
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.

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



DISCLOSEABLE AND CONNECTED TRANSACTION

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DEFINITIONS

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

“Acquired Company”	Partner Joy Group Limited, a private company incorporated under the laws of the British Virgin Islands;
“Acquired Group”	the Acquired Company and its subsidiaries;
“Agreed Value of the Assets”	US\$1,410,000 (which represents the aggregate market value of the machineries owned by the Acquired Company which were negotiated on an arm’s length basis between the Purchaser and the Vendor) less depreciation and amortisation for the period commencing from 3 May 2005, being the date of the Sale and Purchase Agreement, up to and including 18 July 2007, being the date on which the Purchaser exercised the Call Option, as may be shown on the management accounts of the same period;
“Assets”	being certain machineries owned by the Acquired Company which had an aggregate value of US\$1,410,000 at the time of the Sale and Purchase Transaction;
“associated company”	shall have the same meaning as ascribed to it in Part XV of the SFO;
“Board”	the board of directors of the Company;
“Call Option”	a call option granted by the Vendor to the Purchaser under the Shareholders’ Agreement, in respect of the purchase of the Option Shares;
“Circular”	the circular as set out herein;
“Company”	Luen Thai Holdings Limited, the shares of which are listed on the Stock Exchange;
“Completion”	completion of the sale and purchase of the Option Shares in accordance with terms and conditions under the Shareholders’ Agreement;
“connected person”	shall have the meaning as ascribed to it under the Listing Rules;
“Directors”	directors of the Company for the time being;

DEFINITIONS

“Enlarged Group”	the Group and an additional 19% equity interest of the Acquired Company to be acquired pursuant to the Shareholders’ Agreement;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Independent Board Committee”	an independent committee of the Board, comprising Mr. Henry Chan, Mr. Cheung Siu Kee and Mr. Seing Nea Yie, being the independent non-executive directors of the Company;
“Independent Financial Adviser”	Partners Capital International Limited
“independent shareholders”	shall have the meaning as ascribed to it under the Listing Rules;
“Latest Practicable Date”	24 August 2007;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Mr. Chan”	Mr. Chan Tim Shing
“Mr. Sammy Wong”	Mr. Wong Chung Ping, Sammy
“Mr. Wallace Wong”	Mr. Wong Che Ping, Wallace
“Novelwill”	Novelwill International Limited, a company incorporated in the British Virgin Islands and wholly-owned by Mr. Wallace Wong;
“Novelwill Call Option”	a call option granted by Novelwill to the Purchaser under the Shareholders’ Agreement, in respect of the purchase of the Novelwill Option Shares;
“Novelwill Option Shares”	the 50 Shares to be purchased or sold by the Purchaser or Novelwill (as the case may be) representing a 5% interest in the issued share capital of the Acquired Company;
“Novelwill Put Option”	a put option granted by the Purchaser to Novelwill under the Shareholders’ Agreement, in respect of the sale of the Novelwill Option Shares;

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“Options”	the Call Option, the Put Option, the Novelwill Call Option, the Novelwill Put Option, the Trumpinvest Call Option and the Trumpinvest Put Option;
“Option Shares”	the 190 Shares to be purchased by the Purchaser and sold by the Vendor representing a 19% interest in the issued share capital of the Acquired Company;
“Option Price”	the exercise price to be determined, and paid by the Purchaser for the Option Shares, the Novelwill Call Option, the Novelwill Put Option, the Trumpinvest Call Option and the Trumpinvest Put Option (as the case may be), in accordance with the terms and conditions of the Shareholders’ Agreement;
“Purchaser”	Fortune Investment Overseas Limited, a company incorporated under the laws of the British Virgin Islands and a wholly-owned subsidiary of the Company;
“Put Option”	a put option granted by the Purchaser to the Vendor under the Shareholders’ Agreement, in respect of the sale of the Option Shares;
“Sale and Purchase Agreement”	a sale and purchase agreement dated 3 May 2005 entered into between the Vendor, the Purchaser, Tien-Hu Enterprise Limited (as warrantor) and Luen Thai Overseas Limited (as guarantor);
“Sale and Purchase Transaction”	the acquisition of 71% interest in the issued share capital of the Acquired Company by the Purchaser from the Vendor pursuant and subject to the terms of the Sale and Purchase Agreement;
“SFO”	the Securities and Future Ordinance, Cap. 571 of the Laws of Hong Kong;
“Share” or “Shares”	a share (or shares) of US\$1.00 each in the capital of the Acquired Company;
“Shareholders”	the shareholders of the Company;
“Shareholders’ Agreement”	a shareholders’ agreement dated 3 May 2005 entered into between the Vendor, the Purchaser, the Acquired Company, Trumpinvest and Novelwill;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;

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“Transaction”	the acquisition of a 19% interest in the issued capital of the Acquired Company;
“Trumpinvest”	Trumpinvest Holdings Limited, a company incorporated in the British Virgin Islands and wholly-owned by Mr. Sammy Wong;
“Trumpinvest Call Option”	a call option granted by Trumpinvest to the Purchaser under the Shareholders’ Agreement, in respect of the purchase of the Trumpinvest Option Shares;
“Trumpinvest Option Shares”	the 50 Shares to be purchased or sold by the Purchaser or Trumpinvest (as the case may be) representing a 5% interest in the issued share capital of the Acquired Company; and
“Trumpinvest Put Option”	a put option granted by the Purchaser to Trumpinvest under the Shareholders’ Agreement, in respect of the sale of the Trumpinvest Option Shares;
“US\$”	United States dollars, the lawful currency of the United States of America;
“Vendor”	New Trillion Consultants Limited, a company incorporated under the laws of the British Virgin Islands; and
“2005 Announcement”	the Company’s announcement dated 4 May 2005.

LETTER FROM THE BOARD



LUEN THAI HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 311)

Executive Directors:

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

Non-executive Director:

Mr. Tan Willie

Independent non-executive Directors:

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

Registered Office:

Cricket Square
Hutchins Drive, P.O. Box 2681
Grand Cayman
KY1-111 Cayman Islands

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

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

Hong Kong, 24 August 2007

To the Shareholders

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION

INTRODUCTION

As stated in the announcement of the Company dated 7 August 2007, the Purchaser, a wholly-owned subsidiary of the Company, exercised in full its rights in relation to the Call Option to require the Vendor to sell and transfer the Option Shares, already defined as such pursuant and subject to the terms of the Shareholders' Agreement, in consideration of HK\$1,000 (which includes the consideration for the granting of both the Novelwill Call Option and the Trumpinvest Call Option). The Option Price in respect of the Call Option, which amounts to approximately US\$5,905,000, shall be funded by the internal resources of the Group and paid by the Purchaser in full on Completion. Upon Completion, the Acquired Company will become a 90% owned subsidiary of the Company.

The purpose of this Circular is to provide you with details regarding, among other things, the Transaction.

LETTER FROM THE BOARD

EXERCISE OF THE OPTION SHARES

Date of exercise : 18 July 2007

Parties : (1) The Vendor

(2) The Purchaser

The Purchaser has exercised in full its rights in relation to the Call Option to require the Vendor to sell and transfer the Option Shares representing a 19% interest in the issued share capital of the Acquired Company, pursuant and subject to the terms of the Shareholders' Agreement, in consideration of HK\$1,000 (which includes the consideration for the granting of both the Novelwill Call Option and the Trumpinvest Call Option). As disclosed in the 2005 Announcement, the Company entered into and completed the Sale and Purchase Agreement on 3 May 2005, pursuant to which the Company acquired a 71% interest in the issued share capital of the Acquired Company from the Vendor. Up and until the date of this circular, the Purchaser has paid an aggregate sum of US\$21,000,000 to the Vendor for the Sale and Purchase Transaction of which approximately US\$14.8 million was paid prior to the date of the announcement of the Company dated 7 August 2007 and the remaining US\$6.2 million was paid on 14 August 2007. For further details of the terms of the Sale and Purchase Agreement, please refer to the 2005 Announcement.

On 3 May 2005, the Shareholders' Agreement was also entered into among the Acquired Company, the Vendor, the Purchaser, Trumpinvest and Novelwill.

Pursuant and subject to the Shareholders' Agreement, in consideration of HK\$1,000, the Vendor has unconditionally and irrevocably granted the Call Option to the Purchaser in respect of the purchase of the Option Shares, which may be exercised by the Purchaser at any time on or after 31 December 2006. At the time of the entering into the Sale and Purchase Agreement, it was intended that Mr. Chan would remain in the management of the Acquired Company to ensure stability and continuity of its business and also continue to provide value to the Acquired Company by virtue of his expertise and in-depth knowledge of its operations. The Shareholders' Agreement was then entered into pursuant to which the Call Option and the Put Option were granted by the Purchaser or the Vendor (as the case may be) to define and regulate the relationship between, amongst others, the Purchaser and Mr. Chan (via the Vendor which is wholly-owned by Mr. Chan). Through arm's length negotiations, it was also concluded that Mr. Chan should be given a reasonable period of time to prove his value towards the Acquired Company and hence, this resulted in a moratorium period of up to 31 December 2006. After the expiry of the moratorium period, it was mutually agreed by the Purchaser and the Vendor that the Call Option shall be exercised by the Purchaser.

The Option Price for the Option Shares, negotiated on an arms' length basis between the parties, shall be determined using the formula $19\% \times [(price\text{-}earnings\text{ multiple of } 5 \times \text{average of the audited and consolidated gross profit after expenses and tax (excluding any proceeds from the sale or otherwise disposal of certain excluded assets) of the Acquired Company for the year ended on 31 December 2005 (subject to certain adjustments in$

LETTER FROM THE BOARD

relation to the financial results recorded for the four months ended on 30 April 2005) and the audited and consolidated net profit of the Acquired Company for the year ended on 31 December 2006) + Agreed Value of the Assets].

Payment of the Option Price in respect of the Call Option, which amounts to approximately US\$5,905,000, shall be paid by the Purchaser in full in cash on Completion and funded by the internal resources of the Group.

Upon Completion, the Purchaser will continue to be a majority shareholder of the Acquired Company holding a 90% interest and the Acquired Company will continue to be a subsidiary of the Company. The exercise of the Call Option constitutes a discloseable transaction for the Company and is therefore subject to reporting, announcement and circular requirements under Chapter 14 of the Listing Rules. In addition, as the exercise of the Call Option also constitute a connected transaction for the Company, independent shareholders' approval is required to be obtained pursuant to Rule 14A.17 of the Listing Rules.

