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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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If you are in any doubt as to any aspect of this circular, you should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant, or other professional adviser.

If you have sold or transferred all your shares in Luen Thai Holdings Limited (the “Company”), you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or transferee.

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**LUEN THAI HOLDINGS LIMITED**

**聯泰控股有限公司**

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

**(Stock Code: 311)**

- (1) MAJOR AND CONNECTED TRANSACTION —  
DISPOSAL OF CERTAIN BUSINESS AND PROPERTIES THROUGH  
DISPOSAL OF SUBSIDIARIES;  
(2) POSSIBLE CCT CONSTITUTING  
CONTINUING CONNECTED TRANSACTIONS;  
(3) DISPOSAL AGREEMENT AND POSSIBLE CCT  
AS SPECIAL DEALS;  
(4) POSSIBLE SPECIAL INTERIM DIVIDENDS; AND  
(5) NOTICE OF EXTRAORDINARY GENERAL MEETING**

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A notice convening an extraordinary general meeting (“EGM”) of the Company to be held at the Boardroom, 5th Floor, Nanyang Plaza, 57 Hung To Road, Kwun Tong, Kowloon, Hong Kong on Saturday, 31 December 2016 at 10:00 a.m. is set out on pages EGM-1 to EGM-4 of this circular.

Whether or not you are able to attend the EGM, you are requested to complete and sign the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company’s Branch Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting if they so wish.

*In case of inconsistency between the Chinese version and the English version of this circular, the English version will prevail.*

Hong Kong, 14 December 2016

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## DEFINITIONS

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

“acting in concert”	has the meaning given to it in the Takeovers Code
“associate(s)”	has the meaning given to it in the Takeovers Code
“Board”	the board of directors of the Company
“Business Day”	any day (excluding a Saturday or Sunday or public holiday) on which banks are generally open for business in Hong Kong
“BVI”	the British Virgin Islands
“Chang Jia”	Chang Jia International Limited, a company incorporated in the BVI, which owns certain project companies which are engaged in real estate development in Qingyuan City, Guangdong Province, the PRC
“Code Independent Board Committee”	the independent committee of the Board (comprising Mr. Lu Chin Chu, Mr. Chan Henry, Mr. Cheung Siu Kee and Mr. Seing Nea Yie, being all the non-executive Directors (excluding Mr. Tan Willie) and all the independent non-executive Directors) established for the purpose of advising the Shareholders in respect of the Offer and the Disinterested Shareholders in respect of the Disposal Agreement and the Possible CCT pursuant to the requirements of the Takeovers Code
“Company”	Luen Thai Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the main board of the Stock Exchange (Stock Code: 311)
“Composite Document”	the composite offer and response document to be issued, subject to satisfaction or waiver (as applicable) of the Pre-Conditions, by or on behalf of the Offeror and the Company to all Shareholders in accordance with the Takeovers Code containing, among others, details of the Offer and enclosing the acceptance and transfer forms in respect of the Offer, as may be revised or supplemented as appropriate
“concert parties”	in respect of a person, persons acting in concert with such person
“connected person”	has the meaning given to it under the Listing Rules
“controlling shareholder”	has the meaning given to it under the Listing Rules

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## DEFINITIONS

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“Despatch Date”	the date of despatch of the Composite Document to the Shareholders as required by the Takeovers Code
“DGLT”	Dongguan Luen Thai Garment Co. Ltd. (東莞聯泰製衣有限公司), a company established in the PRC
“Director(s)”	director(s) of the Company
“Disinterested Shareholders”	the Shareholders other than (i) the Offeror and persons acting in concert with it (for the avoidance of doubt, Disinterested Shareholders include any member of the HSBC group in respect of Shares (1) of its non-discretionary investment clients when such client (a) has control over whether to vote and/or accept the Offer in regards to those Shares (as applicable), (b) if those Shares are to be voted and/or if the Offer is to be accepted in regards to those Shares, gives instructions to vote them and/or accept the Offer in regards to them (as applicable), and (c) is not the Offeror or a person acting in concert with it; and (2) held by exempt fund managers recognised as such for the purpose of the Takeovers Code); and (ii) those who are involved or interested in the Disposal Agreement or the Possible CCT (including Mr. Tan, Dr. Tan Siu Lin, Mr. Tan Willie, Mr. Tan Cho Lung Raymond and Mr. Sunny Tan together with their respective concert parties and associates)
“Disposal”	sale of the entire issued share capital of each of the Disposal Companies by the Disposal Vendor to the Disposal Purchaser as contemplated under the Disposal Agreement
“Disposal Agreement”	the sale and purchase agreement relating to the Disposal dated 25 October 2016 and entered into between the Disposal Vendor and the Disposal Purchaser
“Disposal Businesses”	the businesses of (i) retail sales and trading of apparel and accessories; (ii) footwear manufacturing; (iii) freight forwarding and logistics and (iv) real estate development currently conducted by the Group through the Disposal Companies
“Disposal Companies”	Disposal Company I, Disposal Company II, Disposal Company III and Disposal Company IV
“Disposal Company I”	Wisely Global Limited, a company incorporated in the BVI with limited liability
“Disposal Company II”	Shiny New Limited, a company incorporated in the BVI with limited liability

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## DEFINITIONS

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“Disposal Company III”	Luen Thai Industrial Company Limited, a company incorporated in the BVI with limited liability
“Disposal Company IV”	CTSI Holdings Limited, a company incorporated in the BVI with limited liability
“Disposal Completion”	completion of the sale and purchase of the Disposal Sale Shares pursuant to the Disposal Agreement
“Disposal Completion Date”	the date on which Disposal Completion takes place in accordance with the Disposal Agreement
“Disposal Conditions Fulfilment Date”	31 December 2016 or such other date as the Disposal Vendor and the Disposal Purchaser may agree in writing
“Disposal Consideration”	the total consideration for Disposal Sale Shares
“Disposal Group”	Disposal Group I, Disposal Company II, Disposal Group III and Disposal Group IV
“Disposal Group I”	Disposal Company I and its subsidiaries upon completion of the Reorganisation
“Disposal Group III”	Disposal Company III and its subsidiaries upon completion of the Reorganisation
“Disposal Group IV”	Disposal Company IV and its subsidiaries upon completion of the Reorganisation
“Disposal Properties”	the properties referred to in this circular under the heading “Information on the Disposal Properties”, which are currently owned by the Disposal Group
“Disposal Purchaser”	Torpedo Management Limited, a company incorporated with limited liability in the BVI and a connected person of the Company
“Disposal Sale Shares”	the entire issued share capital of each of the Disposal Companies
“Disposal Special Dividend”	the conditional special interim cash dividend of HK\$0.82 per Share which it is intended to be declared by the Board
“Disposal Special Dividend Record Date”	the record date, which will be a date on or after that of the EGM and before the date when the Offer becomes or is declared unconditional in all respects, for the purpose of determining the entitlement of the Shareholders to receive the Disposal Special Dividend

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## DEFINITIONS

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“Disposal Vendor”	Luen Thai Overseas Limited, a company incorporated in Bahamas with limited liability and a wholly-owned subsidiary of the Company
“EGM”	an extraordinary general meeting of the Company to be convened (i) for the Disinterested Shareholders to consider and, if thought fit, to approve the Disposal Agreement and the Possible CCT both as special deals under the Takeovers Code in relation to the Offer; (ii) for the Independent Shareholders to consider and, if thought fit, to approve the Disposal Agreement as a notifiable transaction under Chapter 14 of the Listing Rules and a connected transaction under Chapter 14A of the Listing Rules, regardless of whether the resolution in (i) above is approved by the Disinterested Shareholders at the EGM; (iii) for the Independent Shareholders to consider and, if thought fit, to approve the declaration and distribution of the Disposal Special Dividend subject to Disposal Completion; and (iv) for the Independent Shareholders to consider and, if thought fit, to approve the declaration and distribution of the Offer Special Dividend subject to the Offer having been made and declared to be unconditional
“Estimated Value”	the aggregate of (i) the value of the property interest owned by Disposal Company II as stated in its unaudited management account as at 30 June 2016; (ii) the value of the Disposal Properties held by Disposal Group III as stated in its unaudited management accounts as at 30 June 2016; and (iii) the estimated value of the Disposal Group IV as at 30 June 2016
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
“Existing CCT”	the Existing Shipping Agreement, the Existing Freight Master Agreement, the Existing Technological Support Services Agreement and the Existing Lease Arrangements Agreement
“Existing Freight Master Agreement”	the freight master agreement dated 22 December 2014 entered into between the Group, Tan Holdings and Helmsley in respect of Disposal Group IV’s provision of freight services, the details of which are set out in the Company’s announcement dated 22 December 2014
“Existing Lease Arrangements Agreement”	the master agreement dated 15 December 2015 entered into between the Disposal Vendor, Tan Holdings and Helmsley in relation to the leasing of properties between the Group and the Tan Private Group, the details of which are set out in the Company’s announcement dated 15 December 2015

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## DEFINITIONS

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“Existing Shipping Agreement”	the master agreement dated 22 December 2014 entered into between certain members of the Group and Helmsley in respect of Disposal Group IV’s provision of shipping agency services, the details of which are set out in the Company’s announcement dated 22 December 2014
“Existing Technological Support Services Agreement”	the master agreement dated 15 December 2015 entered into between the Disposal Vendor and Helmsley pursuant to which Helmsley and its subsidiaries agreed to provide technological support services to the Group, the details of which are set out in the Company’s announcement dated 15 December 2015
“Factory”	the industrial complex erected on Land Nos. 1 to 4, Jin Fung Huang Industrial Zone, Tangli Village, Fenggang Town, Dongguan, Guangdong Province, the PRC
“Final Closing Date”	the date which is (i) the 14th day after the date on which the Offer is declared unconditional as to acceptances or (ii) the First Closing Date, whichever is the later, provided that the Offer will be open for acceptance for at least 21 days following the Despatch Date
“First Closing Date”	the date to be stated in the Composite Document as the first closing day of the Offer, which shall be at least 21 days following the date on which the Composite Document is posted, or such later date as may be determined and announced by the Offeror in accordance with the Takeovers Code
“Group”	the Company and its subsidiaries (excluding, following Disposal Completion, the Disposal Companies) and the terms “Group Company” and “member of the Group” shall be construed accordingly
“Guam”	a Pacific Island and an unincorporated territory of the United States of America
“Helmsley”	Helmsley Enterprises Limited, a company incorporated in the Bahamas with limited liability
“Helmsley Group”	Helmsley 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

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## DEFINITIONS

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“HSBC”	The Hongkong and Shanghai Banking Corporation Limited, being the financial adviser to the Offeror and the Offeror Parent in relation to the Offer
“Independent Board Committees”	the Code Independent Board Committee and the LR Independent Board Committee
“Independent Financial Adviser”	Octal Capital Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
“Independent Shareholders”	the Shareholders other than those who have a material interest in the Disposal Agreement (within the meaning of the Listing Rules) or who are otherwise required to abstain from voting at the EGM under the Listing Rules
“Irrevocable Undertaking”	the irrevocable undertaking dated 26 October 2016 given by the Selling Parties to the Offeror and the Offeror Parent as described in Part B of the Joint Announcement
“IU Shares”	the total of 520,849,598 Shares, comprising (1) 440,298,456 Shares held by Capital Glory Limited, representing approximately 42.58% of the issued share capital of the Company; (2) 43,546,001 Shares held by Hanium Industries Limited, representing approximately 4.21% of the issued share capital of the Company; (3) 10,465,375 Shares held by Double Joy Investments Limited, representing approximately 1.01% of the issued share capital of the Company; (4) 4,659,243 Shares held by Wincare International Company Limited, representing approximately 0.45% of the issued share capital of the Company; (5) 18,852,014 Shares held by Tan Siu Lin Foundation Limited, representing approximately 1.82% of the issued share capital of the Company; (6) 2,080,890 Shares held by Ms. Cynthia Yiu, representing approximately 0.20% of the issued share capital of the Company (among which 200,000 Shares were held in the joint account name of Ms. Cynthia Yiu and her son Mr. Justin Tan); (7) 716,807 Shares held by Hampton Asset Limited, representing approximately 0.07% of the issued share capital of the Company; and (8) 230,812 Shares held by Mr. Sunny Tan, representing approximately 0.02% of the issued share capital of the Company
“Joint Announcement”	the joint announcement dated 26 October 2016 issued by the Company and the Offeror
“Latest Practicable Date”	12 December 2016, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular

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## DEFINITIONS

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“Lease Agreement”	the lease agreement in respect of the Factory dated 25 October 2016 and entered into by DGLT as landlord and the Disposal Vendor as tenant
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“LR Independent Board Committee”	the independent committee of the Board (comprising Mr. Chan Henry, Mr. Cheung Siu Kee and Mr. Seing Nea Yie, being all the independent non-executive Directors) established for the purpose of advising the Independent Shareholders in respect of the Disposal Agreement pursuant to the requirements of the Listing Rules
“LTID”	Luen Thai International Development Limited, a company incorporated under the laws of Hong Kong
“L&T Group”	L&T Group of Companies, Ltd., a company incorporated under the laws of Commonwealth of Northern Mariana Islands
“L&T Guam”	L&T (Guam) Corporation, a company incorporated under the laws of Guam
“Master Logistics Agreement”	the agreement in relation to the freight forwarding and logistics services dated 25 October 2016 and entered into by the Disposal Vendor and Disposal Company IV
“Master IT Agreement”	the agreement in relation to the information technology services dated 25 October 2016 and entered into by the Disposal Vendor and DGLT
“MELL”	Mariana Express Lines Ltd., a company incorporated in the BVI with limited liability
“Mr. Tan”	Dr. Tan Henry, an executive Director and controlling shareholder of the Company as at the date of this circular
“Offer”	the pre-conditional voluntary cash general offer by HSBC on behalf of the Offeror to acquire all of the issued Shares (other than those already owned by the Offeror) from the Shareholders at the Offer Price and any subsequent revision or extension of such offer

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## DEFINITIONS

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“Offer Period”	has the meaning given to it under the Takeovers Code, being the period from the date of the Joint Announcement until the latest of: (1) the date when the Offer closes for acceptances (i.e. the Final Closing Date); (2) the date when the Offer lapses; (3) the time when the Offeror announces that the Offer will not proceed; and (4) the date when an announcement is made of the withdrawal of the Offer
“Offer Price”	the price per Offer Share payable in cash by the Offeror on the terms of the Offer
“Offer Special Dividend”	the conditional special interim cash dividend of HK\$0.749 per Share which is intended to be declared by the Board
“Offer Special Dividend Record Date”	the record date, which will be a date on or after that of the EGM and before the date when the Offer becomes or is declared unconditional in all respects, for the purpose of determining the entitlement of the Shareholders to receive the Offer Special Dividend
“Offeror”	Shangtex (Hong Kong) Limited (上海紡織(香港)有限公司), a company incorporated in Hong Kong with limited liability and which is an indirect wholly-owned subsidiary of the Offeror Parent
“Offeror Group”	the Offeror Parent and its subsidiaries
“Offeror Parent”	Shangtex Holding Co., Ltd.* (上海紡織(集團)有限公司), a company incorporated in the PRC with limited liability which indirectly holds 100% shareholdings in the Offeror
“percentage ratios”	has the meaning given to it under the Listing Rules
“Possible CCT”	the Master Logistics Agreement, the Master IT Agreement and the Lease Agreement
“Pre-Conditions”	the pre-conditions to the making of the Offer, as set out under the section headed “Pre-Conditions to the Offer” in Part A of the Joint Announcement
“PRC”	the People’s Republic of China, which expression, solely for the purpose of construing this circular, except where the context otherwise requires, does not include Hong Kong, the Macau Special Administrative Region or Taiwan
“Remaining Group”	the Company and its subsidiaries upon Disposal Completion

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## DEFINITIONS

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“Remaining Shares”	205,775,402 Shares which are held by the Selling Shareholders and are not the IU Shares
“Reorganisation”	the reorganisation to be effected by the Disposal Vendor for the purpose of forming the Disposal Group
“RMB”	Renminbi, the lawful currency of the PRC
“Selling Parties”	the Selling Shareholders and Mr. Tan
“Selling Shareholders”	(1) Capital Glory Limited; (2) Hanium Industries Limited; (3) Double Joy Investments Limited; (4) Wincare International Company Limited; (5) Tan Siu Lin Foundation Limited; (6) Ms. Cynthia Yiu; (7) Mr. Justin Tan; (8) Hampton Asset Limited; and (9) Mr. Sunny Tan
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholders”	holders of Shares
“Shares”	ordinary shares of US\$0.01 each in the issued share capital of the Company
“Special Dividends”	the Disposal Special Dividend and the Offer Special Dividend
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning given to it under the Listing Rules
“substantial shareholder”	has the meaning given to it under the Listing Rules
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Tan Holdings”	Tan Holdings Corporation, a company incorporated in the Commonwealth of Northern Mariana Islands
“Tan Holdings Group”	Tan Holdings and its subsidiaries
“Tan Private Group”	Helmsley Group and Tan Holdings Group and their respective associates and concert parties (other than the Group)
“United States” or “U.S.”	the United States of America

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## DEFINITIONS

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“USS”	United States of America dollar, the lawful currency of the United States
“Valuation”	the aggregate fair value of (i) the property interest held by Disposal Company II, (ii) the land and properties held by Disposal Group III; and (iii) the business of Disposal Group IV as at 30 June 2016 as stated in the valuation reports issued by an independent professional valuer and to be provided by the Disposal Vendor to the Disposal Purchaser prior to the Disposal Completion, being approximately US\$111 million
“Valuer”	Crowe Horwath (HK) Consulting & Valuation Limited
“%”	per cent.

