THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

Luenthai

LUEN THAI HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 311)

DISCLOSEABLE AND CONNECTED TRANSACTION — ACQUISITION OF THE ENTIRE INTEREST IN LUEN THAI INDUSTRIAL COMPANY LIMITED

Independent Financial Adviser to the Independent Board Committee and Independent Shareholders

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

A letter from the Board is set out on pages 4 to 11 and a letter from the Independent Board Committee is set out on pages 12 to 13 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 14 to 31 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 9 July 2012 at 9 a.m., is set out on pages 45 to 46 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 Limited, at 17M, 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.

20 June 2012

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

"Acquisition"	the acquisition of the Sale Share by the Purchaser pursuant to the Sale and Purchase Agreement;
"Artapower"	Artapower Holdings Limited, a company duly incorporated in the British Virgin Islands and a direct wholly-owned subsidiary of LTIL;
"Associate(s)"	shall have the meaning as ascribed to it under the Listing Rules;
"Board"	the board of Directors of the Company;
"Business Day"	a day (excluding Saturdays) on which banks are generally open for business in Hong Kong;
"Company"	Luen Thai Holdings Limited, the shares of which are listed on the Stock Exchange;
"Completion"	completion of the sale and purchase of the Sale Share in accordance with terms of the Sale and Purchase Agreement;
"Completion Date"	the date on which Completion takes place under the Sale and Purchase Agreement;
"Conditions Fulfilment Date"	the date on which all conditions precedent to the Sale and Purchase Agreement are fulfilled pursuant to the terms of the Sale and Purchase Agreement;
"Conditions Precedent"	conditions precedent to Completion under the Sale and Purchase Agreement;
"Connected Person"	shall have the meaning as ascribed to it under the Listing Rules;
"Consideration"	a sum of RMB88,109,763, being the consideration for the sale of the Sale Share pursuant to the Sale and Purchase Agreement;
"Director(s)"	director(s) of the Company for the time being;
"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 9 July 2012 at 9 a.m. for the Independent Shareholders to consider and, if thought fit, to approve the Sale and Purchase Agreement and all the transactions contemplated thereunder;
"Group"	the Company and its subsidiaries;

"Hangzhou Lianhong"	杭州聯鴻鞋業有限公司 (Hangzhou Lianhong Shoe Co., Ltd.*), a company incorporated in the PRC, which is 50% owned by Quanzhou Footwear;
"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 appointed by the Company to advise the Independent Board Committee and the Independent Shareholders of the Company in relation to the Sale and Purchase Agreement and the transactions thereunder;
"Independent Shareholders"	those shareholders of the Company who are not required to abstain from voting at the EGM;
"Independent Third Party"	third party which, to the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, is independent of the Company and its Connected Person(s);
"Latest Practicable Date"	14 June 2012, 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"	31 October 2012;
"LTIL"	Luen Thai Industrial Company Limited, a company duly incorporated in the British Virgin Islands and is 100% owned by the Vendor;
"Macao"	the Macao Special Administrative Region of the People's Republic of China;
"Macao Footwear"	Luen Thai Footwear Macao Commercial Offshore Co. Limited (聯泰鞋業澳門離岸商業服務有限公司), a company duly incorporated in Macao and a direct wholly owned subsidiary of Artapower;
"PRC"	the People's Republic of China, but for the purpose of this circular, does not include Hong Kong, Macao and Taiwan;

"PRC Property"	the property comprises the majority portion of eight buildings which were erected on sites with a land area of approximately 28,980.35 sq m. in Xiazhou Village, Fuqiao Town, Licheng District, Quanzhou City, Fujian Province, the PRC
"Purchaser"	Luen Thai Overseas Limited, a company incorporated under the laws of the Bahamas and a direct wholly-owned subsidiary of the Company;
"Quanzhou Footwear"	聯泰(泉州)輕工有限公司 (Luen Thai Footwear Co., Ltd.*), a company incorporated in the PRC as a wholly foreign owned enterprise, which is a direct wholly owned subsidiary of LTIL;
"RMB"	Renminbi, the lawful currency of the PRC;
"Sale and Purchase Agreement"	a sale and purchase agreement dated 30 May 2012 and entered into between the Vendor and the Purchaser in relation to the sale and purchase of the Sale Share;
"Sale Share"	one (1) share in the issued share capital of LTIL held by the Vendor, representing 100% of the issued share capital of LTIL;
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
"Shareholders"	shareholders of the Company;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"Target Group"	LTIL, Quanzhou Footwear, Wonderful Choice, Artapower, Hangzhou Lianhong and Macao Footwear;
"Vendor"	Luen Thai Enterprises Limited, a company incorporated under the laws of the British Virgin Islands; and
"Wonderful Choice"	Wonderful Choice Limited, a company duly incorporated in the British Virgin Islands and a direct wholly owned subsidiary of LTIL.

The provision of English translation of company names in Chinese marked with "" is unofficial English translation and for identification purposes only.*

LUEN THAI HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 311)

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

Non-executive Directors:
Mr. Tan Willie
Mr. Lu Chin Chu

Independent Non-executive Directors:
Mr. Chan Henry
Mr. Cheung Siu Kee
Mr. Seing Nea Yie

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

Head office and Principal place of business in Hong Kong:
5/F, Nanyang Plaza
57 Hung To Road
Kwun Tong, Kowloon
Hong Kong

Hong Kong, 20 June 2012

To the Shareholders

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION — ACQUISITION OF THE ENTIRE INTEREST IN LUEN THAI INDUSTRIAL COMPANY LIMITED

Reference is made to the announcement of the Company dated 30 May 2012 in relation to the Sale and Purchase Agreement.

The purpose of this circular is to provide you with details regarding the Sale and Purchase Agreement and the transactions contemplated thereunder.

THE SALE AND PURCHASE AGREEMENT

The Board announced that on 30 May 2012 (after trading hours), the Purchaser, a direct wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement with the Vendor. The main terms of the Sale and Purchase Agreement are set out below.

Date: 30 May 2012

Parties:

(a) Luen Thai Enterprises Limited as the vendor

(b) Luen Thai Overseas Limited (a direct wholly-owned subsidiary of the Company) as the purchaser

Subject matter:

Pursuant to the Sale and Purchase Agreement, the Vendor agreed to sell and the Purchaser agreed to purchase the Sale Share, representing the entire issued share capital of LTIL.

Consideration:

The Consideration shall be in the sum of RMB88,109,763. The Consideration shall be satisfied in cash and paid by the Purchaser to the Vendor within 30 days after the Completion.

The Consideration was determined after arm's length negotiations between the parties on normal commercial terms with reference to the following formula, namely, 4.5 x average audited combined net profit after tax of LTIL, Quanzhou Footwear, Hangzhou Lianhong and Wonderful Choice for the two years ended 31 December 2011. The basis of using 4.5 times in the above formula was negotiated on an arm's length with reference to the relevant listed companies in Hong Kong which are principally engaged in the business of manufacturing and sale of footwear, and after discounting the price-to-earnings ratio as a non-listed company.

For Artapower and its direct wholly-owned subsidiary Macao Footwear, they were acquired by LTIL from an Independent Third Party. For the two years ended 31 December 2011, Artapower and Macao Footwear had not engaged in any footwear operations. In addition, certain of the registration procedures with the Macao authority for effecting the acquisition of Macao Footwear was not completed in 2011. Therefore the accounts of Artapower and Macao Footwear for the two years ended 31 December 2011 had not been included for the purpose of determining the Consideration.

Conditions Precedent:

Completion of the Acquisition is conditional upon the following Conditions Precedent being satisfied or, to such extent as the Purchaser thinks fit and is legally entitled to do so, waived by the Purchaser, on or before the Longstop Date:

(a) the Vendor having facilitated the Purchaser to undertake a legal, financial, operational, tax accounting and business due diligence investigation in respect of the Target Group, and the results of which are satisfactory to the Purchaser;

(b) all necessary approvals, whether pursuant to law, regulatory compliance or otherwise (including but not limited to any necessary approvals from the board of directors of the Purchaser and the Company respectively and the approval by the Independent Shareholders at the EGM in respect of all the transactions contemplated under the Sale and Purchase Agreement) having been obtained;

(c) the warranties given by the Vendor under the Sale and Purchase Agreement remaining true and accurate in all material respects and not misleading in any material respect immediately prior to Completion by reference to the facts and circumstances subsisting immediately prior to Completion; and

(d) there has been no material adverse change of the Target Group immediately prior to Completion.