OTHER TERMS OF THE SHAREHOLDERS' AGREEMENT

Pursuant and subject to the Shareholders' Agreement, certain put options and other call options have also been unconditionally and irrevocably granted by or to the Purchaser (as the case may be), details of which are as follows:

Novelwill Call Option and Novelwill Put Option

Novelwill has unconditionally and irrevocably granted the Novelwill Call Option to the Purchaser whereas the Purchaser has unconditionally and irrevocably granted the Novelwill Put Option to Novelwill, in each case in respect of the purchase of the Novelwill Option Shares, which may be exercised by the Purchaser or Novelwill (as the case may be) at any time on or after the cessation of employment of Mr. Wallace Wong with the Acquired Company. These options were granted to regulate exit procedures in the event that the relationship between the Purchaser and Mr. Wallace Wong should breakdown or in the event that Mr. Wallace Wong's services should no longer be needed by the Acquired Company. As at the Latest Practicable Date, Mr. Wallace Wong remains under the employment of Tien-Hu Knitters Limited, a wholly-owned subsidiary of the Acquired Company, as the managing director. The Novelwill Put Option was granted to Novelwill in consideration of Novelwill paying the Purchaser a sum of HK\$1,000, while the Novelwill Call Option was granted in consideration of the Purchaser paying a sum of HK\$1,000 (which includes the consideration for the granting of both the Call Option and the Trumpinvest Call Option).

The Option Price for the Novelwill Option Shares, negotiated on an arms' length basis between the parties, shall be determined using the formula $5\% \times [(price\text{-}earnings\text{ multiple of } 5 \times \text{ the unaudited but consolidated gross profit after expenses and tax (excluding any proceeds from the sale or otherwise disposal of certain excluded assets) of the Acquired Company for the 12 months immediately preceding the date of cessation of employment of Mr. Wallace Wong, which shall be reviewed by one of the "Big Four" accountant firms or a financial review to be agreed between the shareholders of the Acquired Company from time to time) + fair value of the Assets as determined by an independent valuer or by such other arrangements as the parties may agree}]$.

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Payment of the Option Price in respect of the Novelwill Call Option shall be paid in full in cash and funded by the internal resources of the Group.

Payment of the Option Price in respect of both the Novelwill Call Option and the Novelwill Put Option shall be made in the following manner:

- (a) in the event that Mr. Wallace Wong shall have voluntarily resigned from the Acquired Company, the Option Price for each of the Novelwill Call Option and the Novelwill Put Option shall be paid:
 - (i) as to 60% in equal quarterly instalments during the first 12 months immediately after the date of completion of the sale and purchase of the Novelwill Option Shares, with the first instalment being paid on the date of completion of the sale and purchase of the Novelwill Option Shares; and
 - (ii) as to 40% in equal quarterly instalments during the second 12 months immediately after the date of completion of the sale and purchase of the Novelwill Option Shares.
- (b) in the event that the employment of Mr. Wallace Wong shall be terminated or not being renewed by the Acquired Company, the Option Price for the Novelwill Call Option shall be paid in equal quarterly instalments during the 12 months immediately after the date of completion of the sale and purchase of the Novelwill Option Shares with the first instalment being paid on the date of completion of the sale and purchase of the Novelwill Option Shares.

Upon completion of the sale and purchase of the Novelwill Option Shares, the Purchaser will continue to be a majority shareholder of the Acquired Company holding a 95% interest (assuming none of the Trumpinvest Call Option and the Trumpinvest Put Option have been exercised) and the Acquired Company will continue to be a subsidiary of the Company. The exercise of the Novelwill Call Option and the Novelwill Put Option may constitute a discloseable transaction for the Company, in which case the Company will continue to comply with applicable provisions of the Listing Rules at the relevant time.

Trumpinvest Call Option and Trumpinvest Put Option

Trumpinvest has unconditionally and irrevocably granted the Trumpinvest Call Option to the Purchaser whereas the Purchaser has unconditionally and irrevocably granted the Trumpinvest Put Option to Trumpinvest, in each case in respect of the purchase of the Trumpinvest Option Shares, which may be exercised by the Purchaser or Trumpinvest (as the case may be) at any time on or after the cessation of employment of Mr. Sammy Wong with the Acquired Company. These options were granted to regulate exit procedures in the event that the relationship between the Purchaser and Mr. Sammy Wong should breakdown or in the event that Mr. Sammy Wong's services should no longer be needed by the Acquired Company. As at the Latest Practicable Date, Mr. Sammy Wong remains under the employment of two of the Acquired Company's wholly-owned subsidiaries, namely, Tien-Hu Trading (Hong Kong) Limited and Tien-Hu Knitting Factory (Hong Kong) Limited, as the managing director. The Trumpinvest Put Option was granted to Trumpinvest in consideration

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of Trumpinvest paying the Purchaser a sum of HK\$1,000, while the Trumpinvest Call Option was granted in consideration of the Purchaser paying a sum of HK\$1,000 (which includes the consideration for the granting of both the Call Option and the Novelwill Call Option).

The Option Price for the Trumpinvest Option Shares, negotiated on an arms' length basis between the parties, shall be determined using the formula $5\% \times [(price\text{-}earnings\text{ multiple of } 5 \times \text{the unaudited but consolidated gross profit after expenses and tax (excluding any proceeds from the sale or otherwise disposal of certain excluded assets) of the Acquired Company for the 12 months immediately preceding the date of cessation of employment of Mr. Sammy Wong, which shall be reviewed by one of the "Big Four" accountant firms or a financial review to be agreed between the shareholders of the Acquired Company from time to time}) + \text{fair value of the Assets as determined by an independent valuer or by such other arrangements as the parties may agree}]$.

Payment of the Option Price in respect of the Trumpinvest Call Option shall be paid in full in cash and funded by the internal resources of the Group.

Payment of the Option Price in respect of both the Trumpinvest Call Option and the Trumpinvest Put Option shall be made in the following manner:

- (a) in the event that Mr. Sammy Wong shall have voluntarily resigned from the Acquired Company, the Option Price for each of the Trumpinvest Call Option and the Trumpinvest Put Option shall be paid:
 - (i) as to 60% in equal quarterly instalments during the first 12 months immediately after the date of completion of the sale and purchase of the Trumpinvest Option Shares, with the first instalment being paid on the date of completion of the sale and purchase of the Trumpinvest Option Shares; and
 - (ii) as to 40% in equal quarterly instalments during the second 12 months immediately after the date of completion of the sale and purchase of the Trumpinvest Option Shares.
- (b) in the event that the employment of Mr. Sammy Wong shall be terminated or not being renewed by the Acquired Company, the Option Price for the Trumpinvest Call Option shall be paid in equal quarterly instalments during the 12 months immediately after the date of completion of the sale and purchase of the Trumpinvest Option Shares with the first instalment being paid on the date of completion of the sale and purchase of the Trumpinvest Option Shares.

Upon completion of the sale and purchase of the Trumpinvest Option Shares, the Purchaser will continue to be a majority shareholder of the Acquired Company holding a 95% interest (assuming none of the Novelwill Call Option and the Novelwill Put Option have been exercised) and the Acquired Company will continue to be a subsidiary of the

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Company. The exercise of the Trumpinvest Call Option and the Trumpinvest Put Option may constitute a discloseable transaction for the Company, in which case the Company will continue to comply with applicable provisions of the Listing Rules at the relevant time.

The exercise of the Novelwill Call Option and the exercise of the Novelwill Put Option are mutually exclusive. The same also applies to the exercise of the Trumpinvest Call Option and the Trumpinvest Put Option.

Given that the key subject matter of the Sale and Purchase Transaction was the acquisition of the 71% interest, the Directors did not consider at the time that the defensive mechanism (in the forms of the Options) were material or relevant to the Sale and Purchase Transaction which warranted disclosure in the 2005 Announcement. Even had such disclosures had been made and the relevant aggregation had taken place, the aggregated transaction would still have been a discloseable transaction. On these bases, the Directors consider that the Company was compliant with Rule 2.13 of the Listing Rules at the time.

INFORMATION ON THE ACQUIRED COMPANY

As at the Latest Practicable Date, the Acquired Company is a private company duly incorporated under the laws of the British Virgin Islands on 8 March 2005 having an authorised share capital of US\$50,000 divided into 50,000 Shares, 1,000 of which have been issued and are fully paid up. Out of the 1,000 issued Shares, 710 Shares (representing 71% of the entire issued capital of the Acquired Company) are beneficially owned by the Purchaser. The remaining 290 issued Shares (representing 29% of the entire issued capital of the Acquired Company) are held by the Vendor as to 190 Shares (representing 19% of the entire issued capital of the Acquired Company), by Trumpinvest as to 50 Shares (representing 5% of the entire issued capital of the Acquired Company) and by Novelwill as to 50 Shares (representing 5% of the entire issued capital of the Acquired Company). The Acquired Company is an investment holding company. However, its three wholly-owned subsidiaries, namely, Tien-Hu Knitters Limited, Tien-Hu Knitting Factory (Hong Kong) Limited and Tien-Hu Trading (Hong Kong) Limited, are principally engaged in the business of manufacturing and trading of sweaters.

REASONS FOR THE TRANSACTION

The Group is principally engaged in the manufacturing and trading of garment and textile products, and the provision of freight forwarding and logistics services.

The Vendor is an investment holding Company.

The Directors believe that the Transaction is in line with the Group's multi-product strategy to expand its apparel product categories by way of selective acquisitions and joint ventures. Upon Completion, the Transaction will further strengthen the Group's significant presence in the sweater segment and will further consolidate the Group's leading position in the apparel industry. The Group's experience in acquiring and managing GJM (its sleepwear division) and Tomwell Limited (the ladies career wear division) shows the Group's proven track record as an industry leader and consolidator.

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On the basis that the Transaction was negotiated on an arms' length basis and that the price-earnings ratio used in the calculation of the Option Price to be paid is in line with industry average, the Directors consider that the Transaction is made on normal commercial terms, that its terms are fair and reasonable, and that the Transaction and its terms are in the interests of the Group and the Company's shareholders as a whole.

FINANCIAL EFFECTS

The consolidated total assets and net asset value of the Acquired Group as at 31 December 2006 amounted to approximately HK\$217,172,000 and approximately HK\$112,752,000 respectively. The consolidated revenue of the Acquired Group for the year ended 31 December 2006 amounted to approximately HK\$831,118,000. For the year ended 31 December 2005, the consolidated net profit before and after taxation of the Acquired Group amounted to approximately HK\$51,809,000 and approximately HK\$46,620,000 respectively. For the year ended 31 December 2006, the consolidated net profit before and after taxation of the Acquired Group amounted to approximately HK\$66,123,000 and approximately HK\$53,916,000 respectively.