\* *For identification purpose only*



**LUEN THAI HOLDINGS LIMITED**

**聯泰控股有限公司**

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

**(Stock Code: 311)**

*Executive Directors:*

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

*Registered Office:*

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

*Non-executive Directors:*

Tan Willie  
Lu Chin Chu

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

5th Floor  
Nanyang Plaza  
57 Hung To Road  
Kwun Tong  
Kowloon  
Hong Kong

*Independent Non-executive Directors:*

Chan Henry  
Cheung Siu Kee  
Seing Nea Yie

14 December 2016

*To the Shareholders*

Dear Sir or Madam,

**A. INTRODUCTION**

In the Joint Announcement dated 26 October 2016, the Company and the Offeror jointly announced that (among others):

- (i) HSBC, on behalf of the Offeror, firmly intends, subject to the satisfaction or waiver (as applicable) of the Pre-Conditions, to make a voluntary conditional cash general offer to acquire all of the issued Shares (other than those already owned by the Offeror) from the Shareholders at an offer price of HK\$1.80 per Share;
- (ii) on 26 October 2016, the Offeror, the Offeror Parent and the Selling Parties entered into the Irrevocable Undertaking. Pursuant to the Irrevocable Undertaking, each of the Selling Shareholders has unconditionally and irrevocably undertaken to the Offeror and the Offeror Parent that, and Mr. Tan has unconditionally and irrevocably undertaken to the Offeror and the

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## LETTER FROM THE BOARD

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Offeror Parent to procure that, among others, (a) each of the Selling Shareholders will accept the Offer in respect of the IU Shares, being 520,849,598 Shares owned by them (representing approximately 50.37% of the issued share capital of the Company as at the date of this circular); (b) none of the Selling Shareholders and the parties acting in concert with any of the Selling Shareholders will accept the Offer in respect of any Shares (including the Remaining Shares, being 205,775,402 Shares (representing approximately 19.90% of the issued share capital of the Company as at the date of this circular) held by it other than the IU Shares); and (c) none of the Selling Shareholders will sell, transfer, charge, encumber, grant any option over or otherwise dispose of any Shares (including the Remaining Shares) other than the IU Shares before the expiry of the Offer Period;

- (iii) on 25 October 2016, the Disposal Vendor (a wholly-owned subsidiary of the Company) and the Disposal Purchaser entered into the Disposal Agreement pursuant to which the Disposal Vendor has conditionally agreed to sell (through the sale of all shares in the Disposal Companies) the Disposal Businesses which are currently non-core businesses of the Group, namely, the businesses of (i) retail sales and trading of apparel and accessories and (ii) footwear manufacturing, which are non-profit-contributing businesses of the Group for the financial year ended 31 December 2015 and for the six months ended 30 June 2016 and the businesses of (iii) freight forwarding and logistics and (iv) real estate development, as well as the Disposal Properties, to the Disposal Purchaser at a total consideration of US\$110,344,883 (subject to upward adjustment). Upon Disposal Completion, the principal business of the Remaining Group will continue to be apparel and bags manufacturing; and
- (iv) on 25 October 2016, the Disposal Vendor and certain members of the Disposal Group entered into the Possible CCT, namely, (i) the Master Logistics Agreement pursuant to which Disposal Group IV shall provide freight forwarding and logistics services to the Group; (ii) the Master IT Agreement pursuant to which DGLT shall provide information technology services to the Group; and (iii) the Lease Agreement pursuant to which DGLT shall lease back the Factory to the Group. Subject to Disposal Completion having taken place, the term of the Possible CCT shall commence on the Disposal Completion Date.

The purpose of this circular is to provide you with, among others, (i) details of the Disposal Agreement and the Possible CCT; (ii) the recommendation of the Independent Board Committees in respect of the Disposal Agreement and, in the case of the Code Independent Board Committee, also the Possible CCT; (iii) the advice from the Independent Financial Adviser in respect of the Disposal Agreement and the Possible CCT; and (iv) a notice convening the EGM.

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## LETTER FROM THE BOARD

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### B. DISPOSAL AGREEMENT

The principal terms of the Disposal Agreement are as follows:

#### Date

25 October 2016

#### Parties

- (1) Disposal Vendor: Luen Thai Overseas Limited, a wholly-owned subsidiary of the Company
- (2) Disposal Purchaser: Torpedo Management Limited, a limited company incorporated in the British Virgin Islands and wholly-owned by Helmsley, which is in turn beneficially owned as to 55% by Mr. Tan and 45% by certain members of Mr. Tan's family under trust arrangements

#### Assets to be disposed of

The entire issued share capital of each of the Disposal Companies.

#### Disposal Consideration

The initial Disposal Consideration is US\$110,344,883 (subject to an upward adjustment as set out below). The initial Disposal Consideration has been determined after arm's length negotiations among the parties based on the estimated fair value of the Disposal Group with reference to the unaudited management accounts of members of the Disposal Group as at 30 June 2016 and the unaudited net assets value of the Disposal Group of approximately US\$42 million as at 30 June 2016.

The initial Disposal Consideration of approximately US\$110 million (which includes the settlement of the Intra-Group Balance (as defined below)) is arrived at after taking into consideration the following factors:

- (i) the unaudited net asset value of the Disposal Group as at 30 June 2016, being approximately US\$42 million;
- (ii) while the net asset value of the Disposal Group as at 30 June 2016 was approximately US\$42 million, as at the same date, the Disposal Group was owing to the Remaining Group in the sum of approximately US\$59 million ("**Intra-Group Balance**"), and the Disposal Purchaser would pay to the Disposal Vendor an amount equals to Intra-Group Balance (as part of the Initial Disposal Consideration) upon Disposal Completion in order for the Disposal Vendor to settle this Intra-Group Balance contemporaneously at Disposal Completion (which shall result in an increase of the net asset value of the Disposal Group by the amount of the Intra-Group Balance);

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## LETTER FROM THE BOARD

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- (iii) the upward adjustment of (a) approximately US\$10 million, being the difference of 24% of the net book value of Chang Jia as shown in the management account of Chang Jia as at 30 June 2016 over the investment in Chang Jia as shown in the unaudited management account of Disposal Company II as at 30 June 2016; such difference is mainly due to the accounting treatment of the capital injection of assets into Chang Jia by the Group in 2011. In 2011, the Group injected certain assets in Chang Jia when it disposed of its 76% equity interests in Chang Jia. As the Group still holds 24% of the equity interests in Chang Jia immediately after such disposal and before the Disposal Completion, 24% of the gain from the relevant assets has not been realised. Accordingly, an upward adjustment was made when the initial Disposal Consideration was determined to take into account the unrealised gain from the disposal of the relevant assets, in accordance with the applicable accounting standard; and (b) approximately US\$9 million, being the value of the property interest owned by Disposal Company II and the Disposal Properties owned by Disposal Group III as estimated by the Board based on the market value of similar properties in relevant locations over the net book value of such properties as reflected in the unaudited management accounts of the relevant Disposal Companies as at 30 June 2016; and
- (iv) a downward adjustment of approximately US\$10 million of the fair value of Disposal Group IV as estimated by the Board based on 5.5 times price per earnings (P/E) ratio of the average profit of Disposal Group IV for the two years ended 31 December 2015 (i.e. approximately US\$2.3 million and approximately US\$3 million respectively for the year ended 31 December 2014 and 2015) as compared to the net asset value of Disposal Group IV as reflected in its unaudited management accounts as at 30 June 2016. The aforesaid estimated fair value of Disposal Group IV amounted to approximately US\$14.6 million. Having considered that the basis of determination of the considerations payable by the Company for most of its past acquisitions of companies from independent third parties based on arms' length negotiation were about 5.5 times the relevant P/E ratio, the Board considers adopting such P/E ratio approach using 5.5 times the P/E ratio as a basis for estimating the fair value of Disposal Group IV for the purpose of determining the initial Disposal Consideration to be appropriate and reasonable, noting that the Disposal consideration will be adjusted based on the Valuation provided by an independent professional valuer, if the Valuation is higher than the Estimated Value.

### **Upward Adjustment to the Disposal Consideration**

At Disposal Completion, the Disposal Purchaser shall pay to the Disposal Vendor the initial Disposal Consideration of US\$110,344,883 plus any amount by which the Valuation exceeds the Estimated Value (“**Upward Adjustment**”), provided that the final Disposal Consideration payable by the Disposal Purchaser shall not exceed US\$120,344,883. The final Disposal Consideration payable by the Disposal

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## LETTER FROM THE BOARD

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Purchaser shall be no less than US\$110,344,883. For the purpose of calculating the Upward Adjustment, the amount by which the Valuation exceeds the Estimated Value in respect of any of Disposal Company II, Disposal Group III and Disposal Group IV shall be set off by the amount by which the Estimated Value exceeds the Valuation in respect of any of Disposal Company II, Disposal Group III and Disposal Group IV.

### **Valuation**

The Valuation amounts to approximately US\$111 million, comprising the fair value of the property interest owned by Disposal Company II, the Disposal Properties held by Disposal Group III and the market value of the 100% equity interest of Disposal Group IV as at 30 June 2016 as assessed by an independent professional valuer. The business valuation report on Disposal Group IV as at 30 June 2016 is set out in Appendix V.

As set out in the business valuation report, the valuation on Disposal Group IV was made by the Valuer based on the assumptions that: (i) Disposal Group IV will continue to provide logistics services in the region and fulfill all legal and regulatory requirements for the continuation of its business; (ii) there will be no material changes in politics, laws, rules or regulations where Disposal Group IV currently operates which may materially and adversely affect the operations of the logistics service business; (iii) there will be no major changes in the current taxation law where Disposal Group IV currently operates which will materially affect the profits, that the rates of tax payable remain unchanged and that all applicable laws and regulations in relation to taxation will be complied with; (iv) there will not be any adverse events beyond the control of the management of Disposal Group IV, including natural disasters, catastrophes, fire, explosion, flooding, acts of terrorism and epidemics that may adversely affect the operation of Disposal Group IV; and (v) any financial statements, service contracts, schedule of assets and their condition or other relevant information as provided by Disposal Group IV and the Company in connection with the valuation is true, lawful, complete and credible. The valuation was based on P/E ratio of 6.09, being the median of the P/E ratio of the selected comparable companies, with a lack of marketability discount of 25%. The Board understands that the comparable companies considered by the Valuer are primarily engaged in logistics-related business in South East Asia and China with revenue weight of logistics services related business of greater than 70% and profitability similar to Disposal Group IV; and the valuation has taken into account the P/E multiples of these comparable companies, and that the adjustment based on lack of marketability is reasonable as there is no active market for the equity interests in Disposal Group IV. Given the above, the Board considers that the methodology and assumptions of the business valuation is fair and reasonable.

As Disposal Group I does not hold any property interest and was non-profit-contributing for the financial year ended 31 December 2015 and the six months ended 30 June 2016 and is not expected to be profit contributing in the foreseeable future, the Board considers that no adjustment to the Disposal Consideration is necessary in respect of Disposal Group I.

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## LETTER FROM THE BOARD

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### **Final Disposal Consideration**

As the Valuation is lower than the Estimated Value, no adjustment to the initial Disposal Consideration is necessary and the final Disposal Consideration payable by the Company at Disposal Completion shall be US\$110,344,883.

### **Disposal Conditions**

Disposal Completion is conditional upon the following conditions (“**Disposal Conditions**”) being satisfied or complied with on or before the Disposal Conditions Fulfilment Date:

- (a) all applicable laws, rules and regulations (including without limitation to the Listing Rules) for entering into and implementing the transaction(s) contemplated under the Disposal Agreement and the Possible CCT having been complied with;
- (b) the approval by the Independent Shareholders at the EGM having been obtained for: (i) entering into the Disposal Agreement and the transaction(s) contemplated thereunder; (ii) the declaration and payment of the Disposal Special Dividend, the record date for determining the Shareholders and the identity of the Shareholders who are entitled to receive such Disposal Special Dividend having been determined and (iii) (if required) the Possible CCT having been obtained;
- (c) the Reorganisation having been completed; and
- (d) the Possible CCT having been duly executed.

None of the Disposal Conditions can be waived by either party.

If one or more of the Disposal Conditions remains not satisfied at the end of Disposal Conditions Fulfilment Date or becomes impossible to satisfy on or before Disposal Conditions Fulfilment Date, the Disposal Agreement shall automatically terminate and the parties’ rights and obligations under the Disposal Agreement shall cease immediately and no party shall have any rights to claim against the other party, save that the provisions relating to confidentiality shall survive save and except in respect of antecedent breach.

As at the Latest Practicable Date, only Disposal Condition (d) above had been fulfilled.

Subject to satisfaction of all the Disposal Conditions, Disposal Completion shall take place regardless of whether the Disinterested Shareholders approves the Disposal Agreement as a special deal in relation to the Offer under the Takeovers Code. As set out in the Joint Announcement, the Offer will be subject to, among others, (a) approval by the Disinterested Shareholders of the Disposal Agreement as a special deal in relation to the Offer in accordance with the Takeovers Code; and (b) Disposal

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## LETTER FROM THE BOARD

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Completion having taken place in accordance with the terms and conditions of the Disposal Agreement and the Offeror reserves the right to waive the condition (b) above. In the event that the condition (a) above is not fulfilled or that the condition (b) above is not fulfilled or waived by the Offeror, the Offer will not become unconditional and will lapse.

### **Disposal Completion**

Disposal Completion shall take place on the third business day after the date on which all the Disposal Conditions have been fulfilled or on such later date as the Disposal Vendor and the Disposal Purchaser may agree in writing.

### **Reorganisation**

Pursuant to the Disposal Agreement, the Disposal Vendor shall implement a reorganisation of the shareholding structure of the Disposal Companies. Upon completion of the Reorganisation, the Disposal Group, comprising all the subsidiaries to be disposed of by the Group, will be formed.

### **Information on Disposal Group I**

As at the date of this circular and immediately after completion of the Reorganisation, Disposal Group I comprises and will comprise the companies as set out in below.

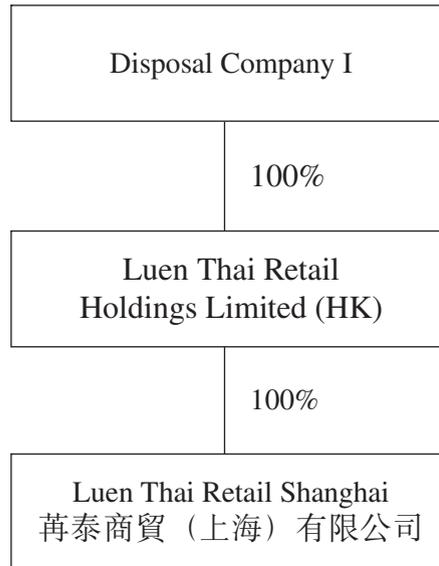
- (1) Disposal Company I, a wholly-owned subsidiary of Luen Thai Overseas Limited incorporated in the BVI with limited liability. Save for holding the 100% equity interest in Luen Thai Retail Holdings Limited, Disposal Company I is not engaged in any business.
- (2) Luen Thai Retail Holdings Limited, a company incorporated in Hong Kong with limited liability. It is principally engaged in retail and distribution business.
- (3) Luen Thai Retail Shanghai, a company established in the PRC with limited liability and is principally engaged in retail business.

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## LETTER FROM THE BOARD

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The following chart shows the structure of Disposal Group I as at the date of this circular and immediately after completion of the Reorganisation:



Disposal Group I has entered into certain license and distribution agreements with a branded customer based in the U.S., which is principally engaged in the business of selling high quality apparel, footwear and accessories, to manufacture or purchase products bearing the relevant branded customer's trademarks for distribution through directly operated retail stores and wholesale and concession channels in China, Hong Kong, Macau, Taiwan, Thailand, Vietnam, Singapore, Philippines, Cambodia, Malaysia, Brunei, Laos and Indonesia. The terms of the license and distribution agreements commenced on 1 January 2016 and will expire on 31 March 2021, subject to early termination or renewal in accordance with the terms of such agreements. The licenses granted pursuant to such agreements also include distribution rights on pre-approved online accounts for shipment within the PRC. Distribution for all networks started on January 2016. Disposal Group I has also entered into certain footwear design services agreement with this branded customer which grants certain rights to use the relevant branded customer's trademark in connection with the design, development, manufacture, marketing, promotion, importation, distribution and wholesale sale of footwear products.

Disposal Group I operates seven self-operated retail stores in Shanghai, one self-operated retail outlet in Beijing, and 10 franchisees stores located in Shenyang, Suzhou, Harbin, Chongqing, Qingdao, Nanjing, Changsha, Hangzhou and Gansu.

For the six months ended 30 June 2016, the business line of retail sales and trading of apparel and accessories currently conducted by Disposal Group I recorded revenue of about US\$870,000 (unaudited) and a net loss of about US\$1,951,000 (unaudited).

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## LETTER FROM THE BOARD

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### **Information on Disposal Company II**

Disposal Company II is a wholly-owned subsidiary of the Company and is incorporated in the BVI with limited liability. Save for holding the 24% equity interest in Chang Jia, Disposal Company II is not engaged in any business.

Chang Jia is incorporated in the BVI. As at the date of this circular, it is owned as to 55% by Keyasia Investments Limited (an independent third party to the Company), 24% by Disposal Company II and 21% by Shan Ying Limited, a company incorporated in the BVI and a wholly-owned subsidiary of Luen Thai Land Limited, which is ultimately controlled by Dr. Tan Siu Lin, a Director. Chang Jia beneficially owns the project companies which are engaged in real estate development in Qingyuan Mango Town, District No. N24 Pikeng Liantai Industrial Zone, Longtang Town, Qingcheng District, Qingyuan City, Guangdong Province, the PRC, which are currently operated by the Group's joint venture partner. These properties do not relate to the current operations of the Remaining Group and other members of the Disposal Group. As at the Latest Practicable Date, approximately 70% of these properties are under construction and undeveloped.

### **Information on Disposal Group III**

Immediately after completion of the Reorganisation, Disposal Group III will comprise the companies as set out below.

- (1) Disposal Company III, a wholly-owned subsidiary of Luen Thai Overseas Limited incorporated in the BVI with limited liability. Save for holding the 100% equity interest in each of Wonderful Choice Limited, Luen Thai Footwear Co., Ltd, Boast Inc., Advanced City Limited and Desk Top Limited, Disposal Company III is not engaged in any business.
- (2) Wonderful Choice Limited, a company incorporated in the BVI with limited liability which was principally engaged in trading of footwear and is now dormant.
- (3) Luen Thai Footwear Co., Ltd, a company established in the PRC with limited liability which is principally engaged in footwear manufacturing.
- (4) Hangzhou Lianhong Shoe Co., Ltd, a company established in the PRC with limited liability which is currently dormant.
- (5) Boast Inc., a company incorporated in the Philippines which is principally engaged in footwear manufacturing in the Philippines.
- (6) Advanced City Limited, a company incorporated in the BVI which is not engaged in any business save for holding the 100% equity interest in Winley Industries Ltd.