The Purchaser may, by written notice to the Vendor, waive or modify compliance with any Condition Precedent in whole or in part, to such extent as the Purchaser thinks fit and is legally entitled to do so, at any time on or before the Longstop Date.

If any of the Conditions Precedent (which have not previously been waived by the Purchaser) have not been satisfied on or before 5:00 p.m. (Hong Kong time) on the Longstop Date, then the Purchaser may on that date, at its option (but without prejudice to any other right or remedy it may have), by notice to the Vendor:

(i) waive, to such extent as it thinks fit and is legally entitled to do so, the Conditions Precedent which have not been satisfied;

(ii) postpone Completion to a date (being a Business Day) falling not more than 30 Business Days after the Longstop Date; or

(iii) rescind the Sale and Purchase Agreement.

For the avoidance of doubt, the Purchaser is not entitled to waive the Condition Precedent that the approval by the Independent Shareholders at the EGM in respect of all the transactions contemplated under the Sale and Purchase Agreement having been obtained.

Completion:

Completion shall take place on the second Business Day after the Conditions Fulfilment Date or at such later time or date as the Vendor and Purchaser may agree.

Other term:

Pursuant to the Sale and Purchase Agreement, the Vendor agreed to indemnify the Purchaser from and against all costs, expenses, losses, damages and liabilities in connection with all accounts receivable or debts (if any) owed to the Target Group prior to Completion and which are not recoverable within 12 months after Completion.

INFORMATION ON THE TARGET GROUP

LTIL was incorporated in the British Virgin Islands in September 2009 and has an authorised share capital of US$50,000 divided into 50,000 shares with a par value of US$1.00 each, with one (1) share issued and fully paid up and is owned by the Vendor.

The Target Group comprises LTIL, Quanzhou Footwear, Wonderful Choice, Artapower, Hangzhou Lianhong and Macao Footwear. LTIL is an investment holding company which directly holds the entire interest in each of Quanzhou Footwear, Wonderful Choice and Artapower. In turn, Artapower directly holds the entire interest in Macao Footwear.

Quanzhou Footwear is a wholly foreign owned enterprise and is a direct wholly owned subsidiary of LTIL. Quanzhou Footwear is principally engaged in the development and manufacture and sale of footwear. Quanzhou Footwear primarily provides manufacturing services on an original equipment manufacturing (OEM) basis, whereby products are manufactured in accordance with the customers' design and specifications and are marketed and sold under the customers' brands. It does not engage in any retail distribution. Quanzhou Footwear possess a broad range of production capabilities and the shoe products manufactured by Quanzhou Footwear include but not limited to (i) vulcanized products, i.e. shoes made by vulcanizing process to bond upper and bottom units of the shoes together; (ii) EVA (Ethylene Vinyl Acetate) products, i.e. shoes made of polymer bottom units; (iii) cold cement products, i.e. shoes made by bonding upper and bottom units of the shoes together with polymer cements; and (iv) injection products, i.e. shoes made by single production operation to mold bottom and fasten to upper units. The sourcing of materials for the production of Quanzhou Footwear is mainly from the PRC. The factory of Quanzhou Footwear currently has a production capacity of manufacturing over 400,000 pairs of shoes per month. Quanzhou Footwear holds the PRC Property, which is located in Xiazhou Village, Fuqiao Town, Licheng District, Quanzhou City, Fujian Province, the PRC, and which is also the location of the production base of Quanzhou Footwear. Quanzhou Footwear has a workforce of approximately 1,000 employees. Quanzhou Footwear is led by an experienced management team, which possesses extensive knowledge in the footwear industry.

Hangzhou Lianhong is a company established in the PRC, which is owned as to 50% by Quanzhou Footwear and as to the remaining 50% by an Independent Third Party. Hangzhou Lianhong is principally engaged in the development and manufacture and sale of footwear.

Wonderful Choice was incorporated in the British Virgin Islands in August 1999 and is a direct wholly owned subsidiary of LTIL. Wonderful Choice is principally engaged in the trading of footwear.

Artapower was incorporated in the British Virgin Islands in April 2005 and is a direct wholly owned subsidiary of LTIL. Artapower is an investment holding company and the only major asset it holds is Macao Footwear. Macao Footwear was incorporated in Macao in October 2005 and is a direct wholly owned subsidiary of Artapower. Macao Footwear is principally engaged in the trading of footwear.

LTIL was set up by the Vendor for investment holding purpose. The incorporation cost incurred by the Vendor in setting up LTIL is approximately HK$23,000. Quanzhou Footwear was established by a related company of the Vendor with a registered and fully paid capital of approximately US$3,200,000 and was transferred to LTIL at the same amount of US$3,200,000. Wonderful Choice was set up by the same related company of the Vendor with a set up cost of approximately HK$15,000 and was finally transferred to LTIL at US$1. For Artapower and Macao Footwear, they were acquired by LTIL from an Independent Third Party at a consideration of HK$1,750,000.

Set out below are certain unaudited consolidated financial information of the Target Group for each of the two financial years ended 31 December 2011:

	For the year ended 31 December 2010 *RMB* (approximately)	**For the year ended 31 December 2011** *RMB* (approximately)
Net profits before tax	19,174,000	23,108,000
Net profits after tax	17,755,000	21,345,000

The unaudited consolidated net asset value of the Target Group as at 30 April 2012 was approximately RMB33,648,000.

Upon completion of the Acquisition, the Target Group (which comprises LTIL, Quanzhou Footwear, Wonderful Choice, Artapower and Macao Footwear, but excluding Hangzhou Lianhong) will become indirect subsidiaries of the Company and their results will be consolidated into the Group's financial results, while Hangzhou Lianhong, which is 50% owned by Quanzhou Footwear, will be treated as a jointly-controlled entity and its results will be incorporated into the Group's financial statements using the equity method of accounting.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Target Group is principally engaged in the development, manufacture, sale and trading of footwear. The Board believes that the Acquisition can further enrich the Group's product range on consumer products manufacturing and enhance the cross selling opportunities and enlarge its customer base. The Group's current apparel customers include large US department store and brands which are also selling footwear. The Board believes that the Group can leverage its current customer relationship in apparel business to develop the new footwear business after the Acquisition. With the Group's current strategic direction to add on at least one more non-China production base to better serve the Group's customers and to contain costs, the Directors consider that this strategic direction is also applicable to the footwear business which can not only contain operating costs in China but to further reduce reliance on alliance factories. In addition, the Company can share the lean production method, which involves re-design of manufacturing process with a view to reducing the non value-added operating processes and resulting in increase in productivity, to the Target Group so as to improve its efficiency and hence reduce its cost of production. The Board considers that the proposed Acquisition would be beneficial to the long term development of the Group and in the commercial interest of the Group as a whole.

The Directors are of the view that the Acquisition, the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder were negotiated on an arm's length basis between the parties and are on normal commercial terms and fair and reasonable and in the interests of the Company and its shareholders as a whole.

LISTING RULE IMPLICATIONS

The Vendor is an indirect wholly-owned subsidiary of Helmsley Enterprises Limited. In turn, Helmsley Enterprises Limited is owned as to 70% by Mr. Tan Henry, an executive Director and the chief executive officer of the Company. Therefore the Vendor is a Connected Person of the Company. As the applicable percentage ratios in respect of the Acquisition and the entering into the Sale and Purchase Agreement under Rule 14.07 of the Listing Rules exceed 5% but less than 25%, the Acquisition and the entering into the Sale and Purchase Agreement constitute a discloseable and connected transaction for the Company under the Listing Rules, and are subject to the reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules.

Mr. Tan Henry, his father Dr. Tan Siu Lin, together with Mr. Tan Henry's brothers 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 Sale and Purchase Agreement. All of them have abstained from voting on the board resolutions approving the Sale and Purchase Agreement.

GENERAL

The Group is principally engaged in the manufacturing and trading of garment, laptop and luxury bags and the provision of freight forwarding and logistics services.

The Purchaser is principally engaged in investment holding.

The Vendor is principally engaged in investment holding.

RECOMMENDATIONS

The Company has established the Independent Board Committee, consisting of the independent non-executive Directors, to advise the Independent Shareholders as to whether the Sale and Purchase Agreement and the transactions contemplated thereunder 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 Sale and Purchase Agreement 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 Sale and Purchase Agreement and all the transactions contemplated under the Sale and Purchase Agreement 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 Sale and Purchase Agreement and all the transactions contemplated thereunder at the EGM. The Shareholders' attention is drawn to the letter from the Independent Board Committee which is set out on pages 12 to 13 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 14 to 31 of this circular.