The Directors are of the view that there has been no material adverse change in the financial or trading position of the Group since 31 December 2006.

Following Completion, the Group's effective attributable interest in the Acquired Group will increase from 71% to 90%. In view of the track record, earnings ability and customer base of the Acquired Group, the Directors believe that the Transaction will have a positive impact on the earnings of the Group in the future. Upon completion, the Directors also believe that the Transaction will not have material impact on assets and liabilities of the Group.

LISTING RULES IMPLICATIONS

The Vendor is a connected person of the Company by virtue of it being a wholly-owned company of Mr. Chan, who in turn is a director and a substantial shareholder of the Acquired Company.

As the Option Price is more than HK\$10,000,000 and each of the applicable percentage ratios of the Transaction exceeds 2.5%, the Transaction is subject to reporting, announcement and independent shareholders' approval requirements in accordance with Rule 14A.17 of the Listing Rules. The consideration paid for the Sale and Purchase Transaction, the premium paid for the Novelwill Call Option and the Trumpinvest Call Option, and the Option Price in respect of the Transaction, the Novelwill Put Option, and the Trumpinvest Put Option on an aggregate basis, also amount to more than HK\$10,000,000 and the applicable percentage ratios exceed 2.5%. However, pursuant to Rule 14A.43 of the Listing Rules, written approval from the Company's independent shareholders holding more than 50% of the voting rights in respect of the Transaction may be accepted in lieu of the holding of a general meeting for purposes of obtaining independent shareholders' approval.

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Capital Glory Limited is a wholly-owned subsidiary of Helmsley Enterprises Limited, which in turn is held by a number of trusts. None of the Directors is a legal owner of the shares of Capital Glory Limited. Details of the Director's beneficial interests in Capital Glory Limited will be disclosed in the Company's circular in respect of the Transaction. Capital Glory Limited is the controlling shareholder of the Company holding 614,250,000 Shares, which represents approximately 61.89% interest in the issued capital of the Company, and entitled to vote and attend at the general meeting of the company in relation to the granting and proposed exercise of the Options including the Transaction, has irrevocably and unconditionally confirmed to the Company in a written confirmation dated 2 August 2007 that it (a) approves the Transaction; (b) approves, confirms and ratifies the granting of the Options; and (c) approves the exercise of any of the other Options (other than the Call Option and the Put Option) in the event that the board of directors of the Purchaser shall deem as appropriate and/or necessary provided that such transactions(s) shall remain as a discloseable transaction(s) at the time of exercise, and shall vote in favour of the foregoing at any general meeting to be convened (if necessary) by the Company in relation to the foregoing. Capital Glory Limited has further confirmed to the Company that, save for its shareholding in the Company and its common directors with the Company:

- (a) it and its associates do not have any interest in the Transaction; and
- (b) it is not an associate (as defined under the Listing Rules) nor related to the Vendor.

On the basis of the above and that no shareholder of the Company is required to abstain from voting on the granting and proposed exercise of the Options including the Transaction, pursuant to Rule 14A.43 of the Listing Rules, the Company has applied to the Stock Exchange for a waiver from convening a general meeting of the Company's shareholders to approve the granting and proposed exercise of the Options including the Transaction. Accordingly, no general meeting will therefore be convened for approval of the granting and proposed exercise of the Options including the Transaction by the Company's independent shareholders.

The Transaction also constitutes a discloseable transaction for the Company under the Listing Rules. It is therefore, also subject to the disclosure requirements under Chapter 14 of the Listing Rules.

RECOMMENDATIONS

The Company has established the Independent Board Committee, consisting of the independent non-executive Directors, to advise the Shareholders as to whether (a) the granting of the Options; (b) the Transaction; and (c) the exercise of any of the other Options (other than the Call Option and the Put Option) in the event board of directors of the Purchaser shall deem an appropriate and/or necessary provided that such transaction(s) shall remain a discloseable transactions(s) at the time of exercise are fair and reasonable and in the interests of the Company and the Shareholders as a whole and to advise the Shareholders how to vote at any general meeting to be convened (if necessary) by the Company in relation to the foregoing. The Company has also appointed Partners Capital International Limited as the independent financial adviser required to be appointed under Chapter 14A of

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the Listing Rules, to make recommendations to the Independent Board Committee and the Shareholders as to whether the foregoing are fair and reasonable and in the interests of the Company and the Shareholders as a whole and to advise the Shareholders how to vote.

A separate letter from the Independent Board Committee advising the Shareholders that, in the opinion of the Independent Board Committee, formed after taking into account the recommendation of the Independent Financial Adviser, the transactions as described above are fair and reasonable and in the interests of the Company and the Shareholders as a whole and advising the Shareholders to vote in favour of such transactions at any general meeting to be convened (if necessary) by the Company in relation to such transactions. The Shareholders' attention is drawn to the letter from the Independent Board Committee.

A separate letter from the Independent Financial Adviser, Partners Capital International Limited, containing its advice to the Independent Board Committee and the Shareholders that, having considered the matters set out in detail in that letter, the transactions as described above are fair and reasonable and in the interests of the Company and the Shareholders as a whole and advising the Shareholders to vote in favour of such transactions. The Shareholders' attention is also drawn to the letter from Partners Capital International Limited, the Independent Financial Adviser.

Based on the information disclosed in the sections headed "Other terms of the Shareholders' Agreement" and "Reasons for the Transaction", the Board is of the view that the granting and exercise of the Options including the Transaction as described above are fair and reasonable and is in the interests of the Company and the Shareholders as a whole and, accordingly, the Board recommends that the Shareholders vote in favour of such transactions at any general meeting to be convened (if necessary) by the Company in relation to such transactions.

WRITTEN SHAREHOLDER'S APPROVAL

To the best of the knowledge and belief of the Directors, no Shareholder has a material interest in the matters which are subject of the transactions described in the paragraph headed "Recommendations" such that it must abstain from voting, and, accordingly, all Shareholders are permitted to vote at a general meeting concerning the such transactions.

However, pursuant to Rule 14A.43 of the Listing Rules, written approval from the Company's independent shareholders holding more than 50% of the voting rights may be accepted in lieu of the holding of a general meeting for purposes of obtaining independent shareholders' approval.

Capital Glory Limited is a wholly-owned subsidiary of Helmsley Enterprises Limited, which in turn is held by a number of trusts. None of the Directors is a legal owner of the shares of Capital Glory Limited. Details of the Director's beneficial interests in Capital Glory Limited will be disclosed in the Company's circular in respect of the Transaction. Capital Glory Limited is the controlling shareholder of the Company holding 614,250,000 Shares, which represents approximately 61.89% interest in the issued capital of the Company, and entitled to vote and attend at the general meeting of the company in relation to the granting and proposed exercise of the Options including the Transaction, has

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irrevocably and unconditionally confirmed to the Company in a written confirmation dated 2 August 2007 that it (a) approves the Transaction; (b) approves, confirms and ratifies the granting of the Options; and (c) approves the exercise of any of the other Options (other than the Call Option and the Put Option) in the event that the board of directors of the Purchaser shall deem as appropriate and/or necessary provided that such transactions(s) shall remain as a discloseable transaction(s) at the time of exercise, and shall vote in favour of the foregoing at any general meeting to be convened (if necessary) by the Company in relation to the foregoing. Capital Glory Limited has further confirmed to the Company that, save for its shareholding in the Company and its common directors with the Company:

- (a) it and its associates do not have any interest in the Transaction; and
- (b) it is not an associate (as defined under the Listing Rules) nor related to the Vendor.

On the basis of the above and that no shareholder of the Company is required to abstain from voting on the granting and proposed exercise of the Options including the Transaction, pursuant to Rule 14A.43 of the Listing Rules, the Company has applied to the Stock Exchange for a waiver from convening a general meeting of the Company's shareholders to approve the granting and proposed exercise of the Options including the Transaction. Accordingly, no general meeting will therefore be convened for approval of the granting and proposed exercise of the Options including the Transaction by the Company's independent shareholders.

ADDITIONAL INFORMATION

Your attention is also drawn to the general information set out in the appendix to this Circular.

Yours faithfully,
For and on behalf of
Luen Thai Holdings Limited
Henry Tan
Executive Director & Chief Executive Officer

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



LUEN THAI HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 311)

24 August 2007

To the Shareholders

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION

We refer to the circular of even date with this letter issued by the Company (the “**Circular**”) to the shareholders of the Company of which this letter forms part. Terms defined in the Circular shall have the same meanings in this letter unless the context otherwise requires.

We have been appointed by the Board as the Independent Board Committee to give a recommendation to the Shareholders in respect of the terms of the Options including the Transaction, details of which are set out in the letter from the Board contained in the Circular.

Having considered the terms of the Options including the Transaction and the advice and opinion of the Independent Financial Adviser in relation thereto as set out in the Circular, the Independent Board Committee considers that the granting and exercise of the Options and the Transaction are on normal commercial terms, fair and reasonable so far as the Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends that the Shareholders vote in favour of the resolution to be proposed at any general meeting to be convened (if necessary) by the Company to approve the terms of the options including the Transaction.

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

Yours faithfully,

Independent Board Committee

Henry Chan

Independent Non-Executive Director

Cheung Siu Kee

Independent Non-Executive Director

Seing Nea Yie

Independent Non-Executive Director

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

 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

24 August 2007

*To the Independent Board Committee and
the Independent Shareholders*

Dear Sirs,

DISCLOSUREABLE AND CONNECTED TRANSACTION

INTRODUCTION

We refer to our engagement to advise the Independent Board Committee and the independent shareholders of the Company in respect of the terms of the Options including the Transaction, particulars of which are set out in a circular to the Shareholders dated 24 August 2007 (the “**Circular**”), in which this letter is reproduced. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as given to them under the definitions section of the Circular.

As stated in the announcement of the Company dated 7 August 2007, the Purchaser, a wholly-owned subsidiary of the Company, exercised in full its rights in relation to the Call Option to require the Vendor to sell and transfer the Option Shares, representing 19% of the issued share capital of the Acquired Company, pursuant and subject to the terms of the Shareholders' Agreement. The Call Option Shares was granted in consideration of HK\$1,000 (which includes the consideration for the granting of both the Novelwill Call Option and the Trumpinvest Call Option). The Option Price in respect of the Call Option, which amounts to approximately US\$5,905,000, shall be funded by the internal resources of the Group and paid by the Purchaser in full on Completion. Upon Completion, the Purchaser will continue to be a majority shareholder of the Acquired Company holding a 90% interest and the Acquired Company will continue to be a subsidiary of the Company.