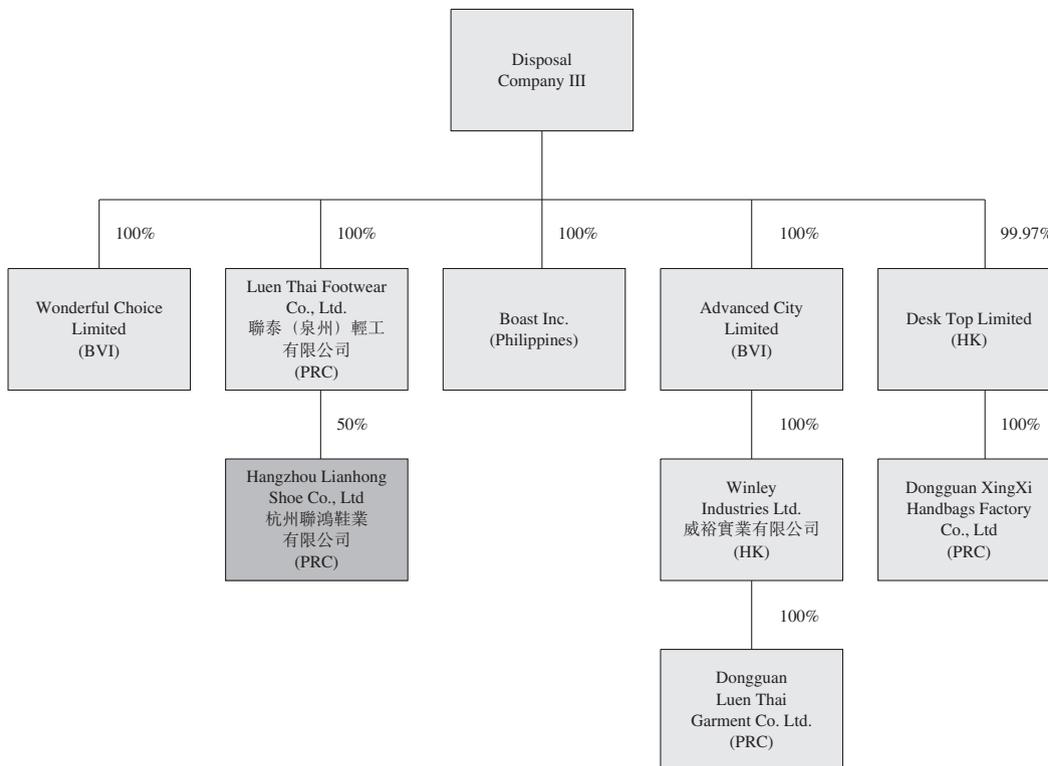
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## LETTER FROM THE BOARD

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- (7) Winley Industries Ltd, a company incorporated in Hong Kong with limited liability which is principally engaged in investment holding.
- (8) DGLT, a company established in the PRC with limited liability which is principally engaged in holding of factory premises for rental income.
- (9) Desk Top Limited, a company incorporated in Hong Kong with limited liability which is not engaged in any business, save for holding the 100% equity interest in Dongguan Xingxi Handbags Factory Co., Ltd..
- (10) Dongguan Xingxi Handbags Factory Co. Ltd., a company established in the PRC which is principally engaged in holding of factory premises for rental income.

The following chart shows the structure of Disposal Group III immediately after completion of the Reorganisation:



Disposal Group III is engaged in footwear manufacturing and it currently has one manufacturing facility with about 530 staff in Fujian, the PRC and one manufacturing facility with about 1,600 staff in the Philippines for its original equipment manufacturer (OEM) operations.

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## LETTER FROM THE BOARD

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### Information on Disposal Group IV

Immediately after completion of the Reorganisation, Disposal Group IV will comprise the companies as set out below.

- (1) Disposal Company IV, a company incorporated in the BVI with limited liability. Save for holding the equity interest in each of CTSI Logistics Inc., CTSI Container Line Limited, CTSI Logistics Limited, CTSI Logistics Phils., Inc, Asialink Shipping Lines Inc., CTSI Logistics (Korea) Inc., CTSI Logistics (Taiwan), Inc. and Power Might Limited, Disposal Company IV is not engaged in any business.
- (2) CTSI Logistics Inc., a company incorporated in Cambodia which is principally engaged in the businesses of freight forwarding and logistics.
- (3) CTSI Container Line Limited, a company incorporated in Hong Kong with limited liability which is currently dormant.
- (4) CTSI Logistics Limited, a company incorporated in Hong Kong with limited liability which is principally engaged in the businesses of freight forwarding and logistics.
- (5) CTSI (China) Logistics Limited, a company established in the PRC with limited liability which is principally engaged in the businesses of freight forwarding and logistics.
- (6) Shanghai Feng Tai Transportation Service Company Limited, a company established in the PRC with limited liability which is principally engaged in the businesses of freight forwarding and logistics business.
- (7) CTSI Logistics Phils., Inc., a company incorporated in the Philippines which is principally engaged in the businesses of freight forwarding and logistics business.
- (8) Asialink Shipping Lines Inc., a company incorporated in the Philippines which is currently dormant.
- (9) CTSI Logistics (Korea) Inc., a company incorporated in Korea which is principally engaged in the businesses of freight forwarding and logistics business.
- (10) CTSI Logistics (Taiwan) Inc., a company incorporated in Taiwan which is principally engaged in the businesses of freight forwarding and logistics business.

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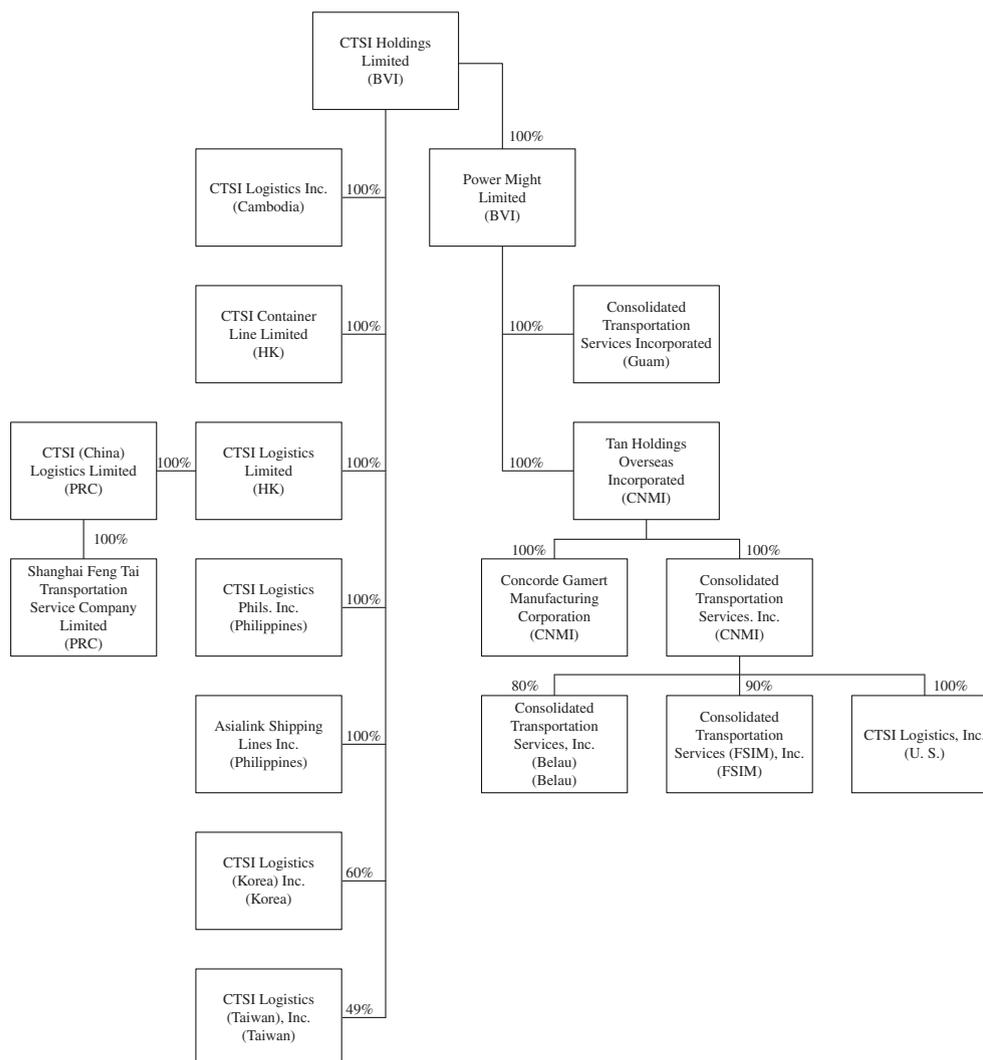
## LETTER FROM THE BOARD

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- (11) Power Might Limited, a company incorporated in the BVI with limited liability which is not engaged in any business, save for holding the 100% equity interests in Consolidated Transportation Services Incorporated (Guam) and Tan Holdings Overseas Incorporated.
- (12) Consolidated Transportation Services Incorporated (Guam), a company incorporated in Guam which is principally engaged in the businesses of freight forwarding and logistics business.
- (13) Tan Holdings Overseas Incorporated, a company incorporated in the Commonwealth of the Northern Mariana Islands which is principally engaged in investment holding.
- (14) Concorde Garment Manufacturing Corporation, a company incorporated in the Commonwealth of the Northern Mariana Islands which is currently dormant.
- (15) Consolidated Transportation Services, Inc., a company incorporated in the Commonwealth of the Northern Mariana Islands which is principally engaged in the businesses of freight forwarding and logistics.
- (16) Consolidated Transportation Services, Inc. (Belau), a company incorporated in Palau which is principally engaged in the businesses of freight forwarding and logistics.
- (17) Consolidated Transportation Services (FSM), Inc., a company incorporated in the Federated States of Micronesia which is principally engaged in the businesses of freight forwarding and logistics.
- (18) CTSI Logistics, Inc., a company incorporated in the United States which is principally engaged in the businesses of freight forwarding and logistics.

## LETTER FROM THE BOARD

The following chart shows the structure of Disposal Group IV immediately after completion of the Reorganisation:



Disposal Group IV is engaged in the provision of services of international freight forwarding, warehousing, distribution, cargo consolidation and household goods transport. It has about 25 stations in about 12 countries which provide a full range of logistics and support services, including logistics consultancy and training as well as customised information technology solutions which support service integration, real time information and efficient operations.

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## LETTER FROM THE BOARD

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### Information on the Disposal Properties

The Disposal Group currently owns the Disposal Properties as set out below. Under the Disposal, the Disposal Vendor will sell the Disposal Properties to the Disposal Purchaser through the sale of all shares in the Disposal Companies. The valuation report on the Disposal Properties as at 30 September 2016 is set out in Appendix IV. As at 31 December 2015, the aggregate value of the Disposal Properties as shown in the balance sheet of the Company was approximately US\$37.0 million.

As at 30 September 2016, the aggregate value of the Disposal Properties was approximately US\$39.7 million based on the valuation report on the Disposal Properties, representing a valuation surplus of approximately US\$2.7 million, as compared to the value as shown in the balance sheet of the Company as at 31 December 2015.

Owner of the Disposal Property	Disposal Property	Area	Current Use
Boast Inc. (a member of Disposal Group III)	Industrial premises in Phase 1, Second Avenue, Freeport Area of Bataan, Marivekesm Bataan, the Philippines	Gross floor area of about 21,000 square meters	Used by the Group for footwear manufacturing
DGLT (a member of Disposal Group III)	The Factory, i.e. Industrial Complex erected on Land Nos. 1 to 4, Jin Fung Huang Industrial Zone, Tangli Village, Fenggang Town, Dongguan, Guangdong Province, PRC	Gross floor area of about 238,000 square meters	Used by the Group as factory premises for manufacturing apparel
Dongguan Xingxi Handbags Factory Co., Ltd. (a member of Disposal Group III)	Industrial complex located at No. 87 Industrial Avenue, Shigu Village, Tangxia Town, Dongguan City, PRC	Gross floor area of about 18,200 square meters	Rented to a third party
Luen Thai Footwear Co., Ltd (a member of Disposal Group III)	Industrial Complex erected on Lots A and B, Xingxian Road, Xiazhou Village, Fuqiao Town, Licheng District, Quanzhou City, Fujian Province, PRC	Gross floor area of about 34,000 square meters	Used by the Group as factory premises for manufacturing footwear
Consolidated Transportation Services Incorporated (Guam) (a member of Disposal Group IV)	Building Element of Block 2/Area 1, Central Avenue, Tiyan, City of Tamuning, Guam, United States of America	Gross floor area of about 35,000 square feet	Used by the Group as a warehouse

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**LETTER FROM THE BOARD**

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**Financial effects of the Disposal**

The unaudited net asset value of the Disposal Group as at 30 June 2016 was approximately US\$42 million.

The unaudited financial information of each of Disposal Group I, Disposal Company II, Disposal Group III and Disposal Group IV for the two years ended 31 December 2015 is as follows:

	<b>Year ended 31 December 2014</b>				<b>Total</b>
	<b>Disposal</b>	<b>Disposal</b>	<b>Disposal</b>	<b>Disposal</b>	
	<b>Group I</b>	<b>Company II</b>	<b>Group III</b>	<b>Group IV</b>	
	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>
Profit (Loss) before tax	—	1,684,000	(7,047,000)	2,542,000	(2,821,000)
Profit (Loss) after tax	—	1,684,000	(7,192,000)	2,317,000	(3,191,000)

	<b>Year ended 31 December 2015</b>				<b>Total</b>
	<b>Disposal</b>	<b>Disposal</b>	<b>Disposal</b>	<b>Disposal</b>	
	<b>Group I</b>	<b>Company II</b>	<b>Group III</b>	<b>Group IV</b>	
	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>
Profit (Loss) before tax	(1,508,000)	1,323,000	(4,803,000)	3,324,000	(1,664,000)
Profit (Loss) after tax	(1,508,000)	1,323,000	(4,677,000)	3,008,000	(1,854,000)

The unaudited net loss after tax for the Disposal Group and the unaudited net profit after tax for the Remaining Group for the year ended 31 December 2015 and six months ended 30 June 2016 are as follows:

	<b>Year ended</b>	<b>For the</b>
	<b>31 December</b>	<b>six months</b>
	<b>2015</b>	<b>ended</b>
	<i>US\$</i>	<b>30 June</b>
		<b>2016</b>
		<i>US\$</i>
Loss after tax of Disposal Group	(1,854,000)	(3,372,000)
Profit after tax of Remaining Group	15,316,000	11,664,000

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## LETTER FROM THE BOARD

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The unaudited revenue of the Disposal Group I and unaudited net loss after tax for the six months ended 30 June 2016 are as follows:

	<b>For the six months ended 30 June 2016 US\$</b>
Revenue of Disposal Group I	870,000
Net loss after tax of Disposal Group I	(1,951,000)

As a result of the Disposal, the Company expects to record a total gain of approximately US\$14 million, which represents a gain on disposal of approximately US\$9 million and a release of an exchange reserve to the profit and loss account of approximately US\$5 million. Such estimated gain on disposal is calculated by reference to the initial Disposal Consideration of US\$110,344,883 of which approximately US\$59 million shall be used to settle the balances between the Disposal Group and the Group, and the unaudited net asset value of the Disposal Group as at 30 June 2016 of approximately US\$42 million. Please refer to the following table and Appendix II to this circular for details.

	<b>US\$ million</b>
Disposal Consideration	110
Less: Intra-Group Balance	<u>(59)</u>
	51
Less: the unaudited net asset value of the Disposal Group as at 30 June 2016	(42)
Add: Non-controlling interest of the Disposal Group as at 30 June 2016	<u>1</u>
	(41)
Add: release of an exchange reserve	5
Less: transaction costs	<u>(1)</u>
Gain on Disposal	<u><u>14</u></u>

Pursuant to Rule 10 of the Takeovers Code, the unaudited net losses (before and after taxation) of each member of the Disposal Group, the unaudited profit after taxation of the Remaining Group, the unaudited revenue of Disposal Group I and the unaudited net asset value of the Disposal Group (“**Unaudited Required Financial Information**”) and the estimated gain from the Disposal (“**Estimated Gain**”), which are required to be disclosed pursuant to Rule 14.58 of the Listing Rules, constitute a profit forecast and must be reported on by the Company’s financial adviser and its auditor or accountant in accordance with the Takeovers Code. Please refer to Appendix II

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## LETTER FROM THE BOARD

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“Letters from the Reporting Accountant and the Independent Financial Adviser on the Unaudited Required Financial Information and Estimated Gain for the relevant reports.

Immediately after completion of the Disposal, the Disposal Group will cease to be subsidiaries of the Group and the financial statements of the Disposal Group will no longer be consolidated to the consolidated financial statement of the Group.

### **Use of proceeds**

The net proceeds from the Disposal is intended to be used to fund the Disposal Special Dividend.

### **Reasons for and benefits of the Disposal**

The Directors are of the view that the Disposal represents an opportunity for the Group to streamline its business mix, by disposing of the non-core business operations or business operations which have not been and are not expected in the foreseeable future to become profit-contributing to the Group, and assets which are not essential to the Group’s principal business operations, and thereby focus the Group’s resources on the key business of apparel and bags manufacturing which has generated a better financial return for the Company for the two and a half years ended 30 June 2016. For the year ended 31 December 2015 and the six months ended 30 June 2016, the Disposal Group contributed about 6.00% and 7.42% of the Group’s total turnover respectively and recorded a net loss after taxation of approximately US\$1,854,000 and approximately US\$3,372,000 respectively, whereas the Remaining Group contributed about 94.00% and about 92.58% of the Group’s total turnover respectively and recorded a net profit after taxation of approximately US\$15,316,000 and approximately US\$11,664,000 respectively.

The Board (excluding the members of the Independent Board Committees whose views are set out in the Letter from the LR Independent Board Committee and the Letter from the Code Independent Board Committee in this circular) considers that the terms of the Disposal Agreement are fair and reasonable and in the interests of the Shareholders as a whole.

Upon Disposal Completion, the principal business of the Remaining Group will be apparel and bags manufacturing, and all existing manufacturing facilities of the Group will remain in operation other than the footwear manufacturing facilities in the PRC and the Philippines which will be operated by Disposal Group III.