EXTRAORDINARY GENERAL MEETING

A notice convening the EGM is set out on pages 45 to 46 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 Limited, at 17M, 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.

Mr. Tan Henry, his father Dr. Tan Siu Lin, together with Mr. Tan Henry's brothers 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 Sale and Purchase Agreement. Accordingly, they and their respective Associates will abstain from voting at the EGM on the resolution in relation to the Sale and Purchase Agreement and the transactions contemplated thereunder. As at the Latest Practicable Date, Dr. 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 713,036,000 Shares (representing approximately 71.45% of the issued share capital of the Company).

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

The following is the text of a letter from the Independent Board Committee to the Independent Shareholders in relation to the Sale and Purchase Agreement and the transactions contemplated thereunder for inclusion in this circular:

LUEN THAI HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 311)

20 June 2012

To the Independent Shareholders

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION — ACQUISITION OF THE ENTIRE INTEREST IN LUEN THAI INDUSTRIAL COMPANY LIMITED

We refer to the circular of the Company dated 20 June 2012 (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 Sale and Purchase Agreement and the transactions contemplated thereunder, details of which are set out in the letter from the board set out on pages 4 to 11 of the Circular.

Having considered the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder, and the advice of Independent Financial Adviser in relation thereto as set out on pages 14 to 31 of the Circular, the Independent Board Committee considers that the Sale and Purchase Agreement and all the transactions contemplated thereunder were negotiated on an arm's length basis, made on normal commercial terms, and the 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 Sale and Purchase Agreement and all the 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

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 Sale and Purchase Agreement 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

20 June 2012

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

DISCLOSEABLE AND CONNECTED TRANSACTION

INTRODUCTION

We refer to our engagement to advise the Independent Board Committee and the Independent Shareholders in respect of the Sale and Purchase Agreement, particulars of which are set out in the letter from the Board of the circular (the "**Letter from the Board**") to the shareholders of the Company dated 20 June 2012 (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 Sale and Purchase Agreement, the Purchaser will acquire the entire issued share capital of LTIL from the Vendor at a consideration of RMB88,109,763. Upon Completion, LTIL will become wholly-owned by the Company.

We are not connected with the Directors, chief executive and substantial shareholders of the Company, the Group, LTIL or Luen Thai Enterprises Limited ("**Luen Thai Enterprises**") or any of their subsidiaries or their respective Associates and are therefore considered suitable to give independent advice to the Independent Board 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 Sale and

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, LTIL and their respective Associates nor have we carried out any independent verification of the information supplied.

THE ACQUISITION

Principal factors considered

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

1. *Background of footwear industry and the Target Group*

Overview of the Operating Environment in the PRC

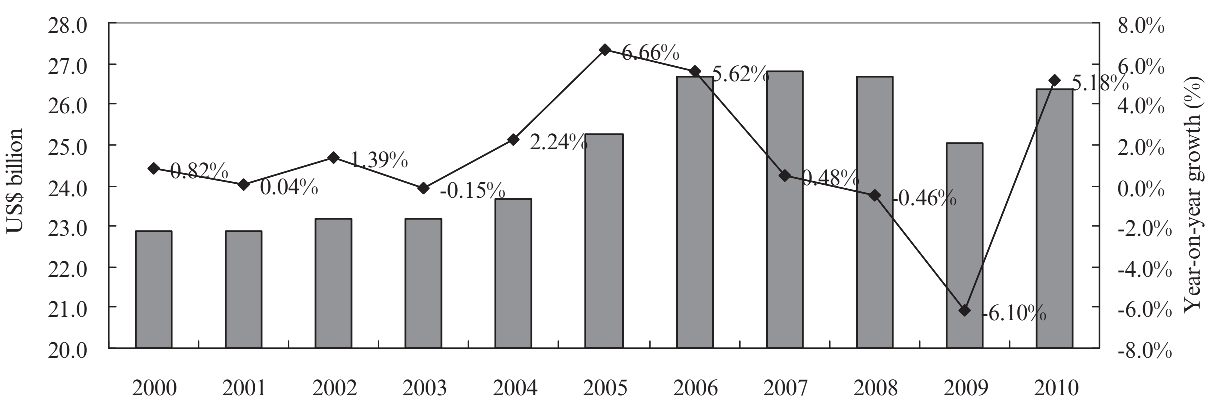
The PRC's economy suffers from a soft growth momentum in 2011 due to tightening monetary policy as well as by the intensifying external headwinds from Europe, Japan and the U.S. The PRC remained consistent with overall economic trends. In 2012, one of the risks to the PRC's growth outlook comes from a potential global recession, especially in the EU. Over the past years, the operating environment in manufacturing in the PRC faced inflationary pressures, RMB appreciation and the 12th five-year plan which targets to promote manufacturing upgrade. These challenges affect the profit margin and increase investment cost for the manufacturers in the PRC. The external demand from the EU, Japan and the U.S. still has significant implications for the PRC's exports with more than 44% of the PRC's total export. As mentioned in Global Manufacturing Outlook report which was produced by KPMG International in co-operation with The Economist Intelligence Unit in 2010 stated, the PRC is the most common primary sourcing location and will remain high for the next two years.

Pursuant to the Letter from the Board, in order to alleviate the operating cost increase in the PRC, the Group's current strategic direction is to add on at least one production base outside the PRC to better serve their customers. As mentioned in annual report of the Company for the year ended 31 December 2011 ("**2011 Annual Report**"), the Group increased its production capabilities in Indonesia and in the Philippines. In addition, the Company can share the lean production method, which involves re-design of manufacturing process to optimise value-added operating processes and enhance productivity, to the Target Group after Completion. The Directors consider this strategic direction can contain operating costs in the PRC and to further reduce reliance on alliance subcontractors.

Overview of Footwear Industry

According to U.S. Census Bureau, the sales of shoes from shoe retail stores in U.S. showed a steady growth between 2004 and 2007 but dropped in 2009 due to recession, however it managed to increase its sales value to approximately US$26.4 billion in 2010 from approximately US$25.1 billion in 2009. The sales of shoes in U.S. in 2000 and 2010 were approximately US$22.9 billion and US$26.4 billion respectively, representing approximately 15.3% increase with CAGR of approximately 1.4% from 2000 to 2010. The chart below illustrates the trend thereof:

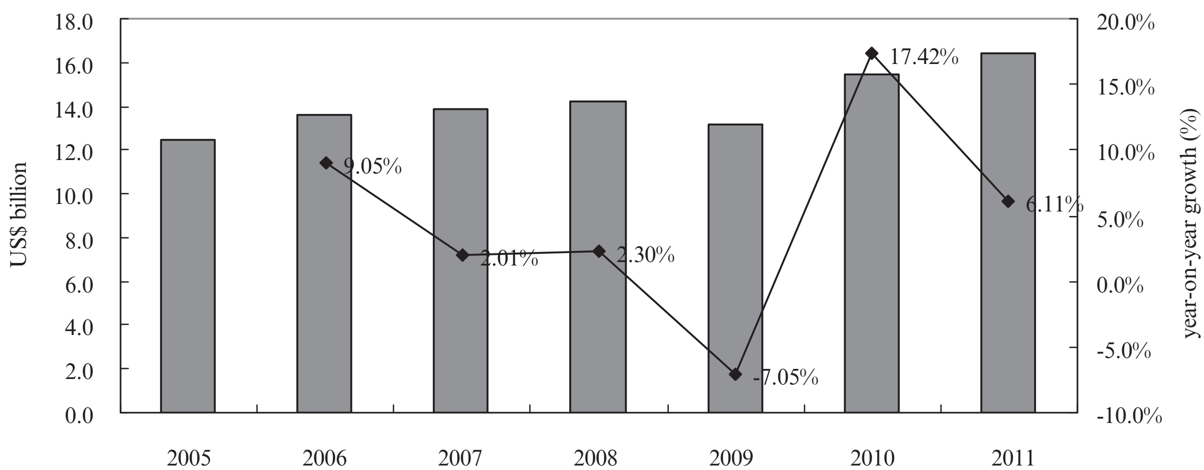
Retail sales of shoes in the U.S.