The exercise of the Call Option constitutes a discloseable transaction for the Company. In addition, since the Vendor is a connected person of the Company by virtue of it being a wholly-owned company of Mr. Chan, who in turn is a director and a substantial shareholder of the Acquired Company, the exercise of the Call Option also constitutes a connected transaction for the Company and independent shareholders' approval is required to be obtained pursuant to Rule 14A.17 of the Listing Rules.

BASIS OF OUR OPINION

In formulating our advice and recommendations, we have relied on the accuracy of the information and facts supplied, and the opinions expressed, by the Company, its Directors and management. We have assumed that all statements of belief and intention made by the Directors in the Circular were made after due enquiry. We have also assumed that all information, representations and opinion made or referred to in the Circular were true,

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

accurate and complete at the time they were made and continued to be true at the date of the general meeting to be convened for purposes of obtaining independent shareholders' approval for the transactions described in the Circular. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Company, its Directors and its management, and have been advised by the Directors that no material facts have been omitted from the information provided and referred to in the Circular.

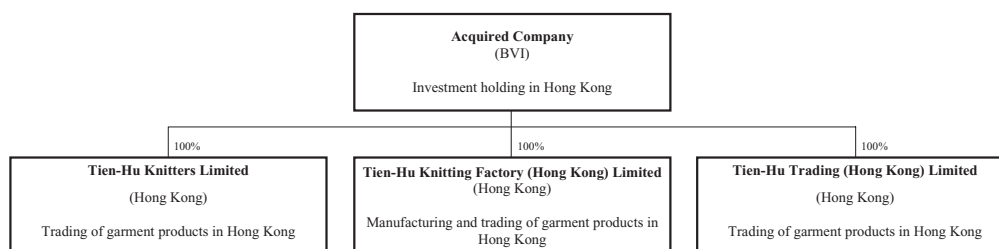
Having endeavoured to perform all steps under Rule 13.80 of the Listing Rules including the notes thereon, we consider that we have reviewed sufficient information to reach an informed view, to justify our reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our recommendation. We have not, however, conducted any form of in-depth investigation into the business affairs, financial position or future prospects of the Group or the counterparties of the Options, nor carried out any independent verification of the information supplied, representations made or opinions expressed by the Company, its Directors and its management.

PRINCIPAL FACTORS AND REASONS

In arriving at our opinions and recommendations on the terms of the Options including the Transaction, we have taken into consideration the following principal factors and reasons:

1. Background of the Acquired Company

As at the Latest Practicable Date, the corporate structure of the Acquired Group is illustrated as below:



The Acquired Company is an investment holding company. However, its three wholly-owned subsidiaries, namely, Tien-Hu Knitters Limited, Tien-Hu Knitting Factory (Hong Kong) Limited and Tien-Hu Trading (Hong Kong) Limited, are principally engaged in the business of manufacturing and trading of sweaters.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As stated in the Letter from the Board, the table below sets out some key financial information from the audited consolidated financial statements of the Acquired Group as at and for the year ended 31 December 2005 and 2006 respectively.

	As at and for the year ended	
	31 December	
	2005	2006
	<i>(Approximately HK\$)</i>	<i>(Approximately HK\$)</i>
Consolidated net asset value	58,836,465	112,752,339
Consolidated net profit		
– before taxation and extraordinary items	51,809,122	66,123,624
– after taxation and extraordinary items	46,620,081	53,915,874

2. Reasons for the grant of the Options including the Transaction

The Group is principally engaged in the manufacturing and trading of garment and textile products, and the provision of freight forwarding and logistics services.

We summarise below the segment information of the Company in the past three years:

Segment Revenue	For the year ended 31 December		
	2006	2005	2004
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Garment	644,416	578,362	541,398
Freight forwarding/logistics services	13,791	11,872	12,073
Total	661,836	593,118	553,766

Over the past three years, the revenue generated from garment segment constantly made up above 97% of the Group's total revenue. The Group's total revenue has grown at a year-on-year rate of 7.1% and 11.6% over 2005 and 2006 respectively. Meanwhile, the revenue generated from garment segment has also experienced growth at a year-on-year rate of 6.8% and 11.4% over 2005 and 2006 respectively.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Furthermore, details of China's exports of textiles and related products are summarized below:

	Jan - Dec 2006		Jan - Jun 2007	
	US\$000	% Change	US\$000	% Change
Textile yarn, fabrics and make-up articles	48,800,420	18.7	25,218,510	9.8
Travel goods, handbags and similar containers	8,703,255	19.1	4,971,113	22.6
Garments and clothing accessories	95,192,243	28.9	48,307,615	21.7
Footwear and parts thereof	21,813,598	14.5	11,961,432	17.2

Source: Hong Kong Trade Development Council (www.tdctrade.com)

As illustrated by the statistic above, China has experienced a rapid growth in export of its garments and clothing accessories. In 2006, the total export of its garments and clothing accessories amounted to US\$95.2 billion, which was a 28.9% year-on-year increase. While from January to June in 2007, the total export of the same amounted to US\$48.3 billion, which implied a 21.7% period-on-period increase.

As stated in the Letter from the Board, the Directors believe that the Transaction is in line with the Group's multi-product strategy to expand its apparel product categories by way of selective acquisitions and joint ventures. Upon Completion, the Transaction will further strengthen the Group's significant presence in the sweater segment and will further consolidate the Group's leading position in the apparel industry. The Group's experience in acquiring and managing GJM (its sleepwear division) and Tomwell Limited (the ladies career wear division) shows the Group's proven track record as an industry leader and consolidator.

Upon review of the annual report of the Company for the year ended 31 December 2006, we note that "On the second year after the Company's acquisition, the sweater division (Tien-Hu), which contributed for approximately 16% of the Group's revenue, continues to outperform its budget with record revenue and profit. The integration process has been very smooth and it has been able to leverage the Group's "D2S" platform (a comprehensive apparel supply chain process, embracing both upstream and downstream elements to provide customers with end-to-end value proposition) in developing new business."

Taken into account the above reasons and factors, in particular, (i) the growing export market potential of the sweater products of the Acquired Company, and (ii) the profitable and improving financial results recorded by for the two years ended 31 December 2006 (during which period the Company acquired 71% of the issued share capital of the Acquired Company at 3 May 2005), we consider that there is an acceptable commercial rationale of grant of the Options including the Transaction.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

3. Principal terms of the Options including Transaction

As set out in the Letter from the Board, the scope of the resolutions to be approved by the Company's independent shareholders at the general meeting to be convened are to:

- (a) approve the Transaction;
- (b) approve, confirms and ratify the granting of the Options; and
- (c) approve the exercise of any of the other Options (other than the Call Option and the Put Option) in the event that the board of directors of the Purchaser shall deem as appropriate and/or necessary provided that such transactions(s) shall remain as a discloseable transaction(s) at the time of exercise.

As advised by the Directors, the Put Option (which is mutually exclusive in nature with the Call Option as to the right of exercise) is now no longer exercisable by the Vendor, because the Call Option has been exercised by the Purchaser. The similar mutually exclusivity exists for the Novelwill Options and the Trumpinvest Options.

Basis of the Option Price in respect of the Call Option

As stated in the Letter from the Board, pursuant and subject to the Shareholders' Agreement, in consideration of HK\$1,000 (which is confirmed by the Directors as a nominal sum), the Vendor has unconditionally and irrevocably granted the Call Option to the Purchaser in respect of the purchase of the Option Shares, which may be exercised by the Purchaser at any time on or after 31 December 2006. The Option Price for the Option Shares, negotiated on an arms' length basis between the parties, shall be determined using the formula $19\% \times [(price\text{-}earnings\text{ multiple of } 5 \times \text{average of the audited and consolidated gross profit after expenses and tax (excluding any proceeds from the sale or otherwise disposal of certain excluded assets) of the Acquired Company for the year ended on 31 December 2005 (subject to certain adjustments in relation to the financial results recorded for the four months ended on 30 April 2005) and the audited and consolidated net profit of the Acquired Company for the year ended on 31 December 2006) + Agreed Value of the Assets.}]$

The Option Price in respect of the Call Option, which amounts to approximately US\$5,905,000, shall be funded by the internal resources of the Group and paid by the Purchaser in full on Completion.

Valuation in respect of the Call Option

As stated in the letter from the Board, we consider that the Option Price in respect of the Call Option is made up of two components, namely, (i) the price-earning multiple times actual earnings; and (ii) the Agreed Value of the Assets.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Price-earnings Multiple in respect of the Call Option

Price-earning multiple is defined as share price divided by earnings per share. This indicator is regarded as one of the most common valuation methods to value a company with recurrent income.

In order to avoid any duplication of the value of the assets under the Company's valuation methodology, we consider that the valuation can be better evaluated on the basis of total amount of the Option Price in respect of the Call Option over the earning (excluding any proceeds from the sale or otherwise disposal of certain excluded assets in 2005) of the Acquired Company for our comparison and review purpose. As such, given the total amount of Option Price in respect of the Call Option of approximately US\$5,905,000, the normalised audited and consolidated gross profit after expenses and tax (excluding any proceeds from the sale or otherwise disposal of certain excluded assets) of the Acquired Company for the year ended on 31 December 2005 (subject to certain adjustments in relation to the financial results recorded for the four months ended on 30 April 2005) of approximately HK\$40,560,000 as provided by the Directors, and the audited and consolidated net profit of the Acquired Company for the year ended on 31 December 2006 of approximately HK\$53,916,000, the price-earning multiple of the Acquired Company should be equal to approximately 5.1 times $(US\$5,905,000 * 7.813) / \{[(HK\$40,560,000 + HK\$53,916,000) / 2] * 19\%$

In order to assess the pricing of the Option Price in respect of the Call Option, we tried to compare the price-earnings multiple in the Option Price in respect of the Call Option with that of comparables listed in Hong Kong. Based on the list of companies as generated by Infocast Financial Newswire (www.infocastfn.com), we have identified (to the best of our knowledge) 17 companies listed on the Main Board and Growth Enterprise Market of the Stock Exchange (the "Comparables"), principally engaging in the business of manufacturing and/or trading of garment products, details of which are set out below:

Code	Company	Closing Share Price as at 18 July 2007 (HK\$)	Market Capitalisation (HK\$)	Two Financial Years Ended	Latest two years average earnings per share published prior to 18 July 2007 (HK\$)	Price/earnings multiple (times)
2331	Li Ning	19.22	19,860,307,265	2006/12/31	0.24388	78.8
3398	China Ting Group	2.61	5,392,912,500	2006/12/31	0.2247	11.6
2313	Shenzhou International	4.17	5,191,650,000	2006/12/31	0.2652	15.7
3322	Win Hanverky	3.23	4,029,102,000	2006/12/31	0.2635	12.3
0928	Tack Fat Group	1.46	3,085,460,048	2007/03/31	0.1319	11.1
1388	Embery	7.19	2,876,000,000	2006/12/31	0.2075	34.7
0333	Top Form International	1.38	1,485,291,413	2006/06/30	0.1385	10
2368	Eagle Nice Hold	2.2	939,400,000	2006/03/31	0.1815	12.1

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Code	Company	Closing Share Price as at 18 July 2007 (HK\$)	Market Capitalisation (HK\$)	Two Financial Years Ended	Latest two years average earnings per share published prior to 18 July 2007 (HK\$)	Price/ earnings multiple (times)
0458	Tristate Hold	2.76	741,709,298	2006/12/31	0.525	5.3
0918	Takson Holdings	1.2	620,880,000	2006/03/31	-0.00765	NA
2307	Kam Hing International	0.93	595,200,000	2006/12/31	0.1405	6.6
3344	Addchance	1.3	520,000,000	2006/12/31	0.1991	6.5
0933	First Sign International	0.41	498,506,864	2006/06/30	0.0027	151.9
0643	Carry Wealth	0.99	363,106,260	2006/12/31	0.18565	5.3
1142	Rontex International	0.181	350,958,493	2006/03/31	-0.013355	NA
8272	Byford	0.99	198,000,000	2007/04/30	-0.002	NA
2668	Pak Tak International	0.44	104,016,880	2007/03/31	0.0035	<u>125.7</u>
					Median	11.9
					Mean	<u>34.8</u>

Acquired Company 5.1

Note: All currencies are translated into HK\$ at exchange rates of (i) US\$1.00=HK\$7.8; and (ii) RMB1.00 = HK\$1.04.

Source: Infocast Financial Newswire and www.hkex.com.hk

Upon comparison, we note that the price-earnings multiple represented by the Option Price in respect of the Call Option of 5.1 times is below the range of the Comparables from 5.3 times to 151.9 times (and is also below the median and mean of the Comparables of 11.9 times and 34.8 times respectively), which were calculated with reference to the respective closing price of shares of the Comparables as at 18 July 2007 (being the day on which the Purchaser exercised the Call Option) and the latest earnings per share published on or before 18 July 2007.

We consider that the Option Price in respect of the Call Option (which is lower than the median of the Comparables in terms of price-earning multiples) is acceptable so far as the Independent Shareholders are concerned.

Price-book Multiple in respect of the Call Option

Price-book multiple is defined as share price divided by net asset value per share. In any event, it may not be most relevant in general to value a company principally engaged in manufacturing business by reference to its net assets. However, we still try to assess the Option Price in respect of the Call Option by reference to the Acquired Company's net asset value.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

To this end, we have reviewed and tabulated in the following table the price-book multiple of the Comparables as at 18 July 2007 to their respective net asset value as reported in their latest published financial reports on or before 18 July 2007.

Code	Company	Closing Share Price as at 18 July 2007 (HK\$)	Market Capitalisation (HK\$)	Financial 6-month Ended	Latest net asset value published prior to 18 July 2007 (HK\$)	Price/book multiple (times)
2331	Li Ning	19.22	19,860,307,265	2006/12/31	1,455,469,600	13.6
3398	China Ting Group	2.61	5,392,912,500	2006/12/31	1,807,234,000	3
2313	Shenzhou International	4.17	5,191,650,000	2006/12/31	2,144,274,080	2.4
3322	Win Hanverky	3.23	4,029,102,000	2006/12/31	1,335,963,000	3
0928	Tack Fat Group	1.46	3,085,460,048	2007/03/31	1,575,872,000	2
1388	Embery	7.19	2,876,000,000	2006/12/31	724,237,000	4
0333	Top Form International	1.38	1,485,291,413	2006/12/31	507,856,000	2.9
2368	Eagle Nice Hold	2.2	939,400,000	2006/03/31	573,818,000	1.6
0458	Tristate Hold	2.76	741,709,298	2006/12/31	876,582,000	0.8
0918	Takson Holdings	1.2	620,880,000	2006/09/30	42,858,000	14.5
2307	Kam Hing International	0.93	595,200,000	2006/12/31	798,418,000	0.7
3344	Addchance	1.3	520,000,000	2006/12/31	524,854,000	1
0933	First Sign International	0.41	498,506,864	2006/12/31	623,630,000	0.8
0643	Carry Wealth	0.99	363,106,260	2006/12/31	304,928,000	1.2
1142	Rontex International	0.181	350,958,493	2006/09/30	56,171,000	6.2
8272	Byford	0.99	198,000,000	2007/04/30	29,221,000	6.8
2668	Pak Tak International	0.44	104,016,880	2007/03/31	149,944,000	0.7
					Median	2.4
					Mean	3.8

Acquired Company 2.2

Note: All currencies are translated into HK\$ at exchange rates of (i) US\$1.00=HK\$7.8; and (ii) RMB1.00 = HK\$1.04.

Source: Infocast Financial Newswire and www.hkex.com.hk

Upon comparison, we note that the price-book multiple represented by the Option Price in respect of the Call Option of 2.2 times is lower than the median and mean of the Comparables for net asset value at 2.4 times and 3.8 times respectively, which were calculated with reference to the closing price of share of the Comparables as at 18 July 2007 (being the day on which the Purchaser exercised the Call Option) and the latest net asset value per share published on or before 18 July 2007.

We consider that the Option Price in respect of the Call Option (which is lower than the median of the Comparables in terms of price-book multiples) is acceptable so far as the Independent Shareholders are concerned.

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Agreed Value of the Assets in respect of the Call Option

The Agreed Value of the Assets is defined as US\$1,410,000 (which represents the aggregate market value of the machineries owned by the Acquired Company which were negotiated on an arm's length basis between the Purchaser and the Vendor at 3 May 2005 (on that time the Vendor, Tien-Hu Enterprise Limited, Novelwill and Trumpinvest and their respective ultimate beneficial owners are confirmed by the Directors as third parties independent of the Company) with reference to independent valuation at 3 May 2005 of US\$1,202,000 by American Appraisal China Limited, less depreciation and amortisation for the period commencing from 3 May 2005 (being the date of the Sale and Purchase Agreement) up to and including 18 July 2007 of HK\$564,000 as provided by the Directors, being the date on which the Purchaser exercised the Call Option.

Novelwill Call Option and Novelwill Put Option

Novelwill has unconditionally and irrevocably granted the Novelwill Call Option to the Purchaser whereas the Purchaser has unconditionally and irrevocably granted the Novelwill Put Option to Novelwill, in each case in respect of the purchase of the Novelwill Option Shares, which may be exercised by the Purchaser or Novelwill (as the case may be) at any time on or after the cessation of employment of Mr. Wallace Wong with the Acquired Company. These options were granted to regulate exit procedures in the event that the relationship between the Purchaser and Mr. Wallace Wong should breakdown or in the event that Mr. Wallace Wong's services should no longer be needed by the Acquired Company. As at the Latest Practicable Date, Mr. Wallace Wong remains under the employment of Tien-Hu Knitters Limited, a wholly-owned subsidiary of the Acquired Company, as the managing director. The Novelwill Put Option was granted to Novelwill in consideration of Novelwill paying the Purchaser a sum of HK\$1,000 (which is confirmed by the Directors as a nominal sum), while the Novelwill Call Option was granted in consideration of the Purchaser paying a sum of HK\$1,000 (which includes the consideration for the granting of both the Call Option and the Trumpinvest Call Option) (which is confirmed by the Directors as a nominal sum).

The Option Price for the Novelwill Option Shares, negotiated on an arms' length basis between the parties, shall be determined using the formula $5\% \times [(\text{price-earnings multiple of } 5 \times \text{the unaudited but consolidated gross profit after expenses and tax (excluding any proceeds from the sale or otherwise disposal of certain excluded assets) of the Acquired Company for the 12 months immediately preceding the date of cessation of employment of Mr. Wallace Wong (which was arrived at on an arm's length negotiation at the time of the Shareholders' Agreement when the Vendor, Tien-Hu Enterprise Limited, Novelwill and Trumpinvest and their respective ultimate beneficial owners are confirmed by the Directors as third parties independent of the Company), which shall be reviewed by one of the "Big Four" accountant firms or a financial review to be agreed between the shareholders of the Acquired Company from time to time)} + \text{fair}$

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value of the Assets as determined by an independent valuer or by such other arrangements as the parties may agree]. We are confirmed by the Directors that the fair value of the Assets is expected to be approximately US\$1,410,000 (representing the aggregate market value of the machineries owned by the Acquired Company as adopted for the purpose of the Transaction), which were negotiated on an arm's length basis between the Purchaser and the Vendor at 3 May 2005 (on that time the Vendor, Tien-Hu Enterprise Limited, Novelwill and Trumpinvest and their respective ultimate beneficial owners are third parties independent of the Company as confirmed by the Directors) with reference to independent valuation at 3 May 2005 of US\$1,202,000 by American Appraisal China Limited, less depreciation and amortisation for the period commencing from 3 May 2005 (being the date of the Sale and Purchase Agreement) up to and including the date of exercise of the Novelwill Call Option or the Novelwill Put Option.

Payment of the Option Price in respect of the Novelwill Call Option shall be paid in full in cash and funded by the internal resources of the Group.