### **Information on the Remaining Group**

Immediately after the Disposal Completion, the Remaining Group’s operations will comprise mainly the apparel manufacturing and bags manufacturing operations. The Remaining Group has been engaged in the apparel manufacturing operations for

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## LETTER FROM THE BOARD

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more than 20 years and the bags original equipment manufacturing (OEM) operations since 2008 after the Company's acquisition of shares in Trinew Limited, as disclosed in the Company's announcement on 14 June 2008.

As at the Latest Practicable Date, the Group had its own manufacturing facilities in the Philippines (for apparel and bags manufacturing), China (for apparel and bags manufacturing), Indonesia (for apparel manufacturing), Cambodia (for apparel and bags manufacturing), and Vietnam (for apparel manufacturing and fabric mill). All of these manufacturing facilities are expected to continue to be in operation immediately after the Disposal Completion. In addition to the above, the Remaining Group also manufactured apparel at the Factory located in Dongguan, PRC owned by DGLT (a member of the Disposal Group) as at the Latest Practicable Date and it is expected that such manufacturing operations will continue immediately after the Disposal Completion.

The Remaining Group had approximately 50 active customers as at the Latest Practicable Date. The major customers of the Remaining Group are based in the U.S., Japan and Germany. The top 10 customers of the Remaining Group are independent third parties and had business relationship with the Remaining Group for two to 25 years. The major raw materials procured by the Remaining Group are fabrics and leather. The Remaining Group currently procures such materials from independent third parties who had business relationships with the Remaining Group for one to 29 years.

As at the Latest Practicable Date, the major assets of the Remaining Group include property plant and equipment, accounts receivable, intangible assets and inventory.

As at the Latest Practicable Date, the Remaining Group and the Disposal Group did not have any overlapping customer or any bundled sales arrangement which would take place immediately after the Disposal Completion; and the Company did not have any intention to, and had not entered into any agreement, arrangement, undertaking and/or understanding in relation to the acquisition or disposal of any business and/or assets.

### **Information on the Group**

The Group is principally engaged in apparel and accessories manufacturing, retail sales and trading of apparel and accessories and the business of freight forwarding and logistics and real estate development.

### **Information on the Disposal Purchaser**

The Disposal Purchaser is principally engaged in investment holding. As at the date of this circular, the Disposal Purchaser is wholly-owned by Helmsley, which is in turn beneficially owned as to 55% by Mr. Tan, an executive Director, the chief executive officer of the Company and a substantial shareholder of the Company

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## LETTER FROM THE BOARD

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interested in approximately 66.69% of the issued share capital of the Company; and as to 45% by certain members of Mr. Tan's family under trust arrangements and is therefore a connected person of the Company under Chapter 14A of the Listing Rules.

### **Listing Rules implications of the Disposal Agreement**

As certain applicable percentage ratios for the Disposal Agreement are more than 25% but less than 75%, the Disposal Agreement constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement and shareholders' approval requirements under the Listing Rules.

In addition, as the Disposal Purchaser is wholly-owned by Helmsley, which is in turn beneficially owned as to 55% by Mr. Tan, an executive Director, the chief executive officer of the Company and a substantial shareholder of the Company interested in approximately 66.69% of the issued share capital of the Company, the Disposal Purchaser is therefore a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Disposal Agreement constitutes a connected transaction for the Company and is subject to the reporting, announcement and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

### **C. POSSIBLE CCT**

On 25 October 2016 (after trading hours), the Disposal Vendor and certain members of the Disposal Group entered into the Possible CCT, namely, (i) the Master Logistics Agreement pursuant to which Disposal Company IV and its subsidiaries shall provide freight forwarding and logistics services to the Group; (ii) the Master IT Agreement pursuant to which DGLT shall provide information technology services to the Group; and (iii) the Lease Agreement pursuant to which DGLT shall lease back the Factory to the Group. Subject to the Disposal Completion having taken place, the term of each of the Possible CCT shall be three years commencing from the Disposal Completion Date.

#### **1. Master Logistics Agreement**

The principal terms of the Master Logistics Agreement are as follows:

Parties:                      Disposal Vendor; and  
   Disposal Company IV

Term:                              Subject to Disposal Completion having taken place, the term of the Master Logistics Agreement shall commence on the Disposal Completion Date for a term of three years. A party may terminate the Master Logistics Agreement by giving the other party not less than three months written notice in advance.

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## LETTER FROM THE BOARD

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Subject matter: Disposal Company IV and its subsidiaries (“**CTSI Group**”) shall provide freight forwarding and logistics services including but not limited to operations, pick-up services and transportations services (“**Logistics Services**”) to the Group from time to time.

The fees to be charged by CTSI Group for the Logistics Services shall be on normal commercial terms and shall be determined by the Group and CTSI Group on a case-by-case basis and on an arm’s length basis. Such fees shall be determined based on industry practice and shall be comparable to the prevailing market rates or at rates similar to those offered by CTSI Group to independent third parties, having regard to the costs involved and the actual amount of work done.

Definitive terms of each transaction as contemplated under the Master Logistics Agreement shall be governed by the provisions of written agreements to be entered into by relevant members of the Group and CTSI Group.

Annual caps: The aggregate fees payable by the Group for the Logistics Services shall not exceed US\$924,289, US\$1,152,903 and US\$1,383,349 for the year ending on 31 December 2017, 31 December 2018 and 31 December 2019, respectively.

### *Proposed annual caps in respect of the Master Logistics Agreement*

The proposed annual caps as set out above have been determined with reference to the amount of historical transactions between CTSI Group and the other members of the Group, which was approximately US\$613,000, US\$850,000 and US\$1,037,000 for the year ended 31 December 2013, 2014 and 2015 respectively, and based on industry practice with reference to the prevailing market rates or at rates similar to those offered by CTSI Group to independent third parties, having regard to the costs involved and the actual amount of work done.

### *Reasons for and benefits of the Master Logistics Agreement*

The Group currently uses the freight forwarding and logistics services provided by Disposal Group IV for transportation of its products. Immediately after Disposal Completion, the Remaining Group would be principally engaged in apparel and bags manufacturing and the Directors propose to continue to use the freight forwarding and logistics services to be provided by Disposal Group IV for the purpose of transporting its apparel and bags products in Hong Kong, the

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## LETTER FROM THE BOARD

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Philippines, Cambodia, Vietnam and the United States of America, etc., subject to the relevant terms of such services being more favourable than or at least the same as those provided by other parties.

In view of the above and the basis of determination of the proposed annual caps, the Board (excluding the members of the Independent Board Committees whose views are set out in the Letter from the LR Independent Board Committee and the Letter from the Code Independent Board Committee in this circular) considers that: (i) the terms of the Master Logistics Agreement are fair and reasonable and on normal commercial terms; (ii) the Master Logistics Agreement is in the ordinary and usual course of business of the Group; (iii) the entering into of the Master Logistics Agreement by the Company is in the interests of the Company and the Shareholders as a whole; and (iv) the proposed annual caps (including the basis of determination thereof) are fair and reasonable.

Mr. Tan, his father Dr. Tan Siu Lin, together with Mr. Tan's brothers Mr. Tan Willie and Mr. Tan Cho Lung, Raymond, who are all Directors, have a material interest in the transactions contemplated under the Master Logistics Agreement and have abstained from voting in the Board resolutions approving the same.

### 2. Master IT Agreement

The principal terms of the Master IT Agreement are as follows:

- Parties: The Disposal Vendor; and DGLT
- Term: Subject to Disposal Completion having taken place, the term of the Master IT Agreement shall commence on the Disposal Completion Date for a term of three years. A party may terminate the Master IT Agreement by giving the other party not less than three months written notice in advance.
- Subject matter: DGLT shall provide information technology services including but not limited to leasing of computers and telephones, technical support on network and email system, web and server hosting, and data and telephone lease line management ("**IT Services**") to the Group from time to time.

The fees to be charged by DGLT for the IT Services shall be on normal commercial terms and shall be determined by the Group and DGLT on a case-by-case basis and on an arm's length basis. Such fees shall be determined based on the costs involved and the actual amount of work done.

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## LETTER FROM THE BOARD

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Definitive terms of each transaction as contemplated under the Master IT Agreement shall be governed by the provisions of written agreements to be entered into by relevant members of the Group and DGLT.

Annual caps           The aggregate fees payable by the Group for the IT Services shall not exceed US\$255,000 for each of the years ending 31 December 2017, 31 December 2018 and 31 December 2019, respectively.

### *Proposed annual caps in respect of the Master IT Agreement*

The proposed annual caps as set out above have been determined with reference to the amount of historical transactions between DGLT and the other members of the Group, which was approximately US\$269,000, US\$251,000 and US\$232,000 for the year ended 31 December 2013, 2014 and 2015 respectively and based on industry practice with reference to the prevailing market rates, having regard to the costs involved and the actual amount of work done.

### *Reasons for and benefits of the Master IT Agreement*

The computers, telephones, network and email system, web and server hosting, and data and telephone lease line currently used by the Group (collectively, “**System and Lease Line**”) are owned/leased by DGLT, being a member of the Disposal Group III, pursuant to certain lease line agreements between DGLT and the lease line service providers. Immediately after Disposal Completion, DGLT will cease to be a subsidiary of the Company and the Remaining Group will continue to use the System and Lease Line pursuant to the Master IT Agreement.

In view of the above and the basis of determination of the proposed annual caps, the Board (excluding the members of the Independent Board Committees whose views are set out in the Letter from the LR Independent Board Committee and the Letter from the Code Independent Board Committee in this circular) considers that: (i) the terms of the Master IT Agreement are fair and reasonable and on normal commercial terms; (ii) the Master IT Agreement is in the ordinary and usual course of business of the Group; (iii) the entering into of the Master IT Agreement by the Company is in the interests of the Company and the Shareholders as a whole; and (iv) the proposed annual caps (including the basis of determination thereof) are fair and reasonable.

Mr. Tan, his father Dr. Tan Siu Lin, together with Mr. Tan’s brothers Mr. Tan Willie and Mr. Tan Cho Lung, Raymond, who are all Directors, have a material interest in the transactions contemplated under the Master IT Agreement and have abstained from voting in the Board resolutions approving the same.

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## LETTER FROM THE BOARD

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### 3. Lease Agreement

The Lease Agreement was entered into by DGLT and the Disposal Vendor and shall take effect subject to and upon the Disposal Completion. The Disposal Vendor (“**Tenant**”) and DGLT (“**Landlord**”) shall, as soon as practicable after signing of the Lease Agreement, enter into any formal or supplemental lease agreement(s) in respect of the leasing of the Factory contemplated under the Lease Agreement as required by any applicable laws, rules and regulations in the PRC (“**Lease**”).

The principal terms of the Lease shall be as follows:

Landlord:	DGLT
Tenant:	The Disposal Vendor
Property:	Factory nos. 3, 4 and 6 of the Factory with a total area of approximately 57,624 square meters
Dormitory:	Dormitory located in the Factory
Shared facilities:	Canteen, restaurant, medical room and recreational room of approximately 6,483 square meters located in the Factory (“ <b>Shared Facilities</b> ”)
Term:	Subject to the Disposal Completion having taken place, the term of the Lease shall commence on Disposal Completion Date for a term of three years. The Tenant or the Landlord may terminate the Lease by giving the other party not less than six months written notice in advance.
Rent and Management fee:	The Tenant shall pay the Landlord monthly rent of RMB11 per square meter and monthly management fee for the leasing of the Factory.  The rent and management fee and fees for usage of the dormitory and Shared Facilities payable by the Remaining Group would be determined by reference to the market rate for similar premises in similar location.
Utilities:	The Tenant shall pay the Landlord all actual charges for utilities consumed on or in the premises occupied by the Tenant as set out in the invoices to be provided by the Landlord to the Tenant and the Landlord shall pay such charges to the utilities providers.

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## LETTER FROM THE BOARD

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### *Proposed annual caps in respect of the Lease Agreement*

The aggregate rent payable by the Group under the Lease Agreement shall not exceed US\$3,240,000 for each of the years ending 31 December 2017, 31 December 2018 and 31 December 2019, respectively.

The proposed annual caps as set out above have been determined with reference to the amount of historical rent paid by the Group in respect of the Factory, which was approximately US\$3,872,000, US\$3,597,000 and US\$3,237,000 for the year ended 31 December 2013, 2014 and 2015 respectively and with reference to the prevailing market rent for similar properties in similar location.

### *Reasons for and benefits of the Lease Agreement*

The Factory is currently used by the Group as manufacturing premises and is owned by DGLT. Immediately after Disposal Completion, DGLT will cease to be a subsidiary of the Company.

Given that the relocation of the existing manufacturing facilities and staff would involve costs and potential loss of labour, the Directors propose to continue its manufacturing operations in the Factory subject to the terms of the relevant leases being more favourable than or at least the same as those offered by other landlords and subject to the Group's needs and operation plans in the future.

In view of the above and the basis of determination of the proposed annual caps, the Board (excluding the members of the Independent Board Committees whose views are set out in the Letter from the LR Independent Board Committee and the Letter from the Code Independent Board Committee in this circular) considers that: (i) the terms of the Lease Agreement are fair and reasonable and on normal commercial terms; (ii) the Lease Agreement is in the ordinary and usual course of business of the Group; (iii) the entering into of the Lease Agreement by the Company is in the interests of the Company and the Shareholders as a whole; and (iv) the proposed annual caps (including the basis of determination thereof) are fair and reasonable.

Mr. Tan, his father Dr. Tan Siu Lin, together with Mr. Tan's brothers Mr. Tan Willie and Mr. Tan Cho Lung, Raymond, who are all Directors, have a material interest in the transactions contemplated under the Lease Agreement and abstained from voting on the Board resolutions approving the same.

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## LETTER FROM THE BOARD

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### *Internal control in respect of the Master Logistics Agreement and the Master IT Agreement and other continuing connected transactions of the Company*

The Company has established various internal control measures in order to ensure that the transactions under each of the Master Logistics Agreement and the Master IT Agreement will be in accordance with the pricing policies and that the respective terms of the Master Logistics Agreement and the Master IT Agreement will be on normal commercial terms or on terms no less favorable than those terms offered by independent third parties for similar services to the Remaining Group. Such internal control measures mainly include the following:

- (i) The managers of the corporate finance department of the Company overseeing the transactions under the Master Logistics Agreement and the Master IT Agreement will annually obtain fee quotes from not less than two independent service providers and review the service fees payable under the Master Logistics Agreement and the Master IT Agreement to ensure that the fees charged for such transactions will reflect the pricing policies of the Group and will be on normal commercial terms or on terms no less favorable than those terms offered by independent service providers. The relevant fee quotes review and selection records will be submitted to the director of the corporate finance department of the Company for approval. The managers will select the suitable service providers for the relevant logistics and information technology services taking into account various factors including the fee quotes obtained by the Company, the quality of the services provided by the service providers and the reputation of, and the Group's past business dealings with, the service providers.
- (ii) The managers of the corporate finance department of the Company will also review annually the pricing policies of the transactions under the Master Logistics Agreement and the Master IT Agreement to ensure that the relevant transactions are charged on the same bases and at the same rates for similar services rendered by independent service providers. The relevant pricing policies will be submitted to the director of the corporate finance department of the Company for approval.
- (iii) The managers of the corporate finance department of the Company will be responsible for collecting data and statistics of the Possible CCT on a monthly basis to ensure the annual caps approved will not be exceeded. The service fee payable by the Company under the Master Logistics Agreement and the Master IT Agreement will be determined after arms' length negotiations with the counterparties, taking into account the fee quote given the counterparties and the independent third parties, the quality of the services provided to the Group by the counterparties and the ability of the counterparties to provide tailor-made services that suit the Group's particular needs and requirements.

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## LETTER FROM THE BOARD

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- (iv) The external auditors of the Company will report by issuing a letter to the Board annually on the continuing connected transactions of the Company in relation to the pricing policies and annual caps of the continuing connected transactions (including the transactions under the Possible CCT) of the Company conducted during the preceding financial year pursuant to the Listing Rules.
- (v) The independent non-executive Directors will conduct annual reviews with respect to the continuing connected transactions of the Company and confirm on the transactional amounts and terms of the continuing connected transactions in the annual report of the Company pursuant to the requirements under the Listing Rules, and to ensure that the transactions are entered into on normal commercial terms, are fair and reasonable, and are carried out pursuant to the terms of the relevant agreements governing the continuing connected transactions.

### *Existing CCT*

#### *1. Existing Shipping Agreement and Existing Freight Master Agreement*

As disclosed in the Company's announcement dated 22 December 2014, the Group has entered into the Existing Shipping Agreement with MELL relating to Disposal Group IV's provision of shipping agency services to MELL; and the Existing Freight Master Agreement with Tan Holdings and Helmsley in respect of Disposal Group IV's provision of freight services to Tan Holdings and Helmsley and their respective subsidiaries other than the Company and its subsidiaries. MELL is owned as to 45% by Luen Thai Enterprises Limited, which is in turn controlled by Mr. Tan. Tan Holdings is owned as to 20% by Mr. Tan and as to 39% by Leap Forward Limited. Mr Tan together with his father Dr. Tan Siu Lin, an executive Director, control the board of directors of Leap Forward Limited. Helmsley is beneficially owned as to 55% by Mr. Tan. Each of MELL, Tan Holdings and Helmsley is therefore a connected person of the Company under Chapter 14A of the Listing Rules.

As the transactions under the Existing Shipping Agreement and Existing Freight Master Agreement are between Disposal Group IV and companies controlled by Mr. Tan (which are not members of the Group) and the companies comprising Disposal Group IV will cease to be subsidiaries of the Company upon Disposal Completion, the transactions under the Existing Shipping Agreement and Existing Freight Master Agreement will cease to be continuing connected transaction of the Company upon Disposal Completion.

#### *2. Existing Technological Support Services Agreement*

As disclosed in the Company's announcement dated 15 December 2015, the Group has entered into the Existing Technological Support Services Agreement with Helmsley (for itself and on behalf of the Helmsley Group) in respect of Helmsley Group's provision of technological support services to the Group. The

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## LETTER FROM THE BOARD

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aggregate fees to be paid by the Group for each of the three years ending on 31 December 2018 is expected to amount to US\$2,400,000, US\$2,400,000 and US\$2,400,000 respectively. Helmsley is beneficially owned as to 55% by Mr. Tan. Helmsley is therefore a connected person of the Company under Chapter 14A of the Listing Rules.