Source: Estimated Annual Sales of U.S Retail and Food Services Firms by Kind of Business: 1992 Through 2010, U.S. Census Bureau

The U.S. imported approximately US$15.5 billion and US$16.4 billion of footwear in year 2010 and 2011 respectively, representing a growth of approximately 5.8% according to U.S. Department of Commerce, Office of Textiles and Apparel. Imports of footwear decreased in 2009 due to economic recession and the CAGR of the import of footwear in the U.S. from 2005 to 2011 is approximately 4.6% which illustrated in the chart as below:

Import of footwear for consumption in the U.S.

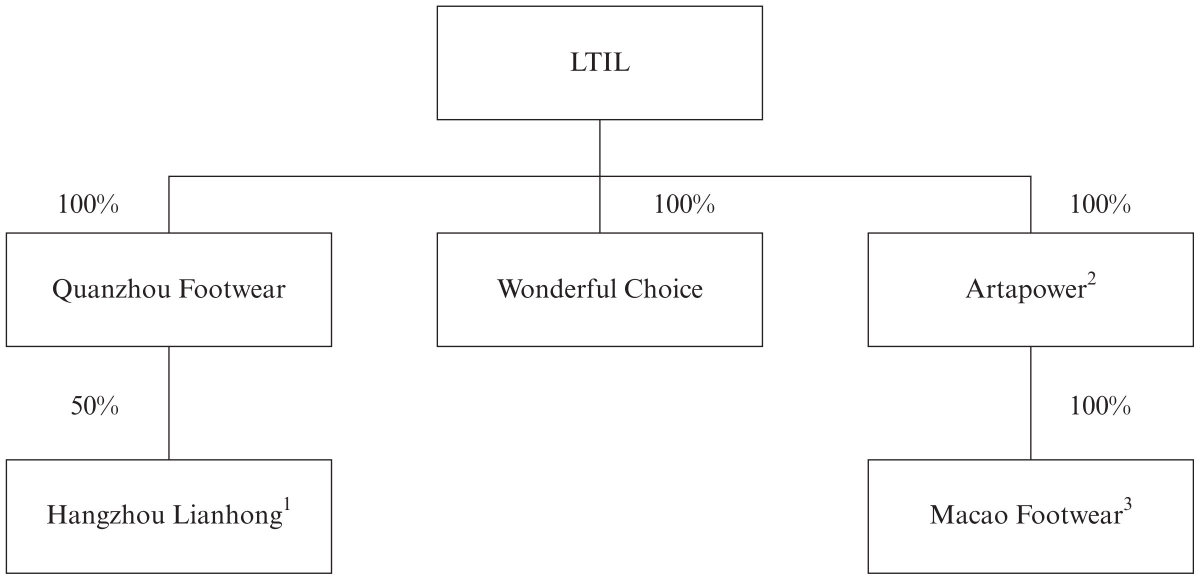


Source: U.S Imports for Consumption for Selected Products, U.S Department of Commerce, Office of Textile and Apparel, May 2012

The Target Group's footwear products are mainly sold to the U.S.

Target Group

The structure of the Target Group is depicted below:



1 *In February 2011, Quanzhou Footwear formed Hangzhou Lianhong with an Independent Third Party.*

2 *In August 2011, LTIL acquired 100% interest of Artapower.*

3 *Its business registration was granted by the government authority of Macao in April 2012.*

LTIL is an investment holding company which was incorporated on 15 September 2009 with limited liability in the British Virgin Islands ("**BVI**") and is wholly-owned by Luen Thai Enterprises. LTIL has an authorised share capital of US$50,000 divided into 50,000 shares with par value of US$1.00 each, with one share issued.

Quanzhou Footwear which was established on 9 January 1993 with limited liability in the PRC, is a wholly foreign-owned enterprise and a direct wholly-owned subsidiary of LTIL. Pursuant to the Letter from the Board, Quanzhou Footwear was established by a related company of Luen Thai Enterprises on 9 January 1993 with a registered and fully paid capital of approximately US$3,200,000 and was transferred to LTIL at the same amount of US$3,200,000. Quanzhou Footwear is the manufacturing subsidiary of the Target Group and primarily provides manufacturing services on an OEM (Original Equipment Manufacturing) basis, whereby products are manufactured in accordance with the customers' design and specifications and are marketed under customers' brands. Its production base is situated in Licheng District, Quanzhou, Fujian Province, the PRC. In 2011, Quanzhou Footwear has deployed approximately 1,000 employees with production capacity of approximately 400,000 pairs of shoes per month. For the two years ended 31 December 2011, majority of the top 10 suppliers of Quanzhou Footwear were in the PRC for the sourcing of materials including, but not limited to, leather, fabric, rubber and chemical materials.

To further enhance its production versatility, Quanzhou Footwear has established business relationship with over 10 alliance subcontractors in the PRC. We noted that over half of the turnover of the Target Group for the two years ended 31 December 2011 was related products manufactured by alliance subcontractors. Quanzhou Footwear has also provided secured debt financing of RMB3 million to a subcontractor with whom Quanzhou Footwear has intended to further cooperation relationship if an agreed minimum order has been reached. We were advised that the secured debt financing has been fully repaid by the subcontractor in May 2012 and no cooperation plan crystallises as the agreed minimum order has not been reached.

As advised by the Company, Quanzhou Footwear has strong product development capability and solid experience and to meet compliance standard as required by international brands and retailers from the U.S, Europe, South America, New Zealand, PRC, Japan, Korea and etc. It has the expertise to produce and manufacture different types of footwear. During 2011, Quanzhou Footwear expanded its product portfolio from (i) vulcanized, shoes made by vulcanizing process to bond upper and bottom units of the shoes together, to (ii) cold cement, shoes made by bonding upper and bottom units of the shoes together with polymer cements; and (iii) injection products, shoes made by single production operation to mold bottom and fasten to upper units etc.

In February 2011, Quanzhou Footwear established Hangzhou Lianhong, a 50:50 joint venture enterprise, with an Independent Third Party. Hangzhou Lianhong is principally engaged in the manufacture and sale of injection footwear products and in 2011, it had approximately 400 employees. The entire sales of Hangzhou Lianhong for the year ended 31 December 2011 were made to the Target Group.

In August 2011, LTIL acquired 100% interest of Artapower and its subsidiary, Macao Footwear. Artapower was incorporated on 22 April 2005 with limited liability in the BVI with an authorised share capital of US$50,000 divided into 50,000 ordinary shares with par value of US$1.00 each, Artapower is an investment holding company and the only asset it holds is Macao Footwear.

Macao Footwear is a direct wholly-owned subsidiary of Artapower. Macao Footwear was incorporated on 14 October 2005 with limited liability in Macao with capital of MOP$100,000. Macao Footwear was principally engaged in trading of stuff toys, gifts, bags, pet toys and infant products prior to the acquisition by LTIL in August 2011. Macao Footwear remained dormant in general after its acquisition from an Independent Third Party by LTIL but prior to the grant of its business registration by the government authority of Macao on 23 April 2012.

Artapower and Macao Footwear recorded unaudited consolidated loss after taxation of approximately HK$73,000 for the year ended 31 December 2011 and consolidated net liability of HK$73,000 as at 31 December 2011.

Wonderful Choice is currently a direct wholly-owned subsidiary of LTIL. Wonderful Choice was set up by a related company of Luen Thai Enterprises which was incorporated on 6 August 1999 with limited liability in the BVI and a set up cost of approximately HK$15,000. Wonderful Choice was transferred to LTIL at US$1. Wonderful Choice has an authorised and issued share capital of one ordinary share with par value of US$1.00. Wonderful Choice is principally engaged in the trading of footwear.

As set out in the Letter from the Board, the Target Group is led by an experienced management team, which possesses extensive knowledge in the footwear industry. Each division of the Target Group is described below:

Key Management/Division	**Responsibility**	**Years of relevant experience**
Senior vice president	head of the footwear operation, responsible for overall management of merchandising, costing, production development, quality assurance and production operation	over 25 years of experience in product development and customer services
Director of administration division	responsible for the management of finance, human resources and I.T	over 13 years of experience in financial management
Director of research & development division	responsible for footwear technical development and commercialization	over 20 years of experience in footwear product development
Assistant general manager of production division	responsible for daily factory production	over 6 years of manufacturing experience
Quality assurance manager of quality division	responsible for quality of raw materials and manufactured products	over 10 years of footwear quality assurance related experience

Based on its audited report, the combined turnover and the combined profit after taxation of LTIL, Quanzhou Footwear, Hangzhou Lianhong and Wonderful Choice was RMB351.1 million and RMB17.8 million respectively for the year ended 31 December 2010, and RMB401.7 million and RMB21.4 million respectively for the year ended 31 December 2011. The audited combined net asset value of LTIL, Quanzhou Footwear, Hangzhou Lianhong and Wonderful Choice as at 31 December 2011 was RMB31.7 million.

