholders’ Agreement and to agree to such variation, amendment or waiver or matter relating thereto as are, in the opinion of the Directors, not of a material nature and in the interests of the Company and its shareholders as whole.”

By order of the Board  
**Tan Siu Lin**  
*Chairman*

Hong Kong, 26 August 2011

*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

**Notes:**

- i. A member entitled to attend and vote at the meeting convened is entitled to appoint another person(s) as his proxy to attend and vote in his stead. A proxy does not need to be a member of the Company.

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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- ii. To be valid, a form of proxy together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of attorney shall be deposited at Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not less than 48 hours before the time appointed for holding of the meeting or any adjournment thereof. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the meeting or any adjournment thereof should he so wish.
- iii. In case of joint shareholdings, the vote of the senior joint shareholder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint shareholder(s) and for this purpose seniority will be determined by the order in which the names stand in the Register of Members of the Company in respect of the joint shareholding.
- iv. A form of proxy for use at the EGM is enclosed herewith.

*As at the date hereof, the Board of Directors of the Company comprise the following Directors:*

*Executive Directors:*

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

*Independent Non-executive Directors:*

Chan Henry  
Cheung Siu Kee  
Seing Nea Yie

*Non-executive Directors:*

Tan Willie  
Lu Chin Chu

Website: [www.luenthai.com](http://www.luenthai.com)