As the nature of the transactions under the Existing Technological Support Services Agreement is similar to that under the Master IT Agreement and given the relationships of the relevant parties as set out above, the annual caps of the Existing Technological Support Services Agreement would be aggregated with those of the Master IT Agreement for the purpose of Chapter 14A of the Listing Rules.

### *3. Existing Lease Arrangements Agreement*

As disclosed in the Company's announcement dated 15 December 2015, the Group has entered into the Existing Lease Arrangements Agreement with Tan Holdings (for itself and on behalf of the Tan Holdings Group) and Helmsley (for itself and on behalf of the Helmsley Group) in respect of the leasing of properties between the Group and members of the Tan Private Group, namely, L&T Group, L&T Guam, Quanzhou Luen Thai Real Estate Development Co Ltd and LTID. The aggregate annual rental payable by the Group to the Tan Private Group under the Existing Lease Arrangements Agreement for each of the three years ending on 31 December 2018 is expected to amount to US\$1,900,000, US\$1,900,000 and US\$1,900,000 respectively; and the aggregate annual rental payable by the Tan Private Group to the Group under the Existing Lease Arrangements Agreement for each of the three years ending on 31 December 2018 is expected to amount to US\$100,000, US\$100,000 and US\$100,000 respectively.

L&T Group is a wholly-owned subsidiary of Tan Holdings. In turn, Tan Holdings is owned as to 20% by Mr. Tan and as to 39% by Leap Forward Limited, a company incorporated in the Bahamas. Mr. Tan together with his father Dr. Tan Siu Lin, an executive Director, control the board of directors of Leap Forward Limited. L&T Group is therefore a connected person of the Company under Chapter 14A of the Listing Rules.

L&T Guam is a wholly-owned subsidiary of Tan Holdings. It is therefore a connected person of the Company under Chapter 14A of the Listing Rules.

Quanzhou Luen Thai Real Estate Development Co Ltd is a subsidiary of Luen Thai Enterprises Limited, which is in turn wholly-owned by Helmsley. It is therefore a connected person of the Company under Chapter 14A of the Listing Rules.

LTID is indirectly owned by Dr. Tan Siu Lin, an executive Director. It is therefore a connected person of the Company under Chapter 14A of the Listing Rules.

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## LETTER FROM THE BOARD

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As the nature of the transactions under the Existing Lease Arrangements Agreement is similar to that under the Lease Agreement and given the relationships of the relevant parties as set out above, the annual caps of the Existing Lease Arrangements Agreement would be aggregated with those of the Lease Agreement for the purpose of Chapter 14A of the Listing Rules.

### *Listing Rules Implications of the Existing CCT and the Possible CCT*

Immediately after Disposal Completion, members of the Disposal Group will cease to be subsidiaries of the Company and will become subsidiaries of the Disposal Purchaser. As the Disposal Purchaser is wholly-owned by Helmsley which is in turn beneficially owned as to 55% by Mr. Tan, an executive Director, the chief executive officer and a substantial shareholder of the Company interested in approximately 66.69% of the issued share capital of the Company, the Disposal Purchaser is a connected person of the Company under Chapter 14A of the Listing Rules and members of the Disposal Group, being subsidiaries of the Disposal Purchaser upon Disposal Completion, will also be connected persons of the Company under Chapter 14A of the Listing Rules. Accordingly, the Possible CCT will constitute continuing connected transactions for the Company pursuant to Chapter 14A of the Listing Rules.

As the highest of the applicable percentage ratios for the respective aggregate annual caps for (i) the Existing Technological Support Services Agreement and the Master IT Agreement and (ii) the Existing Lease Arrangements Agreement and the Lease Agreement exceeds 0.1% but is less than 5%, the Existing Technological Support Services Agreement, the Existing Lease Arrangements Agreement and the Possible CCT are subject to the reporting, announcement and annual review requirements but exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

### *Takeovers Code Implications of the Disposal Agreement and the Possible CCT*

Each of the Disposal Agreement and the Possible CCT also constitutes a special deal in relation to the Offer under Rule 25 of the Takeovers Code. An application has been made by the Company to the Executive for consent to proceed with the transactions contemplated under the Disposal Agreement and the Possible CCT. Such consent, if granted, will be subject to (i) the opinion of the independent financial adviser that the terms of the transactions contemplated under the Disposal Agreement and the Possible CCT are fair and reasonable; and (ii) the approval of the transactions contemplated under the Disposal Agreement and the Possible CCT by the Disinterested Shareholders by way of poll at the EGM. In this regard, the Independent Financial Adviser has been appointed by the Company and has provided their opinion that the terms of the transactions contemplated under the Disposal Agreement and the Possible CCT are fair and reasonable; and hence the condition (i) as set out above has been satisfied. Please refer to the Letter from the Independent Financial Adviser as set out in this circular.

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## LETTER FROM THE BOARD

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It is proposed that, subject to approval from the Independent Shareholders in accordance with the Listing Rules and satisfaction of all the conditions precedent, Disposal Completion shall take place and subject to the Disposal Completion having taken place, the term of the Possible CCT shall commence regardless of whether the Offer is made or not and regardless of the results of the Offer.

***Voting on Board Resolutions in Relation to the Disposal Agreement and the Possible CCT***

Mr. Tan, his father Dr. Tan Siu Lin, together with Mr. Tan's brothers Mr. Tan Willie and Mr. Tan Cho Lung, Raymond, who are all Directors, have a material interest in the transactions contemplated under the Disposal Agreement and the Possible CCT. Accordingly, they abstained from voting on the relevant Board resolutions.

### **D. SPECIAL DIVIDENDS**

Subject to Disposal Completion having taken place and the approval of the Independent Shareholders, the Company intends to declare and pay a special interim cash dividend of HK\$0.82 per Share to all shareholders of the Company whose names appear on the register of members of the Company on the Disposal Special Dividend Record Date which will be a date on or after that of the EGM and before the date when the Offer becomes or is declared unconditional in all respects. The payment of the Disposal Special Dividend will be funded by the net proceeds of the Disposal and will be out of the Company's retained earnings and share premium.

As the Disposal Special Dividend Record Date will be a date prior to the date when the Offer becomes or is declared unconditional in all respects, (a) Shareholders who accept the Offer will continue to be entitled to the Disposal Special Dividend in respect of the Shares held by them on the Disposal Special Dividend Record Date, and (b) the Offeror will not be entitled to the Disposal Special Dividend in respect of any Shares as regards which the Offer is accepted. An announcement will be made by the Company of the date to be fixed for the meeting of the Board at which the Disposal Special Dividend is proposed to be declared.

Subject to the Offer having been made and declared to be unconditional and the approval of the Independent Shareholders, the Company intends to declare and pay a special interim cash dividend of HK\$0.749 per Share to all shareholders of the Company whose names appear on the register of members of the Company on the Offer Special Dividend Record Date which will be a date on or after that of the EGM and before the date when the Offer becomes or is declared unconditional in all respects. The payment of the Offer Special Dividend will be funded by the Group's excess cash and will be out of the Company's retained earnings and share premium.

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## LETTER FROM THE BOARD

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As the Offer Special Dividend Record Date will be a date prior to the date when the Offer becomes or is declared unconditional in all respects, (a) Shareholders who accept the Offer will continue to be entitled to the Offer Special Dividend in respect of the Shares held by them on the Offer Special Dividend Record Date, and (b) the Offeror will not be entitled to the Offer Special Dividend in respect of any Shares as regards which the Offer is accepted. An announcement will be made by the Company of the date to be fixed for the meeting of the Board at which the Offer Special Dividend is proposed to be declared.

Any person who purchases Shares intending to become entitled to the Special Dividends is reminded that they will need to ensure that his or her name is registered on the register of members of the Company on or before the relevant record dates for those dividends.

### **E. EGM**

A notice convening the EGM is set out on pages EGM-1 to EGM-4 of this circular.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you intend to attend the EGM, you are requested to complete and return the form of proxy to the Company's Branch Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting if you so wish and in such event, the proxy form shall be deemed to be revoked.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of Shareholders at a general meeting must be taken by poll. Therefore, all proposed resolutions put to vote at the EGM shall be taken by way of poll.

Mr. Tan, his father Dr. Tan Siu Lin, together with Mr. Tan's brothers Mr. Tan Willie and Mr. Tan Cho Lung, Raymond, who are all Directors, have a material interest in the transactions contemplated under the Disposal Agreement and the Possible CCT. Accordingly, they and their respective concert parties and associates will abstain from voting at the EGM on the relevant resolutions.

As at the date of this circular, Dr. Tan Siu Lin, Mr. Tan, Mr. Tan Willie, Mr. Tan Cho Lung, Raymond and Mr. Tan Sunny together with their respective concert parties and associates control in aggregate 726,625,000 Shares (representing approximately 70.27% of the issued share capital of the Company).

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## LETTER FROM THE BOARD

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### F. RECOMMENDATION

The Board (excluding the members of the Independent Board Committees whose views are set out in the Letter from the LR Independent Board Committee and the Letter from the Code Independent Board Committee in this circular) is of the view that the terms of the Disposal Agreement and the Possible CCT and the respective transactions contemplated thereunder are fair and reasonable and in the interest of the Company and the Shareholders as a whole; and recommends the Disinterested Shareholders and the Independent Shareholder to vote in favour of the resolutions in relation to the Disposal Agreement, the Possible CCT and the Special Dividends.

### G. ADDITIONAL INFORMATION

The Board would like to draw your attention to the Letter from the Code Independent Board Committee, the Letter from the LR Independent Board Committee, the Letter from the Independent Financial Adviser and the additional information in the appendices to this circular.

Yours faithfully  
For and on behalf of the Board  
**Henry Tan**  
*Director*

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## LETTER FROM THE LR INDEPENDENT BOARD COMMITTEE

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



**LUEN THAI HOLDINGS LIMITED**

**聯泰控股有限公司**

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

**(Stock Code: 311)**

14 December 2016

*To the Independent Shareholders*

Dear Sir or Madam,

We refer to the circular dated 14 December 2016 issued by the Company to the Shareholders (the “**Circular**”) of which this letter forms part. Terms defined in the Circular shall have the same meanings when used in this letter, unless the context otherwise requires.

Pursuant to the requirements under the Listing Rules, we have been appointed by the Board as members of the LR Independent Board Committee to advise the Independent Shareholders on whether the terms of the Disposal Agreement and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms, and in the interests of the Company and the Shareholders as a whole. Octal Capital Limited has been appointed as the Independent Financial Adviser to advise us and the Independent Shareholders in the respect.

Having considered the terms of the Disposal Agreement and the transactions contemplated thereunder, and having taken into account the advice of the Independent Financial Adviser, we are of the view that the terms of the Disposal Agreement and the transactions contemplated thereunder are albeit not conducted in the ordinary and usual course of business, fair and reasonable in the interests of the Company and the Shareholders as a whole. We therefore recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Disposal Agreement and the transactions contemplated thereunder.

Yours faithfully,

For and on behalf of

the LR Independent Board Committee

**Chan Henry**

**Cheung Siu Kee**

**Seing Nea Yie**

*Independent Non-Executive Directors*

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LETTER FROM THE CODE INDEPENDENT BOARD COMMITTEE

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*The following is the text of a letter from the Code Independent Board Committee to the Disinterested Shareholders in relation to the Disposal Agreement and the Possible CCT and the respective transactions contemplated thereunder for inclusion in this circular:*



**LUEN THAI HOLDINGS LIMITED**

**聯泰控股有限公司**

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

**(Stock Code: 311)**

14 December 2016

*To the Independent Shareholders*

Dear Sir or Madam,

We refer to the circular dated 14 December 2016 issued by the Company to the Shareholders (the “**Circular**”) of which this letter forms part. Terms defined in the Circular shall have the same meanings when used in this letter, unless the context otherwise requires.

Pursuant to the requirements under the Takeovers Code, we have been appointed by the Board as members of the Code Independent Board Committee to advise the Disinterested Shareholders on whether the terms of the Disposal Agreement, the Possible CCT and the respective transactions contemplated thereunder are fair and reasonable, on normal commercial terms, and in the interests of the Company and the Shareholders as a whole. Octal Capital Limited has been appointed as the Independent Financial Adviser to advise us and the Disinterested Shareholders in the respect.

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## LETTER FROM THE CODE INDEPENDENT BOARD COMMITTEE

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Having considered the terms of the Disposal Agreement, the Possible CCT and the respective transactions contemplated thereunder, and having taken into account the advice of the Independent Financial Adviser, we are of the view that the terms of the Disposal Agreement, the Possible CCT and the respective transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole. We therefore recommend the Disinterested Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Disposal Agreement, the Possible CCT and the respective transactions contemplated thereunder.

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

**Lu Chin Chu**

*Non-executive Director*

**Cheung Siu Kee**

*Independent Non-Executive Directors*

**Chan Henry**

**Seing Nea Yie**

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the letter of advice from Octal Capital Limited to the LR Independent Board Committee, the Code Independent Board Committee, the Independent Shareholders and the Disinterested Shareholders prepared for the purpose of inclusion in this circular.*



Octal Capital Limited  
802-805, 8th Floor, Nan Fung Tower  
88 Connaught Road Central  
Hong Kong

14 December 2016

*To the LR Independent Board Committee,  
the Code Independent Board Committee,  
the Independent Shareholders and  
the Disinterested Shareholders*

Dear Sir or Madam,

### **(1) MAJOR AND CONNECTED TRANSACTIONS AND (2) POSSIBLE CONTINUING CONNECTED TRANSACTIONS**

#### **INTRODUCTION**

We refer to our engagement to advise the LR Independent Board Committee, the Code Independent Board Committee, the Independent Shareholders and the Disinterested Shareholders in respect of the terms of the transactions contemplated under the Disposal Agreement and the Possible CCT, thereunder, details of which are set out in the circular of the Company to the Shareholders dated 14 December 2016 (the “**Circular**”), of which this letter forms part. Unless the context otherwise requires, terms used in this letter shall have the same meanings as those defined in the Circular.

The Disposal Vendor and the Disposal Purchaser entered into the Disposal Agreement on 25 October 2016 (after trading hours) pursuant to which the Disposal Vendor has conditionally agreed to sell the Disposal Businesses to the Disposal Purchaser at an initial Disposal Consideration of US\$110,344,883 which is subject to an adjustment. The final Disposal Consideration will not exceed US\$120,344,883.

As one or more of the applicable percentage ratios for the Disposal under Rule 14.07 of the Listing Rules exceed 25% but are less than 75%, the Disposal constitutes a major transaction for the Company under Chapter 14 of the Listing Rules, and is therefore subject to the reporting, announcement and shareholders’ approval requirements under Chapter 14 of the Listing Rules.

Immediately after Disposal Completion, the members of the Disposal Group will become subsidiaries of the Disposal Purchaser. As the Disposal Purchaser is wholly-owned by Helmsley which is in turn beneficially owned as to 55% by Mr. Tan, an executive Director, the chief executive officer and a substantial shareholder of the Company

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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interested in approximately 66.69% of the issued share capital of the Company; and as to 45% by certain members of Mr. Tan's family under trust arrangements, the Disposal Purchaser is a connected person of the Company under Chapter 14A of the Listing Rules and the members of the Disposal Group, being subsidiaries of the Disposal Purchaser upon Disposal Completion, will also be connected persons of the Company under Chapter 14A of the Listing Rules. Accordingly, the Possible CCT will constitute continuing connected transactions for the Company pursuant to Chapter 14A of the Listing Rules.

Since the Disposal Agreement and the Possible CCT are not capable of being extended to all shareholders, the Disposal Agreement and the Possible CCT constitute special deals in relation to the Offer under Rule 25 of the Takeovers Code. An application has been made by the Company to the Executive for consent to proceed with the transactions contemplated under the Disposal Agreement and the Possible CCT. Such consent will be subject to (i) the opinion of the independent financial adviser that the terms of the transactions contemplated under the Disposal Agreement and the Possible CCT are fair and reasonable; and (ii) the approval of the transactions contemplated under the Disposal Agreement and the Possible CCT by the Disinterested Shareholders by way of poll at the EGM.

Mr. Tan, Dr. Tan Siu Lin (Mr. Tan's father), Mr. Tan Willie (Mr. Tan's brother) and Mr. Tan Cho Lung, Raymond (Mr. Tan's brother), who are all Directors, have a material interest in the transactions contemplated under the Disposal Agreement and the Possible CCT, they and their respective concert parties and associate are required to abstain from voting on the relevant resolutions.

The LR Independent Board Committee, comprising all the independent non-executive Directors, namely Chan Henry, Cheung Siu Kee and Seing Nea Yie, has been formed to advise the Independent Shareholders in respect of the terms of the Disposal Agreement and the transactions contemplated thereunder. The Code Independent Board Committee comprises all the non-executive Directors (other than Mr. Tan Willie) and all the independent non-executive Directors in respect of the Disposal Agreement and the Possible CCT pursuant to the requirements of the Takeovers Code. We, Octal Capital Limited, have been appointed to advise the LR Independent Board Committee, the Code Independent Board Committee, the Independent Shareholders and the Disinterested Shareholders in this regard.

As at the Latest Practicable Date, we, Octal Capital Limited, are not connected with the Directors, chief executives and substantial shareholders of the Company, the Disposal Purchaser or any of their respective subsidiaries or associates and are therefore considered suitable to give independent advice to the LR Independent Board Committee, the Code Independent Board Committee, the Independent Shareholders and the Disinterested Shareholders. During the last two years, we did not have any engagement with the Company or the Directors, chief executive and substantial shareholders of the Company or the Disposal Purchaser and no arrangement exists whereby we will receive any fees or benefits from the Company or the Disposal Purchaser or the Directors, chief executives and substantial shareholders of the Company or the Disposal Purchaser or any of their respective subsidiaries or associates.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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In formulating our opinion, we have relied on the accuracy of the information and representations contained in the Circular and have assumed that all information and representations made or referred to in the Circular were true at the time they were made and continue to be true as at the date of the Circular. Should there be any material changes after the despatch of this Circular, the Shareholders would be notified as soon as possible. We have also relied on our discussion with the management of the Company regarding the Group, the Disposal and the Possible CCT including the information and representations contained in the Circular. We have also assumed that all statements of belief, opinion and intention made by the Directors and the Company in the Circular were reasonably made after due enquiry. We consider that we have reviewed sufficient information to reach an informed view, to justify our reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our advice. We have no reason to suspect that any material fact has been omitted or withheld from the information contained or opinions expressed in the Circular nor to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors. We have not, however, conducted an independent in-depth investigation into the business and affairs of the Group, the Disposal Group, the Disposal Purchaser and their respective associates nor have we carried out any independent verification of the information supplied.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED IN RELATION TO THE DISPOSAL**

In formulating our opinion on the terms of the Disposal Agreement and the transactions contemplated thereunder, we have taken into account the following principal factors and reasons:

#### **(A) Information on the Group**

##### ***(i) Background of the Group***

The Group is principally engaged in the manufacturing and trading of apparel and accessories, freight forwarding and logistics business and real estate development. The Group has strategic partnerships with some global brands. The main products of the Group are casual and fashion apparel, sweaters, lifestyle apparel and accessories which are produced in Asia such as China, the Philippines, Cambodia, Vietnam and Indonesia, etc.