Payment of the Option Price in respect of both the Novelwill Call Option and the Novelwill Put Option shall be made in the following manner:

- (a) in the event that Mr. Wallace Wong shall have voluntarily resigned from the Acquired Company, the Option Price for each of the Novelwill Call Option and the Novelwill Put Option shall be paid:
 - (i) as to 60% (which according to the Directors was arrived at on an arm's length negotiation at the time of the Shareholders' Agreement when the Vendor, Tien-Hu Enterprise Limited, Novelwill and Trumpinvest and their respective ultimate beneficial owners are confirmed by the Directors as third parties independent of the Company) in equal quarterly instalments during the first 12 months immediately after the date of completion of the sale and purchase of the Novelwill Option Shares, with the first instalment being paid on the date of completion of the sale and purchase of the Novelwill Option Shares; and
 - (ii) as to 40% (which according to the Directors was arrived at on an arm's length negotiation at the time of the Shareholders' Agreement when the Vendor, Tien-Hu Enterprise Limited, Novelwill and Trumpinvest and their respective ultimate beneficial owners are confirmed by the Directors as third parties independent of the Company) in equal quarterly instalments during the second 12 months immediately after the date of completion of the sale and purchase of the Novelwill Option Shares.
- (b) in the event that the employment of Mr. Wallace Wong shall be terminated or not being renewed by the Acquired Company, the Option Price for the Novelwill Call Option shall be paid in equal quarterly

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

instalments during the 12 months immediately after the date of completion of the sale and purchase of the Novelwill Option Shares with the first instalment being paid on the date of completion of the sale and purchase of the Novelwill Option Shares (which according to the Directors was arrived at on an arm's length negotiation at the time of the Shareholders' Agreement when the Vendor, Tien-Hu Enterprise Limited, Novelwill and Trumpinvest and their respective ultimate beneficial owners are confirmed by the Directors as third parties independent of the Company as).

Upon completion of the sale and purchase of the Novelwill Option Shares, the Purchaser will continue to be a majority shareholder of the Acquired Company holding a 95% interest (assuming none of the Trumpinvest Call Option and the Trumpinvest Put Option have been exercised) and the Acquired Company will continue to be a subsidiary of the Company.

Given that at the time of the Shareholders' Agreement (under which the Novelwill Call Option and Novelwill Put Option were granted) the Vendor, Tien-Hu Enterprise Limited, Novelwill and Trumpinvest and their respective ultimate beneficial owners are confirmed by the Directors as third parties independent of the Company (which supposedly therefore together arrived at the terms of the Novelwill Call Option and Novelwill Put Option on arm's length basis), and given that the terms of the Novelwill Call Option and Novelwill Put Option remain unchanged since the date of the Shareholders' Agreement (including the pricing formula, of a price-earning multiple of 5 times x actual earnings + fair value of the Assets, the analysis of which can be highly similar to that adopted for the Transaction (i.e. the option price in respect of the Novelwill Call Option and Novelwill Put Option is lower than the median of the Comparables in terms of price-earnings multiple)), we are of the view that the granting and the terms of the Novelwill Call Option and Novelwill Put Option are fair and reasonable and under normal commercial terms.

Trumpinvest Call Option and Trumpinvest Put Option

Trumpinvest has unconditionally and irrevocably granted the Trumpinvest Call Option to the Purchaser whereas the Purchaser has unconditionally and irrevocably granted the Trumpinvest Put Option to Trumpinvest, in each case in respect of the purchase of the Trumpinvest Option Shares, which may be exercised by the Purchaser or Trumpinvest (as the case may be) at any time on or after the cessation of employment of Mr. Sammy Wong with the Acquired Company. These options were granted to regulate exit procedures in the event that the relationship between the Purchaser and Mr. Sammy Wong should breakdown or in the event that Mr. Sammy Wong's services should no longer be needed by the Acquired Company. As at the Latest Practicable Date, Mr. Sammy Wong remains under the employment of two of the Acquired Company's wholly-owned subsidiaries, namely, Tien-Hu Trading (Hong Kong) Limited and Tien-Hu Knitting Factory (Hong Kong) Limited, as a managing director. The Trumpinvest Put Option was granted to Trumpinvest in consideration of Trumpinvest paying the

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Purchaser a sum of HK\$1,000 (which is confirmed by the Directors as a nominal sum), while the Trumpinvest Call Option was granted in consideration of the Purchaser paying a sum of HK\$1,000 (which includes the consideration for the granting of both the Call Option and the Novelwill Call Option) (which is confirmed by the Directors as a nominal sum).

The Option Price for the Trumpinvest Option Shares, negotiated on an arms' length basis between the parties, shall be determined using the formula $5\% \times [(price\text{-}earnings\text{ multiple of } 5 \times \text{the unaudited but consolidated gross profit after expenses and tax (excluding any proceeds from the sale or otherwise disposal of certain excluded assets) of the Acquired Company for the 12 months immediately preceding the date of cessation of employment of Mr. Sammy Wong (which according to the Directors was arrived at on an arm's length negotiation at the time of the Shareholders' Agreement when the Vendor, Tien-Hu Enterprise Limited, Novelwill and Trumpinvest and their respective ultimate beneficial owners are confirmed by the Directors as third parties independent of the Company), which shall be reviewed by one of the "Big Four" accountant firms or a financial review to be agreed between the shareholders of the Acquired Company from time to time) + fair value of the Assets as determined by an independent valuer or by such other arrangements as the parties may agree}]$. We are confirmed by the Directors that the fair value of the Assets is expected to approximate US\$1,410,000 (representing the aggregate market value of the machineries owned by the Acquired Company as adopted for the purpose of the Transaction which were negotiated on an arm's length basis between the Purchaser and the Vendor at 3 May 2005 (on that time the Vendor, Tien-Hu Enterprise Limited, Novelwill and Trumpinvest and their respective ultimate beneficial owners are third parties independent of the Company as confirmed by the Directors) with reference to independent valuation at 3 May 2005 of US\$1,202,000 by American Appraisal China Limited, less depreciation and amortisation for the period commencing from 3 May 2005 (being the date of the Sale and Purchase Agreement) up to and including the date of exercise of the Trumpinvest Call Option or the Trumpinvest Put Option.

Payment of the Option Price in respect of the Trumpinvest Call Option shall be paid in full in cash and funded by the internal resources of the Group.

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Payment of the Option Price in respect of both the Trumpinvest Call Option and the Trumpinvest Put Option shall be made in the following manner:

- (a) in the event that Mr. Sammy Wong shall have voluntarily resigned from the Acquired Company, the Option Price for each of the Trumpinvest Call Option and the Trumpinvest Put Option shall be paid:
 - (i) as to 60% (which according to the Directors was arrived at on an arm's length negotiation at the time of the Shareholders' Agreement when the Vendor, Tien-Hu Enterprise Limited, Novelwill and Trumpinvest and their respective ultimate beneficial owners are confirmed by the Directors as third parties independent of the Company) in equal quarterly instalments during the first 12 months immediately after the date of completion of the sale and purchase of the Trumpinvest Option Shares, with the first instalment being paid on the date of completion of the sale and purchase of the Trumpinvest Option Shares; and
 - (ii) as to 40% (which according to the Directors was arrived at on an arm's length negotiation at the time of the Shareholders' Agreement when the Vendor, Tien-Hu Enterprise Limited, Novelwill and Trumpinvest and their respective ultimate beneficial owners are confirmed by the Directors as third parties independent of the Company) in equal quarterly instalments during the second 12 months immediately after the date of completion of the sale and purchase of the Trumpinvest Option Shares.
- (b) in the event that the employment of Mr. Sammy Wong shall be terminated or not being renewed by the Acquired Company, the Option Price for the Trumpinvest Call Option shall be paid in equal (which according to the Directors was arrived at on an arm's length negotiation at the time of the Shareholders' Agreement when the Vendor, Tien-Hu Enterprise Limited, Novelwill and Trumpinvest and their respective ultimate beneficial owners are confirmed by the Directors as third parties independent of the Company) quarterly instalments during the 12 months immediately after the date of completion of the sale and purchase of the Trumpinvest Option Shares with the first instalment being paid on the date of completion of the sale and purchase of the Trumpinvest Option Shares.

Upon completion of the sale and purchase of the Trumpinvest Option Shares, the Purchaser will continue to be a majority shareholder of the Acquired Company holding a 95% interest (assuming none of the Novelwill Call Option and the Novelwill Put Option have been exercised) and the Acquired Company will continue to be a subsidiary of the Company.

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Given that at the time of the Shareholders' Agreement (under which the Trumpinvest Call Option and Trumpinvest Put Option were granted) when the Vendor, Tien-Hu Enterprise Limited, Novelwill and Trumpinvest and their respective ultimate beneficial owners are confirmed by the Directors as third parties independent of the Company (which supposedly therefore together arrived at the terms of the Trumpinvest Call Option and Trumpinvest Put Option on arm's length basis), and given that the terms of the Trumpinvest Call Option and Trumpinvest Put Option remain unchanged since the date of the Shareholder's Agreement (including the pricing formula of a price-earnings multiple of 5 times x actual earnings + fair value of the Assets, the analysis of which can be highly similar to that adopted for the Transaction (i.e. the option price in respect at the Trumpinvest Call Option and Trumpinvest Put Option is lower than the median of the Comparables in terms of price-earnings multiple)), we are of the view that the granting and the terms of the Trumpinvest Call Option and Trumpinvest Put Option are fair and reasonable and under normal commercial terms.

4. Financial Effects of the exercise of the Options including the Transaction

Earnings

The consolidated revenue of the Acquired Group for the year ended 31 December 2006 amounted to approximately HK\$831,118,000. For the year ended 31 December 2005, the consolidated net profit before and after taxation of the Acquired Group amounted to approximately HK\$51,809,000 and approximately HK\$46,620,000 respectively. For the year ended 31 December 2006, the consolidated net profit before and after taxation of the Acquired Group amounted to approximately HK\$66,123,000 and approximately HK\$53,916,000 respectively.

Before the Transaction, the Acquired Company has been a 71% owned subsidiary of the Company and the results of the Acquired Company have already been consolidated into that of the Group. Upon Completion, save for the decreased minority interests of 19%, the Directors do not expect the Transaction will have any immediate impact on the earning of the Group. After accounting for the possible exercise of the Novelwill Call Option and/or the Novelwill Put Option and/or the Trumpinvest Call Option and/or the Trumpinvest Put Option, we obtain confirmation from the Directors that save for the further decreased minority interests of 5% and/or 5%, the Directors do not expect the grant of the Options including the Transaction will have any immediate impact on the earning of the Group.

Net asset value and cash position

The consolidated total assets and net asset value of the Acquired Group as at 31 December 2006 amounted to approximately HK\$217,172,000 and approximately HK\$112,752,000 respectively.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Before the Transaction, the Acquired Company has been a 71% owned subsidiary of the Company and the assets and liabilities of the Acquired Company have already been consolidated into that of the Group.

The Option Price in respect of the Call Option, which amounts to approximately US\$5,905,000, shall be funded by the internal resources of the Group and paid by the Purchaser in full on Completion. As noted from the Annual Report 2006, the cash and bank deposits of the Group amounted to US\$107,076,000 as at 31 December 2006.