We are provided with an unaudited consolidated financial statement of the Target Group which is prepared based on (i) the audited combined report of LTIL, Quanzhou Footwear, Hangzhou Lianhong and Wonderful Choice, and (ii) the unaudited consolidated management account of Artapower and Macao Footwear. A summary of unaudited consolidated financial information (prepared in accordance with Hong Kong Financial Reporting Standards) in relation to the Target Group, is set out below:

Expressed in RMB'000	**For the year ended 31 December**	
	2010	**2011**
Turnover	351,138	401,667
Gross profit	53,768	55,697
Gross profit %	15.3%	13.9%
Operating expenses — net	(38,457)	(35,100)
Share of profit in a joint venture	—	146[1]
Other income	4,621	3,719
Interest expense — net	(756)	(1,355)
Profit before tax	19,174	23,108
Net profit after tax	17,755	21,345
Net profit %	5.1%	5.3%
Non-current assets	38,897.5	35,406.3
Current assets	107,913.8	159,537.3
Total assets	146,811.3	194,943.6
Non-current liabilities	—	18,585.9
Current liabilities	117,470.4	144,667.5
Total liabilities	117,470.4	163,253.4
Net assets	29,340.9	31,690.2

1. share of profit from Hangzhou Lianhong

The Target Group is principally engaged in manufacture and sale of footwear including vulcanized products, EVA (Ethylene Vinyl Acetate) products, shoes made of polymer bottom units, cold cement products, injection products and other products. For the two years ended 31 December 2011, the turnover of the Target Group amounted to approximately RMB351.1 million and RMB401.7 million respectively, with a growth rate of approximately 14.4% mainly due to the increase in orders from its existing customers and new customers in 2011. Vulcanised shoes have the highest sales amount for the year ended 31 December 2011 which accounted for more than 50% of the overall sales and contributed more than 50% of the total gross profit.

Customer portfolio of the Target Group mainly includes international apparel brands in the U.S. For the two years ended 31 December 2011, over 80% and over 75% of the total sales were from customers in the U.S respectively and sales to the top five customers accounted for more than 90% and 80% of the overall sales respectively.

The gross profit margin of the Target Group decreased from 15.3% to 13.9% for the year ended 31 December 2011 mainly due to the increase of cost of direct material used and labor. The Target Group recorded a net profit after taxation of approximately RMB17.8 million and RMB21.3 million respectively for the two years ended 31 December 2011 with a net profit growth of 19.7%, mainly due to the increase of sales and foreign exchange gain for the year ended 31 December 2011.

Other incomes of the Target Group for the two years ended 31 December 2011 mainly included non-recurrent one-off items including (i) gain (loss) on write-off of property, plant and equipment; (ii) reversal of allowance for impairment losses on trade receivables; (iii) gain (loss) on disposal of property, plant and equipment; and (iv) gain on reversal of liabilities.

As shown in the above table, net assets of the Target Group was approximately RMB31.7 million as at 31 December 2011. We are advised by the management of the Company that non-current assets represented fixed assets of approximately RMB34.7 million, which mainly were property, plant and equipment for the operation of the footwear business. We understand that the current assets of the Target Group primarily comprised of cash of approximately RMB25.2 million and trade receivables and other receivables of RMB102.8 million. As advised by the Company, approximately 96.7% of the account receivables has been subsequently settled. We also note that non-current liabilities were unsecured bank loans of approximately RMB18.6 million. We are further advised by the management of the Company that current liabilities primarily comprised of unsecured bank loans of approximately RMB25.8 million, dividends payable of approximately RMB12.7 million and accounts payable and accrued expenses of approximately RMB91.2 million.

The current ratio (calculated by dividing current assets over current liabilities) for the year ended 31 December 2011 was approximately 1.1 times while debtors' turnover days (calculated by dividing trade receivables of RMB98.2 million over turnover of RMB401.7 million then multiplied by 365 days) and creditors' turnover days (calculated by dividing trade payables of RMB79.8 million over cost of goods sold of RMB346 million then multiplied by 365 days) were approximately 89 days and 84 days respectively. The gearing ratio (calculated by dividing interest bearing debts over total assets) for the year ended 31 December 2011 was approximately 22.8% (total interest bearing borrowings of RMB44.4 million over total assets of RMB194.9 million multiplied by 100%).

Based on its latest unaudited consolidated management account, the Target Group has maintained a sustainable operating scale and profitability as compared to 2011. The consolidated net asset value of the Target Group as at 30 April 2012 was approximately RMB33.6 million.

Given the foregoing market overview, the Directors consider that the market of footwear is favourable to the Group's development strategy into different product bases and the Acquisition will therefore further expand and diversify the income source of the Group.

2. Rationale behind the Acquisition and benefits to the Group

As stated in the 2011 Annual Report, with the slowdown of the economic growth in the U.S. and the sovereign debt crisis within the euro zone, the Group managed to record revenue and profit attributable to owners of the Company of US$956.5 million and US$34.3 million respectively. The Group's revenue from the U.S. and Europe accounted for over 75.3% of its aggregate revenue, whilst revenue from garment products accounted for approximately 78.3% of its revenue in 2011. The Group's cash and bank balance as at 31 December 2011 was approximately US$138.8 million. The principal business of the Group does not include shoes and shoes related products and most of the Group's employees are with garment related expertise.

As set out in the Letter from the Board, the Acquisition can further widen the Group's product range on consumer products manufacturing, enhance the cross selling opportunities, enlarge its customer base and leverage the Group's current customers' relationship in apparel business to develop new footwear business. According to 2011 Annual Report, the Group will focus on OEM manufacturing business and shall continue to look for acquisition targets not only in garment related industries but also on manufacturing of other consumer products industry to diversify its production bases.

Before the Acquisition, the Group principally engaged in the manufacture and trading of garment and laptop and luxury bags and the provision of freight forwarding and logistics services. Upon Completion, the Company will indirectly hold the shareholding interest in the Target Group. In the past years, the Group went through acquisition and joint ventures to strengthen its capabilities and competitiveness. In accordance with 2011 Annual Report, the Group will focus on its OEM manufacturing business and continue to look for acquisition opportunities of other consumer products to broaden its product base. The Directors consider the Acquisition is in line with the Group's strategy.

We have discussed the initial development with the Group in relation to the footwear business (the "Development"). Pursuant to the Development Plan, the key management of the Target Group as abovementioned will retain to be the core team of the Target Group after the Acquisition and will be responsible for the day-to-day management of Quanzhou Footwear.

We understand the Development is summarised as follow:

- the Group will adopt its lean reengineering strategy in production of the Target Group;
- cross selling footwear products to the Group's apparel customers including, but not limited to, large U.S. department store and brands; and
- increase production capacities of the footwear business outside China.

We have discussed and understood from the management of the Company that the Directors believe (i) the Group can leverage on the current business relationship with its apparel customers to develop new business for footwear; (ii) lean reengineering strategy can reduce operating costs and improve production efficiency of the Target Group, i.e. in accordance with 2011 Annual Report, through lean reengineering implementation, the efficiency of the accessories division of the Group has been improved; and (iii) production outside of the PRC to contain operating cost and reduces the reliance on alliance subcontractors. The Directors therefore consider such diversification to other consumer products is in line with the Group's strategic direction and believe the benefits should outweigh the costs of entering into footwear business as the diversion of resources should be minimal.

Having considered that (i) the Acquisition is in line with the business strategy of the Group; (ii) the benefits of business diversification outweigh the cost of entering into a new business; and (iii) the Acquisition enables the Group to enjoy future return from the footwear sector and reduce product concentration risk in long term, we concur with the Directors that there is a commercial justification for the Company to enter into the Sale and Purchase Agreement.

3. *Terms of the Sale and Purchase Agreement*

On 30 May 2012, Luen Thai Overseas Limited entered into the Sale and Purchase Agreement with Luen Thai Enterprises to acquire the Sale Share, being the entire issued and paid-up share capital of LTIL. Upon Completion, LTIL will become an indirect wholly-owned subsidiary of the Company.