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**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

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*(ii) Financial information of the Group*

The table below sets out the key financial results of the Group for the two financial years ended 31 December 2015 based on the annual reports and the six months ended 30 June 2016 based on the interim report:

	<b>For the year ended</b>		<b>For the</b>
	<b>31 December</b>		<b>six months</b>
	<b>2014</b>	<b>2015</b>	<b>ended</b>
	<i>US\$'000</i>	<i>US\$'000</i>	<b>30 June</b>
	(audited)	(audited)	<b>2016</b>
			<i>US\$'000</i>
			(unaudited)
Casual and fashion apparel <sup>Note 1</sup>	707,275	616,280	299,336
Life-style apparel	89,903	55,948	—
Sweaters	97,037	106,569	29,220
Accessories	309,321	313,377	134,116
Freight forwarding/logistics services	20,692	21,277	10,938
 Total revenue	 1,224,228	 1,113,451	 473,610
 Gross profit	 216,083	 170,137	 80,862
Profit after tax	16,425	13,462	8,292

*Note 1:* According to the interim report of the Company for the six months ended 30 June 2016, the revenue derived from the life-style apparel division is included in the casual and fashion apparel division.

*Source:* Annual Report and Interim Report of the Company

*For the year ended 31 December 2015*

The revenue for the year ended 31 December 2015 decreased by approximately US\$110.8 million or 9.0% to approximately US\$1,113.5 million from the previous year due to the reduction in production volume which in turn was mainly attributable to the reduction in orders placed by customers and the reduction of output in Cambodia factories. The Group's gross profit for the year ended 31 December 2015 was approximately US\$170.1 million, representing a decrease of approximately 21.3% from last year due to the unsatisfactory performance of the factories in Cambodia within the casual and fashion apparel division. The profit after tax was approximately US\$13.5 million, representing a decrease of approximately US\$3.0 million or 18.0% from the year ended 31 December 2014 due to the deterioration of the gross profit.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*For the six months ended 30 June 2016*

As referred to the interim report for the six months ended 30 June 2016, the unaudited revenue was approximately US\$473.6 million, representing a decrease of approximately US\$47.8 million or 9.2% from the same period of 2015. The unaudited gross profit was US\$80.9 million for the six months ended 30 June 2016, representing an increase of approximately US\$2.6 million or 3.3% from the six months ended 30 June 2015. The unaudited profit after tax was approximately US\$8.3 million, representing a slight increase of approximately US\$0.5 million or 6.9% from the same period of 2015. The overall improvement of the financial performance was mainly attributable to the improving performance of the casual and fashion apparel division.

According to the interim report of 2016, the Group is facing the challenges brought by the online shopping. The growth of online stores has threatened the traditional physical stores. The average selling prices of apparel and accessories are in a decreasing trend due to the competition of online stores. In order to reduce costs and inventory, brands are requesting a shorter lead time in the supply chain management. The Group is looking for investments in factories and performance fabric to tackle the challenges from online stores. Apart from that, the Group will pursue new growth drivers through development of new customers in particular for the production of bags.

The table below is an overview of the financial position of the Group as at 31 December 2014 and 2015 based on information in the Group's annual reports and as at 30 June 2016 based on information in the Group's interim report.

	<b>As at 31 December</b>		<b>As at</b>
	<b>2014</b>	<b>2015</b>	<b>30 June</b>
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
	(audited)	(audited)	(unaudited)
Non-current assets	208,281	199,431	192,513
Current assets	<u>562,736</u>	<u>484,647</u>	<u>490,604</u>
Total assets	771,017	684,078	683,117
Non-current liabilities	18,223	18,909	18,876
Current liabilities	<u>369,987</u>	<u>282,602</u>	<u>276,137</u>
Total liabilities	<u>388,210</u>	<u>301,511</u>	<u>295,013</u>
Net assets	<u><u>382,807</u></u>	<u><u>382,567</u></u>	<u><u>388,104</u></u>

*Source: Annual Report and Interim Report of the Company*

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As at 31 December 2014, the Group had net assets of approximately US\$382.8 million. The non-current assets primarily consisted of property, plant and equipment and intangible assets. The current assets primarily consisted of inventories, trade and other receivables and cash and bank balances. The total liabilities mainly consisted of trade and other payables and borrowings (current and non-current portions).

As at 31 December 2015, the Group recorded net assets of approximately US\$382.6 million. The total assets have been decreased from approximately US\$771.0 million as at 31 December 2014 to approximately US\$684.1 million as at 31 December 2015, mainly due to the reduction in inventories, trade and other receivables and cash and bank balances. As at 31 December 2015, the total liabilities were approximately US\$301.5 million, representing a decrease of approximately US\$86.7 million. The decrease is mainly due to the reduction in total borrowings by approximately US\$69.3 million. As at 31 December 2015, the total liabilities mainly consisted of trade and other payables and borrowings (current and non-current portions), representing approximately 66.9% and 25.2% of total liabilities respectively.

Based on the interim report for the six months ended 30 June 2016, the total assets were approximately US\$683.1 million. The total assets recorded a slight decrease of approximately US\$1.0 million or 0.1% compared to that of 31 December 2015. As at 30 June 2016, the inventories, trade and other receivables and cash and bank balances in aggregate accounted for approximately 70.7% of the total assets. As at 30 June 2016, the total liabilities were approximately US\$295.0 million, representing a slight decrease of approximately US\$6.5 million or 2.2% compared to that of 31 December 2015. The total liabilities mainly consisted of trade and other payables and borrowings (current and non-current portions), representing approximately 66.0% and 25.3% of total liabilities respectively.

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### (B) The Principal Terms of the Disposal agreement

Date of Agreement:	25 October 2016
Disposal Vendor:	Luen Thai Overseas Limited, a wholly-owned subsidiary of the Company
Disposal Purchaser:	Torpedo Management Limited, a limited company incorporated in the BVI and wholly-owned by Helmsley, which in turn beneficially owned as to 55% by Mr. Tan and 45% by certain members of Mr. Tan's family under trust arrangements
Assets to be disposed of:	The entire issued share capital of each of the Disposal Companies
Consideration:	The initial Disposal Consideration is US\$110,344,883 which is subject to an adjustment. The final Disposal Consideration will not exceed US\$120,344,883.

### (C) Information of the Disposal Group

#### (i) Financial Information of the Disposal Group

Pursuant to the Disposal Agreement, the Disposal Group is comprised of four sub-groups. We understand from the management that the total revenue of the Disposal Group accounted for approximately 5% to 7% of the total revenue of the Group for the two years ended 31 December 2015 and the six months ended 30 June 2016. The details of each sub-group of the Disposal Group can be referred to the "Letter from the Board" in this Circular.

	Disposal Group I US\$'000	Disposal Company II US\$'000	Disposal Group III US\$'000	Disposal Group IV US\$'000	Total US\$'000
<b>For the year ended 31 December 2014</b>					
Profit (Loss) before tax	—	1,684	(7,047)	2,542	(2,821)
Profit (Loss) after tax	—	1,684	(7,192)	2,317	(3,191)
<b>For the year ended 31 December 2015</b>					
Profit (Loss) before tax	(1,508)	1,323	(4,803)	3,324	(1,664)
Profit (Loss) after tax	(1,508)	1,323	(4,677)	3,008	(1,854)

During the first six months of 2016, the loss after tax of the Disposal Group is approximately US\$3,372,000.

As shown above, the Disposal Group has been at a loss-making position for the past two financial years and the first six months of 2016.

As at 30 June 2016, the unaudited net asset value of the Disposal Group was approximately US\$42 million, which accounted for approximately 10.8% of the unaudited consolidated net asset value of the Group as at 30 June 2016.

*(ii) Background Disposal Group I*

As at the date of this Circular and immediately after the completion of Reorganisation, Disposal Group I will comprise of three companies and is principally engaged in retail and distribution of apparel and accessories. Disposal Group I entered into certain license and distribution agreements with a branded customer (the “**Licensor**”) on 15 September 2015 (the “**License and Distribution Agreement**”) to manufacture and sell apparel and accessories bearing the Licensor’s trademarks for distribution through self-operated retail stores, wholesale and concession channels in China (including Hong Kong and Macau), Taiwan and certain other Asian countries as well as online sales and shipments within the PRC. The license and distribution agreement commenced on 1 January 2016 and will expire on 31 March 2021, subject to early termination clause and renewal clause. Disposal Group I currently operates seven self-operated retail stores in Shanghai, one self-operated retail outlet in Beijing, and 10 franchisees stores in nine different cities in China.

The Disposal Group I also entered into a footwear design services agreement with the Licensor to use its trademarks in connection with the design, development, manufacture, marketing, promotion, importation, distribution and wholesale of footwear products.

*(iii) Background of Disposal Company II*

Disposal Company II holds 24% equity interest in Chang Jia which beneficially owns a group of project companies. These project companies are engaged in a real estate development project jointly developed with Sunshine 100 Real Estate Group Co., Limited in Qingyuan, China (the “**Qingyuan Mango Town**”). The Qingyuan Mango Town is located in District No N24 Pikeng Liantai Industrial Zone, Longtang Town, Qingcheng District, Qingyuan City, Guangdong Province, in the PRC. Qingyuan Mango Town mainly consists of three parts, namely (i) completed properties held for sale; (ii) properties under development; and (iii) reserved lands for future development, in aggregate representing a fair value of US\$263.7 million as at 30 June 2016 based on the property valuation report issued by an independent valuer, Crowe Horwath (HK) Consulting & Valuation Limited (the “**Valuer**”). The total gross floor area (the “**GFA**”) of Qingyuan Mango Town is approximately 2.4 million square meters (excluding the carparks) including 86.4% of residential properties and 11.1% of commercial properties. Based on the supporting documents provided by the Valuer, approximately 30.0% of the total GFA has been completed while approximately 10.0% of the total GFA is under construction. Few parcels of

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lands with an aggregate GFA of approximately 1.5 million square meters, representing approximately 60.6% of the total GFA of Qingyuan Mango Town, are still vacant and undeveloped.

***(iv) Background of Disposal Group III***

Immediately after the completion of Reorganisation, Disposal Group III will comprise of Disposal Company III which holds 100% direct equity interest in four subsidiaries, 99.97% direct equity interest in a subsidiary, 100% indirect equity interests in three subsidiaries and 50% indirect equity interest in an associate. The structure of Disposal Group III is set out in the “Letter from the Board”. The Disposal Group III is engaged in footwear manufacturing and currently has manufacturing facilities in Fujian, China and the Philippines. The Fujian manufacturing facility has about 530 staff for footwear manufacturing while the Philippines manufacturing facility has about 1,600 staff for its original equipment manufacturing (OEM) operations. Disposal Group III has three properties in China and one property in the Philippines as below:

Member of Disposal Group III	Disposal Property	GFA	Current Use	Fair Value as at 30 June 2016 <i>US\$'000</i> <i>Note</i>
DGLT (the “Disposal Property I”)	The Factory, i.e. Industrial Complex erected on Land Nos. 1 to 4, Jin Fung Huang Industrial Zone, Tangli Village, Fenggang Town, Dongguan, Guangdong Province, PRC	About 238,000 square meters	Occupied by the Remaining Group as factory premises for manufacturing apparel	25,126
Luen Thai Footwear Co., Ltd (the “Disposal Property II”)	Industrial Complex erected on Lots A and B, Xingxian Road, Xiazhou Village, Fuqiao Town, Licheng District, Quanzhou City, Fujian Province, PRC	About 34,000 square meters	Occupied by the Disposal Group III as factory premises for manufacturing footwear	6,018
Dongguan Xingxi Handbags Factory Co., Ltd. (the “Disposal Property III”)	Industrial complex located at No.87 Industrial Avenue, Shigu Village, Tangxia Town, Dongguan City, PRC	About 18,200 square meters	Leased to a third party	2,106
Boast Inc., (the “Disposal Property IV”)	Industrial premises in Phase 1, Second Avenue, Freeport Area of Bataan, Marivekesm Bataan, the Philippines	About 21,000 square meters	Occupied by the Disposal Group III for footwear manufacturing	1,390
			Total	<u>34,640</u>

*Note:* The fair value is extracted from the property valuation report as at 30 June 2016 prepared by the Valuer.

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As at the Latest Practicable Date, the Disposal Property I is occupied by the Remaining Group and Disposal Property I will be leased to the Remaining Group after the Disposal Completion.

As at Latest Practicable Date, the Disposal Property III is leased to an third party and the lease period will expire on 31 December 2023.

### ***(v) Background of Disposal Group IV***

Immediately after the completion of Reorganisation, Disposal Group IV will comprise of Disposal Company IV which directly and indirectly holds 16 subsidiaries and one associated company with 49% equity interest. The structure of Disposal Group IV is set out in the “Letter from the Board”.

The Disposal Group IV is engaged in the provision of services of international freight forwarding, warehousing, distribution, cargo consolidation and household goods transport. It has about 25 stations in about 12 countries, including China, Taiwan, Korea, Cambodia, the Philippines and Guam, etc. The Disposal Group IV provides a full range of logistics and support services, including logistics consultancy and training, as well as customised information technology solutions which support service integration, real time information and efficient operations.

A member of Disposal Group IV, Consolidated Transportation Services Incorporated (Guam) owns a building in Guam, the USA with GFA of approximately 35,000 square feet (the “**Disposal Property V**”). We understand from the management that the Disposal Property V is a warehouse with temperature controlled facilities inside an airport-regulated area in Guam. The Disposal Property V is currently occupied by Disposal Group IV.

### **(D) Basis for determination of the Disposal Consideration for the Disposal Group**

The initial Disposal Consideration of the Disposal Group is US\$110,344,883 (subject to an Upward Adjustment). The Disposal Vendor and the Disposal Purchaser consider the below factors to determine the initial Disposal Consideration after arm’s length negotiations.

1. Based on the unaudited management accounts of the Disposal Group as at 30 June 2016, the net asset value of the Disposal Group is amounted to approximately US\$42 million.
2. Based on the unaudited management accounts of the Disposal Group as at 30 June 2016, the amounts due to the Remaining Group by the Disposal Group is approximately US\$59 million.
3. Based on the unaudited management account of Disposal Company II as at 30 June 2016, the investment cost in Chang Jia is lower than the 24% equity interest of Chang Jia attributable to Disposal Company II. Such difference is

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mainly due to the accounting treatment of the injection of assets into Chang Jia by the Group when the Group disposed 76% equity interest in Chang Jia in 2011. After such disposal, the Group still holds 24% of the equity interest in Chang Jia and 24% of the gain from disposal of the relevant assets have not been realized. Accordingly, an upward adjustment of approximately US\$10 million was included in the initial Disposal Consideration to take into account the unrealized gain from the disposal of the relevant assets in accordance with the application accounting standard. As such, the investment cost of Chang Jia is adjusted upward by approximately US\$10 million.

4. The Board estimated the value of the property interests owned by Disposal Company II based on similar properties near Qingyuan Mango Town. The Board also estimated the fair value of the four properties owned by Disposal Group III based on similar properties in similar/nearby locations. The fair value of these property interests estimated by the Board exceeds their net book value as reflected in the unaudited management accounts of relevant Disposal Companies as at 30 June 2016 by approximately US\$9 million.
5. Disposal Group IV recorded profit after tax of approximately US\$2.3 million and US\$3.0 million during the years ended 31 December 2014 and 2015 respectively. The Board adopts the price/earnings ratio of 5.5 times and the average profit after tax of Disposal Group IV of approximately US\$2.7 million to estimate the fair value of Disposal Group IV. The fair value estimated by the Board is approximately US\$14.6 million, representing a valuation deficit of approximately US\$10.0 million compared to the net asset value of Disposal Group IV as at 30 June 2016. The Board explained that the price/earnings ratio of 5.5 times is made reference to the Group's past acquisition of companies from independent third parties based on arm's length negotiation.

Taking into account of the above factors, the initial Disposal Consideration of Disposal Group is subject to the Upward Adjustment at Disposal Completion. The Upward Adjustment is any amount by which the Valuation exceeds the Estimated Value and will not exceed US\$10.0 million. The final Disposal Consideration is capped at US\$120,344,883 but not less than US\$110,344,883.

We have reviewed the unaudited management accounts of Disposal Group for the two years ended 31 December 2014 and 2015 and the six months ended 30 June 2016. For further details, please refer Appendix II "Letter from the Reporting Accountant and the Independent Financial Adviser on the Unaudited Required Financial Information and Estimated Gain" set out in this Circular.

*Disposal Group I*

Disposal Group I recorded loss after tax of approximately US\$1.5 million and US\$2.0 million during the year ended 31 December 2015 and the six months ended 30 June 2016 respectively. During the first six months of 2016, the revenue of Disposal Group I was approximately US\$870,000.

The management of the Group explained that the loss was due to the low level of revenue which was insufficient to cover the operating expenses. We reviewed the License and Distribution Agreement and noted that a minimum annual royalty is required to pay to the Licensor regardless of the level of revenue. The minimum annual royalty is within the range of US\$0.9 million to US\$7.0 million from the period from 1 April 2017 to 31 March 2022. Given the unsound performance of the fashion retail business and the strong competition between retail stores and the online stores, the management of the Group considered that the retail business under the License and Distribution Agreement in the foreseeable future will not be able to generate sufficient profits to cover the minimum annual royalty which will place a heavy financial and cash flow burden to the Group. Taking into account of the loss position of Disposal Group I and the unsatisfactory sales performance of the retail stores, we concur with the Board that it is justifiable to dispose Disposal Group I.