Upon Completion, and even after accounting for the possible exercise of the Novelwill Call Option and/or the Novelwill Put Option and/or the Trumpinvest Call Option and/or the Trumpinvest Put Option, we obtain confirmation from the Directors that the exercise of all Options including the Transaction should not have any material impact on the net asset value nor the cash position of the Group.

Gearing

As mentioned in the above paragraph, given the Option Price in respect of the Call Option amounted to approximately US\$5,905,000 and the cash and bank deposits of the Group amounted to US\$107,076,000 as at 31 December 2006, the Option Price payment under the Transaction from the internal resources of the Group. The Directors are of the view that the payment of the Option Price in respect of the Call Option will have immaterial adverse effect on the net debt (represented by bank borrowings net of cash and bank balances) to the capital and reserves attributable to the equity holders of the Company (the “Gearing Ratio”) as a result of the Transaction.

Based on the above, the Transaction exercise of the Options including the would not have any material adverse positive effect on the financial position of the Group in terms of earnings, net asset value and cash position, and gearing. On such basis, we are of the view that the Proposed Acquisition is in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

RECOMMENDATION AND CONCLUSION

Having considered the above principal factors and reasons, we are of the opinion that the terms of Options including the Transaction are on normal commercial terms, in the ordinary and usual course of business, fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and Shareholders as a whole. We would therefore advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the terms of Options including the Transaction at the EGM (if necessary). We also recommend the Independent Shareholders to vote in favour of the resolution to be proposed at any general meeting to be convened (if necessary) by the Company to confirm, approve and ratify (as the case may be) the granting and exercise of the Options including the Transaction.

Yours faithfully,

For and on behalf of

Partners Capital International Limited

Alan Fung

Harry Yu

Managing Director Executive Director

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

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

- (a) As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations which were required (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 the Stock Exchange, were as follows:

Long positions in the shares

Name of Director	Capacity	Number of shares	Approximate percentage of interest in Company
Tan Siu Lin	Trustee (Note 1)	676,390,000	68.15%
Tan Henry	Beneficiary of trust (Notes 2 and 3)	614,250,000	61.89%
	Beneficial owner (Notes 7 and 8)	650,000	0.07%
Tan Willie	Beneficiary of trust (Notes 2 and 4)	614,250,000	61.89%
	Beneficial owner (Notes 7 and 9)	1,100,000	0.11%
Tan Cho Lung, Raymond	Beneficiary of trust (Notes 2 and 5)	614,250,000	61.89%

Name of Director	Capacity	Number of shares	Approximate percentage of interest in Company
	Beneficial owner (Notes 7, 8 and 10)	650,000	0.07%
Mok Siu Wan, Anne	Beneficial owner (Notes 7 and 8)	1,450,000	0.15%
Tan Sunny	Beneficiary of Trust (Notes 2 and 6)	614,250,000	61.89%
	Beneficial owner (Notes 7, 8 and 11)	1,172,000	0.12%

Notes:

- Mr. Tan Siu Lin is the settlor and trustee of each of the Tan Family Trust of 2004, the Pak Kim Lam Tan Trust of 2004, the HJ Trust, the WR5C Trust, the LS Trust, the RC Trust, the JL Trust and the ST Trust (collectively referred to as the “Trusts”). As the settlor and trustee of the Trusts, all of which are revocable discretionary trusts, Mr. Tan Siu Lin is deemed under Part XV of the SFO to be interested in the aggregate shareholdings of Tan Holdings Corporation, Helmsley Enterprises Limited (“Helmsley”) and Wincare Company Limited held in the Company, representing approximately 68.15% of the issued share capital of the Company as at the Latest Practicable Date.
- Pursuant to a shareholders’ agreement dated 12 June, 2004 and entered into between Mr. Tan Siu Lin as trustee for each of the Trusts and Helmsley, each of the Trusts have agreed to adhere to certain pre-emptive arrangements concerning the transfer of shares in Helmsley. For the purposes of Part XV of the SFO, each of the Trusts is therefore deemed to have effective voting power in respect of the interests of Helmsley in the Company.
- Mr. Tan Henry is one of the beneficiaries of the HJ Trust, which is a revocable discretionary trust. He is therefore deemed under Part XV of the SFO to be interested in the interests of the HJ Trust in the Company.
- Mr. Tan Willie is one of the beneficiaries of the WR5C Trust, which is a revocable discretionary trust. He is therefore deemed under Part XV of the SFO to be interested in the interests of the WR5C Trust in the Company.
- Mr. Tan Cho Lung, Raymond is one of the beneficiaries of the RC Trust, which is a revocable discretionary trust. He is therefore deemed under Part XV of the SFO to be interested in the interests of the RC Trust in the Company.
- Mr. Tan Sunny is one of the beneficiaries of the ST Trust, which is a revocable discretionary trust. He is therefore deemed under Part XV of the SFO to be interested in the interests of the St Trust in the Company.
- Each of Mr. Tan Henry, Mr. Tan Willie, Mr. Tan Cho Lung, Raymond, Ms. Mok Siu Wan, Anne and Mr. Tan Sunny is a grantee of the respective share options granted by the Company on 28 December 2004 and 26 January 2006 respectively.

8. Each of Mr. Tan Henry, Mr. Tan Cho Lung, Raymond, Ms. Mok Siu Wan, Anne and Mr. Tan Sunny is a grantee of the share options granted by the Company on 10 November 2006.
9. A total of 600,000 shares of the Company were acquired by an associate of Mr. Tan Willie between 2005 and 2006. He is therefore deemed under Part XV of the SFO to be interested in all of the 600,000 shares acquired by his associate.
10. A total of 200,000 shares of the Company were acquired by an associate of Mr. Tan Cho Lung, Raymond in August 2006. He is therefore deemed under Part XV of the SFO to be interested in all of the 200,000 shares acquired by his associate.
11. Mr. Tan Sunny acquired a total of 322,000 shares of the Company in 2006.

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

Name of Director	Name of associated corporation	Capacity	Number of shares	Approximate percentage of attributable interest in corporation
Tan Siu Lin	Helmsley <i>(Note 1)</i>	Trustee <i>(Note 4)</i>	5,000	100%
	Capital Glory Limited <i>(Note 2)</i>	Trustee <i>(Note 4)</i>	1	100%
	Justintime Development Limited <i>(Note 3)</i>	Trustee <i>(Note 4)</i>	1	100%
	Tripletrio International Limited <i>(Note 3)</i>	Trustee <i>(Note 4)</i>	42,500	100%
	Newtex International Limited <i>(Note 3)</i>	Trustee <i>(Note 4)</i>	2	100%
	Torpedo Management Limited <i>(Note 3)</i>	Trustee <i>(Note 4)</i>	1	100%
	Intergrated Solutions Technology Limited <i>(a Cayman Islands corporation)</i> <i>(Note 3)</i>	Trustee <i>(Note 4)</i>	1	100%
	Eldex Del Golfo, SA de CV <i>(Note 3)</i>	Trustee <i>(Note 4)</i>	11,819	100%
	Servicios Textiles Mexicanos, SA <i>(Note 3)</i>	Trustee <i>(Note 4)</i>	50	100%

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

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

Name of Director	Name of associated corporation	Capacity	Number of shares	Approximate percentage of attributable interest in corporation
	Eldex Del Golfo, SA de CV <i>(Note 3)</i>	Beneficiary of trust <i>(Note 6)</i>	11,819	100%
	Servicios Textiles Mexicanos, SA <i>(Note 3)</i>	Beneficiary of trust <i>(Note 6)</i>	50	100%
	Hanium Industries Limited <i>(Note 3)</i>	Beneficiary of trust <i>(Note 6)</i>	1	100%
	Integrated Solutions Technology Limited <i>(a HK corporation)</i> <i>(Note 3)</i>	Beneficiary of trust <i>(Note 6)</i>	2	100%
	Integrated Solutions Technology Limited <i>(a BVI corporation)</i> <i>(Note 3)</i>	Beneficiary of trust <i>(Note 6)</i>	1	100%
	Integrated Solutions Technology Limited <i>(a Philippines corporation)</i> <i>(Note 3)</i>	Beneficiary of trust <i>(Note 6)</i>	1	100%
Tan Cho Lung, Raymond	Helmley <i>(Note 1)</i>	Beneficiary of trust <i>(Note 7)</i>	5,000	100%
	Capital Glory Limited <i>(Note 2)</i>	Beneficiary of trust <i>(Note 7)</i>	1	100%
	Justintime Development Limited <i>(Note 3)</i>	Beneficiary of trust <i>(Note 7)</i>	1	100%
	Tripletrio International Limited <i>(Note 3)</i>	Beneficiary of trust <i>(Note 7)</i>	42,500	100%
	Newtex International Limited <i>(Note 3)</i>	Beneficiary of trust <i>(Note 7)</i>	2	100%
	Torpedo Management Limited <i>(Note 3)</i>	Beneficiary of trust <i>(Note 7)</i>	1	100%

Name of Director	Name of associated corporation	Capacity	Number of shares	Approximate percentage of attributable interest in corporation
	Integrated Solutions Technology Limited (a Cayman Islands corporation) (Note 3)	Beneficiary of trust (Note 7)	1	100%
	Eldex Del Golfo, SA de CV (Note 3)	Beneficiary of trust (Note 7)	11,819	100%
	Servicios Textiles Mexicanos, SA (Note 3)	Beneficiary of trust (Note 7)	50	100%
	Hanium Industries Limited (Note 3)	Beneficiary of trust (Note 7)	1	100%
	Integrated Solutions Technology Limited (a HK corporation) (Note 3)	Beneficiary of trust (Note 7)	2	100%
	Integrated Solutions Technology Limited (a BVI corporation) (Note 3)	Beneficiary of trust (Note 7)	1	100%
	Integrated Solutions Technology Limited (a Philippines corporation) (Note 3)	Beneficiary of trust (Note 7)	1	100%
Tan Sunny	Helmsley (Note 1)	Beneficiary of trust (Note 8)	5,000	100%
	Capital Glory Limited (Note 2)	Beneficiary of trust (Note 8)	1	100%
	Justintime Development Limited (Note 3)	Beneficiary of trust (Note 8)	1	100%
	Tripletrio International Limited (Note 3)	Beneficiary of trust (Note 8)	42,500	100%
	Newtex International Limited (Note 3)	Beneficiary of trust (Note 8)	2	100%

Name of Director	Name of associated corporation	Capacity	Number of shares	Approximate percentage of attributable interest in corporation
	Torpedo Management Limited <i>(Note 3)</i>	Beneficiary of trust <i>(Note 8)</i>	1	100%
	Integrated Solutions Technology Limited <i>(a Cayman Islands corporation)</i> <i>(Note 3)</i>	Beneficiary of trust <i>(Note 8)</i>	1	100%
	Eldex Del Golfo, SA de CV <i>(Note 3)</i>	Beneficiary of trust <i>(Note 8)</i>	11,819	100%
	Servicios Textiles Mexicanos, SA <i>(Note 3)</i>	Beneficiary of trust <i>(Note 8)</i>	50	100%
	Hanium Industries Limited <i>(Note 3)</i>	Beneficiary of trust <i>(Note 8)</i>	1	100%
	Integrated Solutions Technology Limited <i>(a HK corporation)</i> <i>(Note 3)</i>	Beneficiary of trust <i>(Note 8)</i>	2	100%
	Integrated Solutions Technology Limited <i>(a BVI corporation)</i> <i>(Note 3)</i>	Beneficiary of trust <i>(Note 8)</i>	1	100%
	Integrated Solutions Technology Limited <i>(a Philippines corporation)</i> <i>(Note 3)</i>	Beneficiary of trust <i>(Note 8)</i>	1	100%

Notes:

1. Helmsley is the holding company of Capital Glory Limited, which is, in turn, the holding company of the Company. Helmsley is therefore an associated corporation of the Company as defined under Part XV of the Company.
2. Capital Glory Limited is the holding company of the Company. It is therefore an associated corporation of the Company.
3. The Company is a subsidiary of Helmsley. It is therefore an associated corporation of the Company.