Basis of Consideration

Pursuant to the Sale and Purchase Agreement, the Company will acquire the entire issued share capital of LTIL at the consideration of approximately RMB88.1 million. As disclosed in the Letter from the Board, the Consideration was arrived at after arm's length negotiations between the parties to the Sale and Purchase

Agreement, which was determined based on 4.5 times of average audited combined net profit after tax of LTIL, Quanzhou Footwear, Hangzhou Lianhong and Wonderful Choice for the two years ended 31 December 2011.

In assessing the fairness and reasonableness of the Consideration, reference is made to nine companies (the "**Comparables**") which (i) are listed on Main Board of the Stock Exchange; (ii) are principally engaged in business similar to that of the Target Group, including but not limited to the manufacturing and retail and wholesale sales of footwear business; and (iii) had 80% or above total revenue derived from manufacturing and sales of footwear products based on the Comparables' annual reports. It should, however, be noted that given their market capitalization and latest audited net asset values, the Comparables, in terms of size, may not be directly comparable to the Target Group, and hence the result of our comparison below could only provide a general reference when assessing the fairness of the Consideration. Shareholders should also note that the business, operation and prospect of the Target Group are not exactly the same as the Comparables. Set out below is summary statistic of the Comparables.

Company (stock code)	**Principal business**	**Market capitalisation as at 30 May 2012**	**Net asset value**[1]	**PE Ratio**	**P/B Ratio**
		HK$'million	*HK$'million*	*times*	*times*
Active Group Holdings Limited (1096)	Manufacture and sales of casual footwear on OEM basis	1,308.0	659.8	9.5	2.0
C. banner International Holdings Limited (1028)	manufacture and sale of branded fashion footwear	4,600.0	1,727.0	12.9	2.7
Pegasus International Holdings Ltd. (676)	manufacture and sales of footwear	884.2	416.8	N/A[2]	2.1
Baofeng Modern International Holdings Company Limited (1121)	manufacture and trade of slippers on self-owned brands and OEM basis	1,244.7	1,127.1	6.3	1.1

Company (stock code)	Principal business	Market capitalisation as at 30 May 2012 *HK$'million*	Net asset value[1] *HK$'million*	PE Ratio *times*	P/B Ratio *times*
Kingmaker Footwear Holdings Ltd. (1170)	(1) manufacture and sale of footwear products; and (2) retailing and wholesaling business	841.9	949.6	6.9	0.9
Yue Yuen Industrial (Holdings) Ltd. (551)	(1) manufacture and sale of footwear products; and (2) retail and distribution of sportswear products	42,459.9	32,032.0	12.1	1.3
Ares Asia Limited (645)	manufacture of athletic and sports leisure footwear products	228.2	286.3	36.7	0.8
Symphony Holdings Limited (1223)	(1) manufacture of footwear; (2) retailing and sourcing; and (3) property investment	444.73	1,883.2	12.6	0.2

Company (stock code)	Principal business	Market capitalisation as at 30 May 2012	Net asset value[1]	PE Ratio	P/B Ratio
		HK$'million	*HK$'million*	*times*	*times*
Stella International Holdings Ltd. (1836)	(1) manufacture of footwear; and (2) retailing and wholesaling	16,284.8	6,723.6	14.6	2.4
			Minimum:	6.3	0.2
			Maximum:	36.7	2.7
			Mean:	14.0	1.4
			Median:	12.4	1.2
Target Group	manufacturing and sales of footwear	108.4[3]	39.0[4]	4.1	2.8

1. *The net asset value is derived from the latest published financial statements*

2. *Pegasus International Holdings Ltd. incurred a loss for the financial year ended 31 December 2011*

3. *The Consideration of approximately RMB88.1 million (equivalent to approximately HK$108.4 million)*

4. *The unaudited consolidated net asset value of the Target Group as at 31 December 2011 was approximately RMB31.7 million (equivalent to approximately HK$39.0 million)*

Source: http://www.hkexnews.hk/

Price-to-earnings ratio

We have applied the price-to-earnings ratio (the "**PE Ratio**") approach, which we considered the most appropriate approach to value the Target Group, and to make comparison with the Consideration. Pursuant to the Letter from the Board, the basis of the Consideration of using 4.5 times was made in reference with the relevant listed companies in Hong Kong which are principally engaged in the business of manufacturing and sale of footwear, and after discounting the PE Ratio as a non-listed company. We considered it is generally not uncommon to apply an average of 20–30% discount based on academic publications to listed companies when valuing unlisted companies.

As abovementioned, the Target Group recorded other income, which are considered non-recurrent and one-off in nature, amounting to approximately RMB4.6 million and RMB3.7 million for the two years ended 31 December 2011 respectively. After adjustments are made to exclude their financial impact, we noted that the PE Ratio of the Target Group increases to 5.0 times, which also falls below the lowest end of the PE Ratio of the Comparables.

If discount of 25% adjusted to the PE Ratio of the Comparables which falls into the range will be between 4.7 times and 27.5 times, which the PE Ratio of the Target Group falls below the lowest end of the PE Ratio of the Comparables.

Price-to-book ratio

In addition to the PE Ratio approach, we have assessed the fairness and reasonableness of the Consideration by reference to the price-to-book ratio (the "**P/B Ratio**") approach. Upon comparison, the P/B Ratio of the Comparables fall into the range between 0.2 times and 2.7 times which the P/B Ratio of the Target Group of 2.8 times slightly exceeds the highest end of the range of the P/B Ratio of the Comparables. If discount of 25% applied to the P/B Ratio of the Comparables which will fall into the range between 0.2 times and 2.0 times, therefore the P/B Ratio of the Target Group exceeds the highest end of the range of the P/B Ratio of the Comparables.

The PRC Properties is valued at RMB49 million based on the valuation report as set out in Appendix I to the Circular. We considered the valuation surplus arisen from the PRC Properties, in the amount of approximately RMB27.1 million based on the information from the Company, should be included in the calculation of P/B Ratio in order to give a more complete assessment of the Consideration under P/B Ratio approach.

Valuation of the PRC Properties

The PRC Properties comprised eight buildings. As part of our due diligence process, we have discussed with CBRE HK Limited, an independent property valuer (the "**Independent Valuer**") and noted that a direct comparison approach by making reference to comparable sales evidence as available in the relevant market as the valuation basis is adopted. As discussed with the Independent Valuer, we were advised that the comparable sales evidences include three properties of sale transactions in Quanzhou (the "**Comparable Transactions**") in January 2012. Further, direct comparison approach is the most commonly used method of valuation which provides the accurate and reliable conclusion where good market evidence is available. The valuation of the PRC Properties was arrived by taking into account the average unit selling price per square meter of the Comparable Transactions with adjustments for the differences between subject property and the comparables for the factors including time, location, building age/conditions, building size, ceiling height, etc, which we considered common adjustments to valuation.

After adjustment of valuation surplus of approximately RMB27.1 million to the net asset value of the Target Group as at 31 December 2011, the P/B Ratio of the Target Group decreases to 1.5 times, which falls within the range of the P/B Ratio of the Comparables. In addition, after adjustment with the valuation surplus and if discount of 25% applied to the P/B Ratio of the Comparables, the P/B Ratio of the Target Group will fall within the range of the P/B Ratio of the Comparables.

Pursuant to the Letter from the Board, the unaudited consolidated net asset value of the Target Group as at 30 April 2012 was approximately RMB33.6 million. The P/B Ratio represented by the Consideration and the unaudited consolidated net asset value of the Target Group as at 30 April 2012 is therefore approximately 2.6 times, which falls within the range but above the mean and at the high end of the P/B Ratio of the Comparables.

We noted the P/B Ratio represented by the unaudited consolidated net asset value as at 31 December 2011 of the Target Group exceeds the high end of the range of the Comparables. However, having considered (i) the PE Ratio of the Target Group is below the range of the Comparables; (ii) the PE Ratio of the Target Group, after adjustment with one-off non-recurrent income as at 31 December 2011, is below the lowest end of the PE Ratio of the Comparables; (iii) the PE Ratio of the Target Group, after adjustment with the discount of 25%, will be below the lowest end of the PE Ratio of the Comparables respectively; (iv) the P/B Ratio of the audited combined net asset value as at 31 December 2011 of the Target Group, after adjustment with the valuation surplus, is within the range of the Comparables; (v) the P/B Ratio of the Target Group, after adjustment with the valuation surplus and the discount of 25%, will be within the range of the Comparables; and (vi) the P/B Ratio represented by the latest unaudited consolidated net asset value as at 30 April 2012 of the Target Group is within the range of the Comparables, we consider that the level of Consideration is fair and reasonable as far as the Company and Independent Shareholders are concerned.