*Disposal Company II*

To assess the fairness and reasonableness of the Disposal Consideration, we have reviewed the property valuation report as at 30 June 2016 prepared by the Valuer and discussed with the Valuer regarding, among other things, the bases, assumptions and methodologies adopted by the Valuer in conducting the valuation work and arriving the fair value of Qingyuan Mango Town as at 30 June 2016. We understand that the valuation is made on a market value basis in compliance with the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors (“HKIS”), the RICS Valuation — Professional Standards published by the Royal Institution of Chartered Surveyors (“RICS”) and International Valuation Standards published by the International Valuation Standards Council.

In the course of our enquiry, we understand that the Valuer carried out a site inspection at Qingyuan Mango Town in November 2016 to inspect the exterior and interior parts of the properties of Disposal Company II. We noted that the Valuer has adopted the comparison approach in valuing Qingyuan Mango Town by making reference to prices realized or current asking prices of comparable properties and the actual selling prices of the sales transactions recorded during the first nine months of 2016. We have discussed and reviewed the selection criteria of the comparable properties which are of similar nature and located in the vicinity of Qingyuan Mango Town. The comparable properties considered by the Valuer are (i) located in the suburban area of Qingyuan City; (ii) located within approximately 10km from Qingyuan Mango Town; and (iii) residential

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properties with planned GFA over 1,000,000 square meters. Based on the aforesaid criteria, the Valuer confirmed that these comparable properties represent an exhaustive list. As such, we consider that the selected comparable companies are reasonable and comparable to Qingyuan Mango Town.

Given the valuation methodology applied by the Valuer is normal and commonly adopted for valuation of properties in China and the valuation is complied with the relevant professional standards, we consider that the methodology and assumptions for determining the fair value of Qingyuan Mango Town are appropriate.

As at 30 June 2016, the fair value of Qingyuan Mango Town estimated by the Valuer is approximately US\$263 million. Compared to the unaudited net book value of Qingyuan Mango Town as at 30 June 2016 of approximately US\$270 million, the valuation deficit is approximately US\$7 million in which approximately US\$2.0 million is attributable to Disposal Company II based on its 24% equity interest in Chang Jia.

Based on our discussion with the management of the Group, we understand that the total GFA of Qingyuan Mango Town is approximately 2.4 million square meters (excluding the carparks) in which approximately 60.6% of the total GFA is still undeveloped. We also understand from the Company that the project companies have not yet finalized a concrete development plan for the remaining few parcels of land and these lands are expected to remain idle. The management indicated that the future sale performance of the unsold and undeveloped properties is correlated to the PRC Government's property control policies.

The local governments in Beijing, Tianjin, Suzhou, Zhengzhou, Chengdu, Xian, Wuxi, Hefei and Wuhan introduced measures to cool down the residential property market, such as increasing the requirements of down payments for second homes, banning the purchase of second and third homes, during September 2016 and October 2016. Pursuant to 〈關於促進本市房地產市場平穩健康發展的若干措施〉 jointly issued by the Beijing Municipal Commission of Housing and Urban — Rural Development and other government departments on 30 September 2016, the down payments of first time home purchasers should not be less than 35%, representing an increase of 5% from the previous requirement. On 28 November 2016, the Shanghai local government also issued a regulation notice 〈關於促進本市房地產市場平穩健康有序發展進一步完善差別化住房信貸政策〉 in which the minimum down payments of first home buyers are increased from 30% to 35%. These property control policies will increase the initial purchase cost of property buyers and may affect the purchasing power of property buyers. Moreover, these property control measures may further extend to other cities in China.

Taking into account of these factors, the sales of Qingyuan Mango Town will be challenging and the future profitability of Disposal Company II will be full of uncertainties. Since the property development is not the Group's core business,

the Disposal will allow the Group to focus on its major business segments and remove the risk of China property market from the Group. Therefore, we concur with the management that the disposal of the equity interest of Qingying Mango Town is justifiable.

*Disposal Group III*

Having reviewed the unaudited management accounts of Disposal Group III for the two financial years ended 31 December 2015 and the six months ended 30 June 2016, the Disposal Group III had been at a loss-making position for the previous two financial years and the first six months of 2016. The gross profit margin decreased from approximately 9.0% for the year ended 31 December 2014 to approximately 2.1% for the six month ended 30 June 2016. The decrease in gross profit margin is mainly attributable to the increasing labour cost in China because it is difficult to recruit and retain skilled workers in Fujian.

To assess the fairness and reasonableness of the Disposal Consideration, we have reviewed the property valuation report as at 30 June 2016 prepared by the Valuer. We have discussed with the Valuer on the bases, assumptions and methodologies used in arriving the valuation of Disposal Property I, Disposal Property II, Disposal Property III and Disposal Property IV as at 30 June 2016. We understand from the Valuer that the valuation is made on a market value basis in compliance with the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors, the RICS Valuation — Professional Standards published by the Royal Institution of Chartered Surveyors and International Valuation Standards published by the International Valuation Standards Council.

In the course of our enquiry, we understand that the Valuer carried out a site inspection to Disposal Property I, Disposal Property II, Disposal Property III and Disposal Property IV in October and November 2016 to inspect the exterior and interior parts of these properties. We note that the Valuer has adopted the comparison approach in valuing these four properties by making reference to prices realized or current asking prices of comparable properties in China and the Philippines. We have discussed and reviewed the selection criteria of the comparable properties (including factories and dormitories) which are of similar nature and located in similar/nearby industrial locations of these four properties. As such, we consider that the selected comparable companies are reasonable and comparable to the Disposal Properties I, II, III and IV.

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The fair values of the Disposal Property I, Disposal Property II, Disposal Property III and Disposal Property IV estimated by the Valuer as at 30 June 2016 and 30 September 2016 are as below:

<b>Disposal Group III</b>	As at	
	30 June 2016	30 September 2016
	<i>US\$'000</i>	<i>US\$'000</i>
	<i>Note 1</i>	<i>Note 2</i>
Disposal Property I	25,126	25,036
Disposal Property II	6,018	5,997
Disposal Property III	2,106	2,099
Disposal Property IV	1,390	1,350
Total	34,640	34,482

*Note 1:* Being the property valuations as at 30 June 2016 estimated by the Valuer.

*Note 2:* Being the property valuations as at 30 September 2016 as set out in Appendix IV.

Compared to the net book value of Disposal Properties I, II, III and IV of Disposal Group III amounted to approximately US\$30 million as at 30 June 2016, the valuation surplus of Disposal Group III is approximately US\$5 million.

Given the valuation methodology applied by the Valuer is normal and commonly adopted for valuation of properties in China and the Philippines and the valuation is complied with the relevant professional standards, we consider that the methodology and assumptions for determining the fair value of these four properties are appropriate.

***Disposal Group IV***

We have reviewed the business valuation report of the Disposal Group IV (the “**Business Valuation**”) prepared by the Valuer as set out in Appendix V and noted that the fair value of the 100% equity interest of Disposal Group IV as at 30 June 2016 was approximately US\$13.6 million, which is lower than the fair value of Disposal Group IV of approximately US\$14.6 million estimated by the Board. Such variance is mainly due to different price/earnings multiples used in the valuation by the Valuer and the Board and the Valuer’s adjustment to the non-marketability of the equity interest of Disposal Group IV. Pursuant to the Disposal Agreement, when the Valuation is higher than the Estimated Value, an upward adjustment will be made to the Disposal Consideration. Since the fair value of Disposal Group IV estimated by the Valuer is lower than that estimated by the Board, no adjustment to the initial Disposal Consideration is required.

We have reviewed and enquired into (i) the terms of engagement of the Valuer with the Company; (ii) the Valuer’s qualification and experience in relation to the preparation of the Business Valuation. The valuation is conducted and led by a person who is an Accredited Senior Appraiser of the American Society of

Appraisers, Member of Royal Institution Chartered Surveyors; and specializes in business valuation with over 10 years' experience. The team member also has solid experience in the valuation industry. We consider that the responsible persons of the Valuer in relation to the Business Valuation have sufficient experience in performing the Business Valuation; and (iii) the steps taken by the Valuer for conducting the Business Valuation. We noted that the scope of work is appropriate to the opinion required to be given and the Valuer had taken into account of the relevant information relating to Disposal Group IV in the Business Valuation. Based on the above, we are of the view that the scope of work of the Valuer is appropriate and the Valuer is qualified to perform the Business Valuation.

We have also reviewed and discussed with the Valuer, among others, the assumptions, comparable companies and methodologies adopted for the valuation and adjustments made to arrive at the Business Valuation. We noted that the Business Valuation was prepared by the Valuer in compliance with the RICS Valuation — Professional Standards published by the Royal Institution of Chartered Surveyors (“RICS”) and International Valuation Standards (“IVS”) published by the International Valuation Standards Council. We also understand that the Valuer has considered three methodologies in preparing the Business Valuation, namely asset approach, income approach and market approach. We understand from the Valuer that Disposal Group IV was operating in a fast-changing and economic-driven industry and the management is difficult to prepare a reasonable financial projection for the coming five years and its perpetuity growth. Therefore, the income approach is not feasible. The cost approach is also not appropriate as such approach does not take future growth potential into consideration. The Valuer indicated that there are a number of comparable companies in the market and thus the market approach could make reference to the comparable companies to value the equity interest of Disposal Group IV. Having considered the above limitations of income approach and cost approach, we concur with the Valuer's view that it is reasonable to adopt market approach. We understand that different pricing multiples have been considered by the Valuer. Price-book ratio is usually adopted by asset-driven companies. Price-sales ratio does not take into account the net profit. EV/EBITDA ratio is usually adopted by companies with high depreciation and/or amortisation expenses and heavy interest burden. Given that the property, plant and equipment accounted for approximately 20.3% of the total assets of Disposal Group IV as at 30 June 2016, we consider that Disposal Group IV is an asset-light and profit-making business and concur with the Valuer that it is reasonable to adopt price-earnings multiple in the Business Valuation.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We understand that the comparable companies considered by the Valuer are (i) listed companies with financial information publicly available; (ii) engaged in logistics-related business in South East Asia and China; (iii) more than 70% of the total revenue from the logistics business during the recent financial year; and (iv) profit-making. The Valuer also confirms that the comparable companies represent an exhaustive list based on the selection criteria as disclosed in Appendix V. Given that the afore-mentioned criteria, we concur with the Valuer that the comparable companies are reasonable and comparable to Disposal Group IV.

In view of the net profit of the Disposal Group IV increased from approximately US\$2.3 million to approximately US\$3.0 million from the year ended 31 December 2014 to the year ended 31 December 2015, the Board, on a prudent basis, applied the average net profit for the years ended 31 December 2014 and 2015 in estimating the fair value of the Disposal Group.

In the business valuation report of Disposal Group IV, the price/earnings multiples of comparable companies are calculated based on the latest net profit. To be consistent amongst the comparable companies, the Valuer applied the net profit of Disposal Group IV for the financial year ended 31 December 2015 in the Business Valuation.

In addition, the shares of Disposal Group IV are not publicly traded. Since the comparable companies are listed companies, we concur with the Valuer that it is justifiable to apply a lack of marketability discount in the Business Valuation.

Given that valuation methodology applied by the Valuer is normal and commonly adopted for valuation and the valuation is complied with the relevant professional standards, we consider that the methodology and assumptions of the Business Valuation are fair and reasonable.

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**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

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***Final Disposal Consideration***

The below table sets out the unaudited net assets/(liabilities) of Disposal Group I, Disposal Company II, Disposal Group III and Disposal Group IV as at 30 June 2016 and the unaudited adjusted net asset value of Disposal Group as at 30 June 2016.

	<b>Disposal Group I</b>	<b>Disposal Company II</b>	<b>Disposal Group III</b>	<b>Disposal Group IV</b>	<b>Disposal Group</b>
	<i>US\$ million</i>	<i>US\$ million</i>	<i>US\$ million</i>	<i>US\$ million</i>	<i>US\$ million</i>
Unaudited net assets/ (liabilities) as at 30 June 2016	(3)	16	5	24	42
Adjustment of Disposal Company II <sup>Note 1</sup>	—	10	—	—	10
Adjustment based on the business valuation report prepared by the Valuer	—	—	—	(10)	(10)
Valuation surplus/(deficit) of Disposal Properties <sup>Note 3</sup>	—	(2)	5	—	3
Unaudited adjusted net assets/ (liabilities) as at 30 June 2016	(3)	24	10	14 <sup>Note 2</sup>	<u>45</u>
Intra-Group Balance of Disposal Group					<u>59</u>
Unaudited adjusted net asset value of Disposal Group as at 30 June 2016					<u><u>104</u></u>

*Note 1:* Being the difference of 24% the net book value of Chang Jia as shown in the unaudited management account of Chang Jia over the investment cost in Chang Jia as shown in the unaudited management account of Disposal Company II as at 30 June 2016.

*Note 2:* Being the market value of the 100% equity interest of Disposal Group IV as at 30 June 2016 as set out in Appendix V.

*Note 3:* Being the difference between the fair value as at 30 June 2016 extracted from the property valuation report prepared by the Valuer and the unaudited net book value of the Disposal Properties as at 30 June 2016.

Pursuant to the Disposal Agreement, the Disposal Consideration is not less than US\$110,344,883. Taking into account of the valuations as at 30 June 2016, the Valuation is lower than the Estimated Value and no adjustment to the initial Disposal Consideration is considered necessary. The final Disposal Consideration is approximately US\$110 million, representing a premium of approximately 6% over the unaudited adjusted net asset value as at 30 June 2016 of approximately US\$104 million.

Having considered (i) unaudited net asset value of Disposal Group as at 30 June 2016; (ii) the Intra-Group Balance; (iii) the loss position of the Disposal Group I; (iv) the property valuations as at 30 June 2016 in respect of Disposal Company II and Disposal Group III prepared by the Valuer; (v) the loss-making performance of Disposal Group III; (vi) the business valuation as at 30 June 2016 in respect of Disposal Group IV prepared by the Valuer, we consider that the final Disposal Consideration is fair and reasonable and it is in the interests of the Company and the Shareholders as a whole.

**(E) Reasons for and benefits of the Disposals and the use of proceeds**

As disclosed in the interim report for the six months ended 30 June 2016, the growth of online stores has threatened the traditional physical stores and led to a decreasing trend of selling prices. The Group is under pressure to reduce production cost and lead time. Moreover, the Disposal Group I is required to pay a royalty fee to the licensor regardless of the sales revenue. Since the operating environment of retail stores in China is challenging and difficult, Disposal Group I will be likely operating at a loss position in the foreseeable future.

Disposal Company II is engaged in development and sales of properties in the Qingyuan Mango Town, in which around 60.6% of the total GFA is undeveloped. Given the uncertainty of the property market, the management of the Company considers that the Disposal would allow the Group to realize the stored value of the properties and avoid the risk of the property market. Moreover, Qingyuan Mango Town does not relate to the current operation of the Remaining Group. The Disposal does not affect the core businesses of the Remaining Group. After the disposal, the Group could reserve its financial resources to develop its core businesses in the manufacturing industry.

Disposal Group III has been loss-making during the two years ended 31 December 2015 and the six months ended 30 June 2016. The gross profit margin of the footwear manufacturing business was decreasing since 2014 due to the increasing production cost in China. During the years ended 31 December 2014 and 2015, the revenue of the Disposal Group III only accounted for approximately 3.6% and 4.0% of the total revenue of the Group respectively. We understand from the management of the Company that the Disposal allows the Remaining Group to devote the financial and human resources to the core business.

The revenue of Disposal Group IV only accounted for approximately 1.7% and 2.0% of the total revenue during the two years ended 31 December 2014 and 2015 respectively. The management of the Company considered that the revenue contribution of the Disposal Group IV is immaterial to the Group and the management intends to re-direct its resources to its core manufacturing business in apparel and bags which has higher growth potential in the future.

Having considered the historical performance of each disposal group and the future development potential in the respective industries, the Directors are of the view that the businesses of the Disposal Group are not expected to become a profit-

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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contributing segment to the Group in the foreseeable future and the assets of the Disposal Group are not essential to the Group's core business. The Disposal offers an opportunity to streamline the Group's business model and allows more financial and human resources to enhance its core business in the apparel and bags manufacturing sector.

The net proceeds from the Disposal will be distributed as a special interim cash dividend of HK\$0.82 per Share to all Shareholders of the Company on the Disposal Special Dividend Record Date. The declaration and distribution of such cash dividend is subject to the approval of the Independent Shareholders at the EGM.

Based on the above consideration, we are of the view that the Disposal would be beneficial to the Remaining Group on the grounds that (i) the Disposal would not affect the production and earning capability of the Remaining Group after the Disposal Completion; and (ii) the net proceeds from the Disposal will be used to fund a special interim cash dividend to all Shareholders of the Company on the Disposal Special Dividend Record Date.

### **(F) Information relating to the Remaining Group**

Upon the Disposal Completion, the Remaining Group will continue its business in manufacturing of apparel and bags. As at the Latest Practicable Date, the Group had its own manufacturing facilities in the Philippines (for apparel and bags manufacturing), China (for apparel and bags manufacturing), Indonesia (for apparel manufacturing), Cambodia (for apparel and bags manufacturing), and Vietnam (for apparel manufacturing and fabric mill). All of these manufacturing facilities are expected to continue its operation immediately after the Disposal Completion.

As at the Latest Practicable Date, the Remaining Group and the Disposal Group did not have any overlapping customers or any bundled sales arrangement which could take place immediately after the Disposal Completion. The Company, apart from the Disposal Group, did not have any intention to and had not entered into any agreement, arrangement, undertaking and/or understanding in relation to the acquisition or disposal of any business and/or assets.

### **(G) Financial impact of the Disposal on the Group**

Immediately after the Disposal Completion, the Disposal Group will cease to be subsidiaries of the Company, and their financial results, assets and liabilities will no longer be consolidated into the financial statements of the Remaining Group.

#### ***I. Earnings***

As stated under the section headed "Financial effects of the Disposal" in the "Letter from the Board", the estimated gain of the Disposal will be approximately US\$14 million based on (i) the final Disposal Consideration of approximately US\$110 million; (ii) the unaudited net asset value as at 30 June 2016 of the Disposal Group; and (iii) the unaudited Intra-Group Balance as at 30 June 2016.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The actual amount of estimated gain of the Disposal would be calculated on the basis of the net asset value and the Intra-Group Balance on the Disposal Completion Date and therefore the above-stated estimated gain may not be the same.