4. Mr. Tan Siu Lin is the settlor and trustee of each of the Trusts. As the settlor and trustee of the Trusts, all of which are revocable discretionary trusts, Mr. Tan Siu Lin is deemed under Part XV of the SFO to be interested in the aggregate interests of the Trusts in each of Helmsley and its subsidiaries respectively.
5. Mr. Tan Henry is one of the beneficiaries of the HJ Trust, which is a revocable discretionary trust. By virtue of the shareholders' agreement dated 12 June 2004 (as described above), he is therefore deemed under Part XV of the SFO to be interested in the aggregate interests of the Trusts in each of Helmsley and its subsidiaries respectively.
6. Mr. Tan Willie is one of the beneficiaries of the WR5C Trust, which is a revocable discretionary trust. By virtue of the shareholders' agreement dated 12 June 2004 (as described above), he is therefore deemed under Part XV of the SFO to be interested in the aggregate interests of the Trusts in each of Helmsley and its subsidiaries respectively.
7. Mr. Tan Cho Lung, Raymond is one of the beneficiaries of the RC Trust, which is a revocable discretionary trust. By virtue of the shareholders' agreement dated 12 June 2004 (as described above), he is therefore deemed under Part XV of the SFO to be interested in the aggregate interests of the Trusts in each of Helmsley and its subsidiaries respectively.
8. Mr. Tan Sunny is one of the beneficiaries of the ST Trust, which is a revocable discretionary trust. By virtue of the shareholders' agreement dated 12 June 2004 (as described above), he is deemed under Part XV of the SFO to be interested in the aggregate interests of the Trusts in each of Helmsley and its subsidiaries respectively.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and the chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and Stock Exchange.

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

(ii) Interests of Substantial Shareholders

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

Name	Capacity	Number of shares	Approximate percentage of shareholding
Capital Glory Limited (Note 1)	Beneficial owner	614,250,000	61.89%
Helmsley (Note 1)	Interest of controlled corporation	614,250,000	61.89%
Tan Family Trust of 2004 (Notes 2 and 3)	Interest of controlled corporation	676,390,000	68.15%
Trusts (other than the Tan Family Trust of 2004) (Note 3)	Interest of controlled corporation	614,250,000	61.89%

Notes:

- Capital Glory Limited is a wholly-owned subsidiary of Helmsley. Helmsley is therefore deemed to be interested in the interests of Capital Glory Limited held in the Company.
- The Tan Family Trust of 2004 is interested in the entire issued share capital of Tan Holdings Corporation and Wincare International Company Limited. It is also interested in the 30% of the issued share capital of Helmsley. For the purposes of Part XV of the SFO, it is deemed to be interested in the shares held by Tan Holdings Corporation, Wincare International Company Limited and Helmsley.
- Pursuant to a shareholders' agreement dated 12 June 2004 and entered into between Mr. Tan Siu Lin as trustee for each of the Trusts and Helmsley, each of the Trusts has agreed to enter into a pre-emptive arrangement concerning the transfer of shares in Helmsley. For the purposes of Part XV of the SFO, each of the Trusts is therefore deemed to have effective voting power in respect of the shareholding of Helmsley in the Company, representing 61.89% of the issued share capital of the Company as at the Latest Practicable Date.
- Both of Mr. Tan Siu Lin and Mr. Henry Tan are directors in each of Capital Glory Limited and Helmsley Enterprises Limited.

- (b) Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other person, other than the Directors and the chief executives of the Company, who had, or was deemed to have, interests or short positions in the shares, underlying shares and debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO; or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group or held any option in respect of such capital.

3. DIRECTORS' INTERESTS IN COMPETING BUSINESSES

As at the Latest Practicable Date, save as for Kardon International Worldwide Limited as disclosed in the section headed "Relationship with controlling shareholder" in the Company's prospectus dated 30 June 2004, so far as the Directors are aware, none of the Directors or any of their respective associates had a controlling interest in a business which causes or may cause any significant direct or indirect competition with the business of the Group or any significant conflicts with the interests of the Group.

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 2006, 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. MATERIAL CONTRACTS

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

- (a) a sale and purchase agreement dated 10 March 2006 entered into between Mr. Frank Fleischer (as vendor), the Purchaser (as purchaser) and Luen Thai Overseas Limited as guarantor in respect of the acquisition of a 50% interest in the issued share capital of On Time International Limited;
- (b) an option agreement dated 10 March 2006 entered into between Mr. Frank Fleischer (as vendor) and the Purchaser (as purchaser) in relation to an option to purchase a further 10% interest in the issued share capital of On Time International Limited; and
- (c) a second option agreement dated 10 March 2006 entered into between Mr. Frank Fleischer (as vendor) and the Purchaser (as purchaser) in relation to an option to the sale and purchase a 40% interest in the issued share capital of On Time International Limited.

5. SERVICE CONTRACT

Pursuant to the letter of appointment from the Company to each of Mr. Seing Nea Yie, Mr. Chan Henry and Mr. Cheung Siu Kee dated 27 January 2005, 4 April 2007 and 4 April 2007 respectively, the appointment or re-appointment (as the case may be) of each of these independent non-executive Directors was for a term of three years commencing from 28 January 2005, 16 April 2007 and 16 April 2007 respectively. Each of these independent non-executive Directors shall be entitled to an annual fee of HK\$120,000 with effect from 1 January 2007.

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

Save as disclosed in this Circular, Appendix VI to the Company's prospectus dated 30 June 2004 (the "Prospectus") and the renewal of the executive Directors' existing service agreements, details of which are disclosed in the Prospectus, upon their respective expiration, the Company has not entered into any service agreements of directors as at the date of this Circular.

6. LITIGATION

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

7. PROCEDURE FOR DEMANDING A POLL

Under Article 66 of the Company's articles of association, at any general meeting on a show of hands every shareholder present in person (or being a corporation, is present by a duly authorized representative), or by proxy shall have one vote and on a poll every shareholder present in person or by proxy or, in the case of a shareholder being a corporation, by its duly authorized representative shall have one vote per every fully paid share of which he is the holder.

A resolution put to the vote shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded:

- (i) by the chairman of such meeting; or
- (ii) by at least three shareholders present in person or in the case of a shareholder being a corporation by its duly authorized representative or by proxy for the time being entitled to vote at the meeting; or

- (iii) by a shareholder or shareholders present in person or in the case of a shareholder being a corporation by its duly authorized representative or by proxy and representing not less than one-tenth of the total voting rights of all shareholders having the right to vote at such meeting; or
- (iv) by a shareholder or shareholders present in person or in the case of a shareholder being a corporation by its duly authorized representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all shares conferring that right.

As noted above, the resolution to be proposed will, in any event, be taken on a poll as required under the Listing Rules.

8. QUALIFICATION AND CONSENT OF AN EXPERT

- (a) The following is the qualification of the expert who has given opinions or advice contained in this Circular:

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

- (b) As at the Latest Practicable Date, Partners Capital International Limited 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.
- (c) Partners Capital International Limited has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its letter and references to its name in the form and context in which they appear respectively.
- (d) As at the Latest Practicable Date, Partners Capital International Limited did not have any interest, direct or indirect, in any assets which have been, since 31 December 2006, 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.

9. MISCELLANEOUS

- (a) The registered head office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-111 Cayman Islands.
- (b) The principal share registrar and transfer office of the Company is Bank of Bermuda (Cayman) Limited at P.O. Box 513 G.T., Strathvale House, North Church Street, George Town, Grand Cayman, Cayman Islands.
- (c) The share registrar and transfer office of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (d) The company secretary of the Company is Mr. Chiu Chi Cheung, Associate Member of The Hong Kong Institute of Certified Public Accountants.
- (e) The qualified accountant of the Company is Mr. Chiu Chi Cheung, Associate Member of The Hong Kong Institute of Certified Public Accountants.
- (f) In the event of any inconsistency, the English text of this Circular shall prevail over the Chinese text.

10. DOCUMENTS AVAILABLE FOR INSPECTION

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

- (a) the letter from the Board, the text of which is set out on pages 5 to 14 of this Circular;
- (b) the letter from the Independent Board Committee, the text of which is set out on page 15 of this Circular;
- (c) the letter from Partners Capital International Limited, the Independent Financial Adviser, the text of which is set out on pages 16 to 31 of this Circular;
- (d) the written consents referred to in the paragraph headed "Qualification and Consent of Expert" in this Appendix;
- (e) the memorandum and articles of association of the Company;
- (f) the annual reports of the Company for the years ended 31 December 2006, 31 December 2005 and 31 December 2004;
- (g) the interim report of the Company for the six months ended 30 June 2006;

- (h) the material contracts referred to in paragraph 4 above;
- (i) this Circular;
- (j) the Sale and Purchase Agreement;
- (k) the Shareholders' Agreement; and
- (l) a circular dated 14 May 2007 issued by the Company, being the only circular issued pursuant to the requirements set out under Chapter 14 and/or 14A of the Listing Rules since 31 December 2006, being the date of which the latest published audited consolidated financial statements of the Group were made up.