Payment of the Consideration

The Consideration shall be payable by the Purchaser, Luen Thai Overseas Limited to the Vendor, Luen Thai Enterprises in whole within thirty (30) days after Completion. We are of the view that the payment terms of the Sale and Purchase Agreement are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole.

4. Financial effects of the Acquisition

Upon Completion, LTIL will become an indirect wholly-owned subsidiary of the Company. The financial results of Target Group will be consolidated into the accounts of the Group. The possible financial effects of the Acquisition upon Completion are set out below:

Earnings

As set out in 2011 Annual Report, the Group recorded profit for the year of approximately US$37.7 million (equivalent to approximately RMB239.0 million) for the year ended 31 December 2011. Meanwhile, the Target Group recorded unaudited consolidated profit after tax of approximately RMB21.3 million (equivalent to approximately US$3.4 million) for the year ended 31 December 2011. Assuming the Acquisition is completed for the year ended 31 December 2011, it is expected to have a slight positive impact on earnings of the Group.

Cashflow

As set out in the Letter from the Board, the Consideration is payable in full in cash upon Completion. As at 31 December 2011, the Group had cash and cash equivalents of approximately US$138.8 million, the Consideration (equivalent to approximately US$13.95 million) represents approximately 10.1% of the cash and cash equivalents of the Group. Therefore we concur with the view of the Directors that the Group has sufficient financial resources to satisfy the payment of the Consideration and the cash position of the Group would decrease by the same amount of the Consideration.

Net Asset Value

Based on 2011 Annual Report, the audited consolidated net assets attributable to equity holders of the Company were approximately US$317.2 million. Meanwhile, the Target Group recorded unaudited consolidated net asset value of approximately RMB31.7 million (equivalent to approximately US$5.0 million) as at 31 December 2011. A goodwill or intangible asset of approximately RMB29.1 million (equivalent to approximately US$4.6 million) will be recorded upon Completion. Assuming the Acquisition is completed on 31 December 2011 and the fair value of goodwill and other net assets in relation to the Target Group will not be impaired, no material adverse impact against the net assets value of the Group is expected.

Based on the above and assuming the Sale and Purchase Agreement was completed in the year ended 31 December 2011, we are of the view that the Acquisition will have slight positive effect on the Group's earnings and a decrease in cashflow, while no material adverse impact on net asset is expected as a result of the Acquisition.

5. *Recommendation*

Based on the abovementioned principal factors, we consider that the entering into of the Sale and Purchase Agreement is in the ordinary and usual course of business of the Group, and the terms of the Sale and 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 Sale and 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 Sale and Purchase Agreement at the EGM.

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

The following is the text of a letter and a valuation certificate prepared for the purpose of incorporation in this circular received from CBRE HK Limited, an independent valuer, in connection with their valuation as at 31 March 2012 of our property interests.

CBRE

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Our Reference: V/F12-008/ALE/JOZ

20 June 2012

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

Dear Sirs,

**Re: Valuation of Property held by Luen Thai Footwear Co., Ltd.
in Quanzhou City, Fujian Province
The People's Republic of China**

We refer to instruction from Luen Thai Holdings Limited (hereinafter referred to as the "Company") for us to carry out a valuation of the captioned property interests in Quanzhou for the purpose of inclusive our valuation in a public circular document, with details stated in the certificate attached. 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 market value of the property as at 31 March 2012.

Valuation Basis, Assumptions and Methodology

Our valuation is prepared in accordance with the "First Edition of The HKIS Valuation Standards on Properties" published by The Hong Kong Institute of Surveyors ("HKIS") and Royal Institution of Chartered Surveyors (RICS) Valuation Standards. We have complied with all the requirements contained in Paragraph 34 (2) and (3), Schedule 3 of the Companies Ordinance (Cap. 32), Chapter 5, Practice Note 12 of the Rules Governing 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 Valuation Standards on Properties 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."

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 its value.

We have valued the property interests in existing state. We have adopted the direct comparison approach by making reference to comparables as available in the relevant market. The valuation of the property was arrived by taking into account the differences between the subject property and the comparables for the factors including time, location, building age/conditions, building size, ceiling height, etc. 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.

In forming our value to the property, we have relied on the legal opinion provided by the Company's legal advisor, namely Fujian Entire Justice Law Office, confirming the legal title of the property. 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 People's Republic of China (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 no reason to doubt the truth and accuracy of information provided to us by the Company's legal advisor.

When valuing the property, we have further assumed that all compensation costs, land grant premium, infrastructure costs, and expenses otherwise payable in respect of the grant of the property have been fully settled.

Source of Information

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, in particular, but not limited to tenure, statutory notices, easements, planning approvals, dates of completion, site and floor areas, tenancies, and all other relevant matters. 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 an internal inspection of the property to such extent as we consider necessary for the purpose of the valuation. The inspection was carried out in February 2012 by our valuer Mr Johnny Zhong a member of China Institute of Real Estate Appraisers and Agents (MCIREA). We advise that we have not carried out a structural survey nor tested any of the services or facilities and are therefore unable to state that these are free from defect. We advise that we have not inspected unexposed or inaccessible portions of the buildings and are therefore unable to state that these are free from rot, infestation, asbestos or other hazardous material. We have, however, viewed the general state of repair of the property and advised that we did not notice any obvious signs of structural defect or dilapidations.

Furthermore, the property appears to be in reasonable condition having regard to its age and use unless otherwise stated. Our valuation assumes that a detailed report of the structure and service installations of the buildings would not reveal any defects requiring significant expenditure. Additionally, we assume that the buildings comply with all relevant statutory requirements in respect of matters such as health, building and fire safety regulations.

We have not carried out investigation on the site to determine the suitability of the ground conditions and the services for any the existing/future developments. We have not undertaken archaeological, ecological or environmental surveys. This report also does not make any result of the past usage. Our valuation is on the basis that these aspects are satisfactory 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
CBRE HK Limited

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

Note: Mr. Leung is a Registered Professional Surveyor (General Practice), a member of Hong Kong Institute of Surveyors, a member of Royal Institution of Chartered Surveyors. He has over 16 years experience in valuation of properties in the PRC and Hong Kong.

VALUATION CERTIFICATE

Property	Description and tenure	Details of occupancy	Capital value as at 31 March 2012
Property held by Luen Thai Footwear Co., Ltd. in Lots A and B, Xingxian Road, Xiazhou Village, Fuqiao Town, Licheng District, Quanzhou City, Fujian Province, the PRC The property is located in the outskirts of the downtown. It is surrounded by rural and high-rise residential buildings. It is close to the Government of Licheng District. G324 National Highway and Quansan Highway run through the area.	The property comprises various portions in eight buildings which are erected on two sites with a total land area of approximately 28,980.35 sq m. The area breakdown of the subject buildings is as below: **Building** — **Approximate GFA** *(Sq m)* 3-storey workshop — 10,947.17 5-storey office and warehouse — 4,514.82 Two 5-storey Warehouses — 9,053.24 2-storey office — 1,199.80 2-storey boiler room — 803.30 Majority portion of a 7-storey dormitory building — 5,917.05 Minority portion of another 7-storey dormitory building — 1,523.62 **Total:** — **33,959.00** As advised, the buildings were completed between 1995 and 2002. The subject sites are held under State-owned Land Use Rights Certificates for industrial uses with a land use term which expires on 30 May 2043.	As advised, with the exception of portions of the two dormitory buildings, the property was owner occupied for production. The leased portions in the two dormitory buildings, with a total GFA of about 582.5 sq m, were let on short term basis at a total monthly rent of RMB9,790. The latest expiry date of the lease is 13 December 2012.	RMB49,000,000 (RENMINBI FORTY NINE MILLION)

Notes:

i. The subject sites were granted to Luen Thai Footwear Co., Ltd. (聯泰(泉州)輕工有限公司) as two lands via State-owned Land Use Rights Certificates Nos. Quan Guo Yong (2001) 100105 and 100106 dated 25 September 2001. Further to the rectification of the land boundary, two new State-owned Land Rights Certificates have been issued to Luen Thai Footwear Co., Ltd., as following:

Lot No. and Address:	Lot A, Xingxian Road, Xiazhou Village, Fuqiao Town, Licheng District, Quanzhou City
Certificated No:	Quan Guo Yong (2012) #100035 泉國用(2012)第100035號
Date:	12 April 2012
Site Area:	4,693.5 sq m
Uses:	Industrial
Land Use Term Expiry:	30 May 2043

Lot No. and Address:	Lot B, Xingxian Road, Xiazhou Village, Fuqiao Town, Licheng District, Quanzhou City
Certificated No:	Quan Guo Yong (2012) #100036 泉國用(2012)第100036號
Date:	12 April 2012
Site Area:	24,286.85 sq m
Uses:	Industrial
Land Use Term Expiry:	30 May 2043

ii. Pursuant to the following Real Estate Title Certificates issued by Quanzhou Municipal Real Estate Administrative Bureau, the building ownership of the eight buildings, excluding the portions that had been sold to various third parties, is hold by Luen Thai Footwear Co., Ltd.

Real Estate Title Certificates Number	**Date of Issuance**	**Approximate Gross Floor Area** *(sq m)*
Quan Fang Quan Zheng Li Zi No.61876	7 December 2004	10,947.17
Quan Fang Quan Zheng Li Zi No. 61875	7 December 2004	1,199.80
Quan Fang Quan Zheng Li Zi No.61877	7 December 2004	803.30
Quan Fang Quan Zheng Li Zi Nos. 64338/64341	24 August 2005	7,359.53#
Quan Fang Quan Zheng Li Zi Nos. 64339/64340	24 August 2005	7,051.38#
Quan Fang Quan Zheng Li Zi No. 64336	24 August 2005	4,526.62
Quan Fang Quan Zheng Li Zi No. 64337	24 August 2005	4,526.62
Quan Fang Quan Zheng Li Zi No. 64342	24 August 2005	4,514.82
	Sub-Total:	**40,929.24**
Less: Portions in two dormitory buildings being sold		(6,970.24)
		33,959.00

#*Note: areas under the certificates include portions being sold to third parties.*

iii. We have been provided with the PRC legal opinion on the property prepared by the Company's legal advisor, which contains, inter alia, the following information:

a) Luen Thai Footwear Co., Ltd. has been granted with the relevant Building Ownership and Land Use Rights Certificates.

b) The property interests are protected under the PRC laws and the owner is free to sell or lease the properties.

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 pursuant to (a) 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) Section 352 of the SFO, to be entered in the register referred to therein; or (c) the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Long positions in the shares:

Name of Director	Capacity	Number of ordinary shares	Approximate percentage of interest in Company
Tan Siu Lin	Trustee *(Note 1)*	6,500,000	0.65%
	Interest of controlled corporation *(Note 1)*	26,300,000	2.64%
Tan Henry	Interest of controlled corporation *(Note 2)*	678,211,000	67.96%
Tan Cho Lung, Raymond	Beneficial owner *(Note 3)*	1,703,000	0.17%

Name of Director	Capacity	Number of ordinary shares	Approximate percentage of interest in Company
Tan Sunny	Beneficial owner *(Note 4)*	322,000	0.03%
Mok Siu Wan, Anne	Beneficial owner *(Note 5)*	2,000,000	0.20%

Notes:

1. Dr. Tan Siu Lin, a Director, as a trustee indirectly controls the entire issued capital of Wincare International Company Limited, which in turn holds directly 6,500,000 shares of the Company. Dr. Tan Siu Lin also controls and is a subscriber and founding member of Tan Siu Lin Foundation Limited, which in turn owns directly 26,300,000 shares of the Company.

2. Mr. Tan Henry, a Director, 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 of the Company and 17,100,000 shares of the Company respectively.

   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, 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 3,211,000 shares of the Company.

3. A total of 1,703,000 shares of the Company were acquired by an associate of Mr. Tan Cho Lung, Raymond. 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.

4. Mr. Tan Sunny acquired a total of 322,000 shares of the Company.

5. Ms. Mok Siu Wan, Anne has 2,000,000 share options granted by the Company in April 2008 and she exercised 500,000 share options in April 2012.

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

Name of Director	Name of associated corporation	Capacity	Number of ordinary shares	Approximate percentage of attributable interest in corporation
Tan Henry	Helmsley *(Note 1)*	Beneficial owner *(Note 4)*	3,500	70%
	Capital Glory Limited *(Note 2)*	Interest of controlled corporation *(Note 4)*	1	100%
	Justintime Development Limited *(Note 5)*	Beneficial owner *(Note 4)*	1	100%
	Tripletrio International Limited *(Note 3)*	Interest of controlled corporation *(Note 4)*	42,500	100%
	Newtex International Limited *(Note 3)*	Interest of controlled corporation *(Note 4)*	2	100%
	Torpedo Management Limited *(Note 3)*	Interest of controlled corporation *(Note 4)*	1	100%
	Integrated Solutions Technology Inc. *(a Cayman Islands corporation)* *(Note 3)*	Interest of controlled corporation *(Note 4)*	1	100%
	Eldex Del Golfo, SA de CV *(Note 3)*	Interest of controlled corporation *(Note 4)*	11,819	100%
	Servicios Textiles Mexicanos, SA *(Note 3)*	Interest of controlled corporation *(Note 4)*	50	100%
	Hanium Industries Limited *(Note 3)*	Interest of controlled corporation *(Note 4)*	1	100%
	Integrated Solutions Technology Inc. *(a HK corporation)* *(Note 3)*	Interest of controlled corporation *(Note 4)*	2	100%

Name of Director	Name of associated corporation	Capacity	Number of ordinary shares	Approximate percentage of attributable interest in corporation
	Integrated Solutions Technology Inc. *(a BVI corporation)* *(Note 3)*	Interest of controlled corporation *(Note 4)*	1	100%
	Integrated Solutions Technology Inc. *(a Philippines corporation)* *(Note 3)*	Interest of controlled corporation *(Note 4)*	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 *(Notes 1 and 2)*	Beneficial owner	614,250,000	61.55%
Helmsley Enterprises Limited *(Notes 1 and 2)*	Interest of controlled corporation	631,350,000	63.26%

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 Dr. 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. COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors and their respective associates had any interests in any business which competes or is likely to compete, either directly or indirectly, with the Group's business.

Save for the material interests of Dr. Tan Siu Lin, Mr. Tan Henry, Mr. Tan Willie, Mr. Tan Cho Lung, Raymond and Mr. Tan Sunny in the transactions contemplated under the Sale and Purchase Agreement 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 2011, 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 is the qualification of the experts who have made statement in this circular:

Name	Qualification
Partners Capital International Limited ("**Partners Capital**")	A corporation licensed to carry out regulated activities type 1 (dealing in securities) and type 6 (advising on corporate finance) under the SFO
CBRE HK Limited ("**CBRE**")	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 20 June 2012 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 2011, 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 2011, being the date to which the latest published audited financial statements of the Group was made up.

8. MISCELLANEOUS

The English text of this circular shall prevail over the Chinese text, in case of any inconsistency.

9. DOCUMENTS AVAILABLE FOR INSPECTION

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

(a) the letter from the Board, the text of which is set out on pages 4 to 11 of this circular;

(b) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 12 to 13 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 14 to 31 of this circular;

(d) the valuation report prepared by CBRE, the text of which is set out on pages 32 to 37 of this circular; and

(e) the Sale and Purchase Agreement.

LUEN THAI HOLDINGS LIMITED

(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 **9 July 2012 Monday** at **9 a.m.**, or any adjournment thereof, for the purpose of considering and, if thought fit, passing (with or without amendments) the following ordinary resolution of the Company:

"**THAT:**

(a) the Sale and Purchase Agreement dated 30 May 2012 ("**Sale and Purchase Agreement**") entered into between Luen Thai Enterprises Limited as the vendor and Luen Thai Overseas Limited as the purchaser in relation to the acquisition of the entire interest in Luen Thai Industrial Company Limited, the terms of the Sale and Purchase Agreement and all the transactions contemplated thereunder 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, or the transactions contemplated by the Sale and Purchase 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, 20 June 2012

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.

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, 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 and 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

Non-executive Directors:
Tan Willie
Lu Chin Chu

Independent Non-executive Directors:
Chan Henry
Cheung Siu Kee
Seing Nea Yie

Website: www.luenthai.com