### *II. Net assets*

As mentioned in the section headed “Financial effects of the Disposal” in the “Letter from the Board”, a gain on disposal of approximately US\$14 million, of which US\$5 million is related to a release of exchange reserve, is expected to be recorded, hence, a net gain on disposal of approximately US\$9 million is expected to be recorded. Based on the interim report of 2016, it is expected that the net asset value of the Remaining Group will be increased by approximately US\$9 million due to the recognition of the gain on disposal upon the Disposal Completion. It is also expected that the net asset value of the Remaining Group will be reduced by approximately US\$110 million after the distribution of the Disposal Special Dividend. As a result, the net asset value of the Remaining Group is expected to decrease by approximately US\$101 million.

### *III. Working capital*

Based on the interim report of 2016, it is expected that the working capital of the Remaining Group will be increased by approximately US\$54 million upon the Disposal Completion and will be reduced by approximately US\$110 million after the distribution of the Disposal Special Dividend. As a result, the Remaining Group’s working capital is expected to decrease by approximately US\$56 million.

It should be noted that the aforementioned analyses are for illustrative purpose only and do not purport to represent the financial position and result of the Remaining Group upon the Disposal Completion.

## **RECOMMENDATION**

Having considered the principal factors and reasons as discussed above and in particular the following,

- (i) the Disposal would enable the Company to focus on manufacture of apparel and bags business;
- (ii) The final Disposal Consideration represents a premium of approximately 6% over the unaudited adjusted net asset value of the Disposal Group as at 30 June 2016 of approximately US\$104 million;
- (iii) the net proceeds from the Disposal will be used to fund the special interim cash dividends to all Shareholders on the Disposal Special Dividend Record Date.

we consider that the terms of the Disposal Agreement are fair and reasonable so far as the Company and the Shareholders are concerned. We also consider that entering into the Disposal, even though not in the ordinary and usual course of business of the Group because of its “one-off” nature and only incidental of and ancillary to the Offer, is on normal commercial terms, fair and reasonable and in the interests of the Remaining Group and the Shareholders as a whole. We therefore recommend, and advise the LR Independent Board Committee and the Code Independent Board Committee to recommend, the Independent Shareholders and the Disinterested Shareholders respectively to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Disposal Agreement.

## **PRINCIPAL FACTORS AND REASONS CONSIDERED IN RELATION TO THE POSSIBLE CONTINUING CONNECTED TRANSACTIONS**

In arriving at our opinion regarding the terms of the Possible CCT, we have considered the following principal factors and reasons:

### ***1. Background information of the Possible CCT***

After the Disposal Completion, the Disposal Group will cease to be the subsidiaries of the Group. The Disposal Vendor and certain members of the Disposal Group entered into the Possible CCT on 25 October 2016. Upon the Disposal Completion, the Disposal Group will become subsidiaries of the Disposal Purchaser. As the Disposal Purchaser is wholly-owned by Helmsley which is in turn beneficially owned as to 55% by Mr. Tan, an executive Director, the chief executive officer and a substantial shareholder of the Company interested in approximately 66.69% of the issued share capital of the Company, the Disposal Purchaser is a connected person of the Company under Chapter 14A of the Listing Rules and members of the Disposal Group, being subsidiaries of the Disposal Purchaser upon Disposal Completion, will also be connected persons of the Company under Chapter 14A of the Listing Rules. Accordingly, the Possible CCT will constitute continuing connected transactions for the Company pursuant to Chapter 14A of the Listing Rules. The Possible CCT also constitutes a special deal in relation to the Offer under Rule 25 of the Takeover Code.

### ***2. Principal terms of the Possible CCT***

#### *Master Logistics Agreement*

The Disposal Vendor and Disposal Company IV entered into a Master Logistics Agreement on 25 October 2016. Pursuant to the Master Logistics Agreement, Disposal Company IV and its subsidiaries shall provide freight forwarding and logistics services including but not limited to operations, pick-up services and transportation services, (the “**Logistics Services**”) to the Remaining Group. The service term will be three years from the Disposal Completion Date. The Master Logistics Agreement can be terminated by either party by giving other party not less than three months written notice in advance.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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(i) Reasons for and benefits of the Master Logistics Agreement

The Group has been using the freight forwarding and logistics services provided by Disposal Group IV since Disposal Group IV commenced its logistics services. Disposal Group IV has a profound understanding of the business practice and service requirements of the Remaining Group. The Directors consider that the level of service fees charged by Disposal Group IV is comparable to the market prices and entering into the Master Logistics Agreement can prevent any disruption of Logistics Services to the core manufacturing businesses of the Remaining Group after the Disposal Completion. Therefore, the Remaining Group intends to continue engage Disposal Group IV as the logistics service provider in the coming three years upon the Disposal Completion.

(ii) Pricing policy of the Master Logistics Agreement

The service fees are agreed between the Remaining Group and CTSI Group on arm's length negotiation in accordance with the pricing policies disclosed in the "Letter from the Board" of this Circular on a case-by-case basis. We also understand from the management of the Remaining Group that the service fees are comparable to the prevailing market price or at a similar pricing level to those offered by CTSI Group to independent third parties based on the costs involved and the actual amount of work done. We have reviewed sample invoices of Logistics Services issued to independent third parties and the Remaining Group by a member of CTSI Group during the financial years ended 31 December 2014 and 2015 and the six months ended 30 June 2016. We note that the level of service fees charged to the Remaining Group is comparable to the service fees charged to an independent third party.

(iii) Proposed annual caps

The table below sets out the proposed annual caps of amounts payable by the Remaining Group to CTSI Group for each of the three years ending 31 December 2017, 2018 and 2019, respectively.

	<b>For the year ending 31 December</b>		
	<b>2017</b>	<b>2018</b>	<b>2019</b>
	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>
Proposed annual cap	924,289	1,152,903	1,383,349

We have obtained the historical transaction amounts between Disposal Group IV and the Remaining Group, which was approximately US\$613,000, US\$850,000 and US\$1,037,000 during the years ended 31 December 2013, 2014 and 2015 respectively. Also, the management has estimated the transaction amount for the year ending 31 December 2016 of approximately US\$697,000.

In the course of assessing the reasonableness of the proposed annual caps, we understand from the management that the proposed annual caps are mainly based on (i) the estimated transaction amount between Disposal Group IV and the Remaining Group for the year ending 31 December 2016; (ii) an expected growth of transaction amount at 5% per annum; and (iii) a new manufacturing factory of bags has been set up and commenced preliminary production in the Philippines in the fourth quarter of 2016. This new factory will be one of the major production facilities of the Remaining Group. Therefore, approximately 21% of the proposed annual cap for the year ending 31 December 2017 is attributable to the new manufacturing factory. The management also estimates that the demand of Logistics Services from this new manufacturing factory will be growing upon full operation in 2018 and 2019. We understand from the management that, in order to cope with the increasing labour cost in China, the Group will continue to expand its manufacturing facilities for the production of luxury bags in the Philippines. Based on the Group's future plan, the proposed annual cap for the year ending 31 December 2017 is higher than the transaction amount for the year ending 31 December 2016 by approximately 33%. The proposed annual caps for the year ending 2018 and 2019 will be further increased annually by approximately 25% and 20% respectively.

Having considered the above factors, we concur with the Directors' view that the proposed annual caps and terms in respect of the Master Logistics Agreement for each of the three years ending 31 December 2017, 2018 and 2019 are fair and reasonable.

*Master IT Agreement*

The Disposal Vendor and DGLT (a member of the Disposal Group III) entered into the Master IT Agreement on 25 October 2016. Pursuant to the Master IT Agreement, DGLT shall provide information technology services including but not limited to leasing of computers and telephones, technical support on network and email system, web and server hosting and data and telephone lease line management (the "IT Services") to a member of the Remaining Group. The service term will be three years from the Disposal Completion Date. The Master IT Agreement can be terminated by either party by giving other party not less than three month written notice in advance.

(i) Reasons for and benefits of the Master IT Agreement

As a member of the Remaining Group is currently leasing Disposal Property I (including factory buildings and dormitories) from DGLT, the member is also using the IT Services provided by DGLT. The equipment and services contracts are either owned or entered into with service providers by DGLT. To minimize the interruption to the daily operation of the Remaining Group, the member of Remaining Group will continue to use the IT Services provided by DGLT after

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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the Disposal Completion. The management considered that it is not cost-effective for Remaining Group to separately engage service providers for IT Services and establish its own IT department to provide IT Services.

(ii) Pricing policy of the Master IT Agreement

The service fees will be agreed between the Disposal Vendor and DGLT on an arm's length negotiation and a case by case basis. The fees are based on the actual costs incurred and the actual amount of IT Services provided by DGLT without any mark-up. We have obtained the price list of each service type of IT Services and discussed the billing arrangement with the management of the Remaining Group during the years ended 31 December 2014 and 2015 and six months ended 30 June 2016. We note that the services fees are charged based on actual services provided and the pre-agreed unit price.

(iii) Proposed annual caps

The table below sets out the proposed annual caps of amounts payable by the Remaining Group to DGLT for each of the three years ending 31 December 2017, 2018 and 2019, respectively.

	<b>For the year ending 31 December</b>		
	<b>2017</b>	<b>2018</b>	<b>2019</b>
	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>
Proposed annual cap	255,000	255,000	255,000

In the course of assessing the reasonableness of the proposed annual caps, we have obtained the historical transaction amounts of IT Services charged by DGLT to the Remaining Group of approximately US\$269,000, US\$251,000 and US\$232,000 for the years ended 31 December 2013, 2014 and 2015 respectively. We understand from the management that the determination of the annual caps for the coming three years is based on (i) the actual fee payable by the Remaining Group to DGLT for IT Services during the year ended 31 December 2015; (ii) approximately 2,200 employees are currently working and staying inside Disposal Property I and the staff headcount will remain relatively stable in the coming three years; (iii) the service fee charged by DGLT will remain relatively stable. We also noted that the average service fee payable by the members of the Remaining Group during the three years ended 31 December 2013, 2014 and 2015 was approximately US\$251,000. We concur with the Directors that the proposed annual caps at US\$255,000 for the coming three years ending 31 December 2017, 2018 and 2019 as well as the terms of the Master IT Agreement are fair and reasonable.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *Lease Agreement*

The Disposal Vendor and DGLT entered into a lease agreement in respect of the Factory on 25 October 2016. The Disposal Vendor will lease the following three properties from DGLT for a term of three years from the Disposal Completion Date. The lease may be terminated by either party by giving the other party not less than six months written notice in advance.

1. Factory nos 3, 4 and 6 with a total area of approximately 57,624 square meters;
2. Dormitory located in the Factory;
3. Canteen, restaurant, medical room and recreational room located in the Factory with a total area of approximately 6,483 square meters (the “**Shared Facilities**”).

#### (i) Reasons for and benefits of the Lease Agreement

A member of the Group is currently using the Factory for manufacturing apparel and has about 2,200 employees. We understand from the management that relocating the existing manufacturing facilities to a new location will incur leasehold improvement cost, relocation cost and potential loss of skilled workers. Also, the management considers that the relocation process may interrupt the current production schedules and affect the delivery time required by the customers. To minimize the interruption to the manufacturing operation, the Directors propose to continue the existing lease agreements with DGLT and maintain the production facilities in the Factory after the Disposal Completion.

#### (ii) Pricing policy of the Lease Agreement

The monthly rental of the factory building is approximately RMB633,864 per month (equivalent to approximately US\$95,175 per month using the exchange rate of US\$1 = RMB6.66) based on RMB11 per square meter per month. The management fee and fee for usage of the dormitory and the shared facilities are charged to the Disposal Vendor based on the market rate for similar premises in similar location as well as the actual number of staff in the leased factory buildings. The Disposal Vendor is required to reimburse DGLT for the actual charges of utilities consumed by the Disposal Vendor.

We checked to the current asking prices of similar factory buildings in the same town with the monthly rental ranged from RMB10 per square meter to RMB12 per square meter, depending on the property’s size and conditions. We noted that the monthly rental of RMB11 per square meter charged by DGLT is comparable to the current asking prices. We also reviewed the existing lease agreements of factory buildings entered between DGLT and other third parties

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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and noted that the monthly rental is also RMB11 per square meter. We therefore concur with the Directors that the monthly rental of the lease agreement between the Disposal Vendor and DGLT is charged on a fair basis.

(iii) Proposed annual caps

The table below sets out the proposed annual caps of amounts payable by the Disposal Vendor to DGLT for each of the three years ending 31 December 2017, 2018 and 2019, respectively.

	For the year ending 31 December		
	2017	2018	2019
	US\$	US\$	US\$
Proposed annual cap	3,240,000	3,240,000	3,240,000

We understand from the management that proposed annual caps have been determined with reference to the historical rental of factory buildings, dormitories and Shared Facilities as well as management fee paid by the Group to DGLT of approximately US\$3,872,000, US\$3,597,000 and US\$3,237,000 during the years ended 31 December 2013, 2014 and 2015. As the rental of dormitories and Share Facilities are calculated based on the actual number of staff, the management assumes that the number of staff for the coming three years will remain at the current level which is approximately 2,200.

In light of the above, we are of the view that the Remaining Group has taken into the appropriate factors in determining the annual caps, including (i) the prevailing rental of factory buildings; (ii) the estimated number of staff in the coming three years; and (iii) the historical amount paid by the Group to DGLT during the year ended 31 December 2015, and we concur with the Directors that the proposed annual caps and terms for each of the years ending 31 December 2017, 2018 and 2019 are fair and reasonable.

### 3. *Internal Control*

As advised by the management of the Company, the Group has implemented various internal control procedures to monitor the operation of the existing continuing connected transactions. We have reviewed some samples of monthly reports which summarize the actual transaction amount of continuing connected transactions and the monthly report is reviewed by the head of the corporate finance team to ensure that the annual caps should not be exceeded. We also reviewed minutes of the audit committee and noted the audit committee reviewed the annual caps on the continuing connected transactions.

We understand from the management that the service fees payable under the Master Logistics Agreement and the Master IT Agreement will be reviewed annually and at least two fee quotes from independent service providers will be obtained for comparison. The managers of the corporate finance team will select the suitable service

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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providers based on fee quote, service quality, service provider's reputation and the Group's past dealings with the service provider. The relevant fee quotes review and selection records will be submitted to the director of the corporate finance department of the Company for approval. The management indicates that the internal control disclosed in the "Letter from the Board" will be included in the Remaining Group's internal control policy once the Possible CCT is executed after the Disposal Completion.

We have also reviewed the annual reports of the Company and note that the Company have implemented the following procedures.

- (i) The Company's independent non-executive directors review the continuing connected transactions every year and confirm in the annual report whether the transactions have been entered into:
  - (1) in the ordinary and usual course of business of the Group;
  - (2) on normal commercial terms or better terms; and
  - (3) according to the agreement governing the continuing connected transactions on terms that are fair and reasonable and in the interests of the Company's Shareholders as a whole.

The Company also engages its auditor, PricewaterhouseCoopers, to report on the continuing connected transactions every year and confirms in the annual report. The auditor provides a letter to the Board confirming whether the continuing connected transactions:

- (1) have been approved by the Board;
- (2) were, in all material respects, in accordance with the pricing policies of the Group;
- (3) were entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and
- (4) have not exceeded the annual cap.

As disclosed in the annual reports of 2014 and 2015, the auditor has issued an unqualified letter containing the findings and conclusions in respect of the continuing connected transactions.

Having considered (i) the internal control procedures to monitor the annual caps and the pricing policy; (ii) the annual review by the independent non-executive directors and audit committee; and (iii) the annual review by the auditor of the Company, we are of the view that the Company has appropriate measures to govern the future execution of such transactions and to safeguard the interest of the Company and its Shareholders as a whole.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### RECOMMENDATION

Having considered the principal factors and reasons above, we are of the view that the terms of the proposed annual caps under the Possible CCT are fair and reasonable and in the interests of the Remaining Group and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders and Disinterested Shareholders, as well as the LR Independent Board Committee and Code Independent Board Committee to advise the Independent Shareholders and Disinterested Shareholders respectively, to vote in favour of the resolutions to approve the proposed annual caps and the terms of Possible CCT contemplated thereunder at the EGM.

Yours faithfully,  
For and on behalf of  
**Octal Capital Limited**

**Alan Fung**                      **Wong Wai Leung**  
*Managing Director*              *Executive Director*

*Note:* Mr. Alan Fung has been a responsible officer of Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities since 2003. Mr. Fung has more than 20 years of experience in corporate finance and investment banking and has participated in and completed various advisory transactions in respect of mergers and acquisitions, connected transactions and transactions subject to the compliance to the Takeovers Code of listed companies in Hong Kong. Mr. Wong Wai Leung has been a responsible officer of Type 1 (dealing in securities), Type 6 (advising on corporate finance) regulated activities since 2008 and Type 9 (asset management) regulated activities. Mr. Wong has more than 15 years of experience in corporate finance and investment banking and has participated in and completed various advisory transactions of listed companies in Hong Kong in respect of the Takeovers Code.

## 1. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for each of the three years ended 31 December 2013, 2014, 2015 and six months ended 30 June 2016 are disclosed in the following documents which have been published on the website of the Stock Exchange (<http://www.hkexnews.hk/>) and the website of the Company (<http://www.luenthai.com>):

- annual report of the Company for the year ended 31 December 2013 published on 16 April 2014;
- annual report of the Company for the year ended 31 December 2014 published on 16 April 2015;
- annual report of the Company for the year ended 31 December 2015 published on 14 April 2016; and
- interim report of the Company for the six months ended 30 June 2016 published on 13 September 2016.

## 2. INDEBTEDNESS STATEMENT

### **Borrowings**

As at the close of business on 31 October 2016, being the latest practicable date for the purpose of this indebtedness statement, the Group had outstanding borrowings of US\$70 million, comprising long-term bank loans of US\$37 million, current portion of long-term bank loans of US\$3 million, bank overdrafts of US\$1 million, and trust receipt bank loans of US\$29 million. The bank borrowings of the Group were secured by the Group's machineries of US\$3 million, certain of the Group's real estate with carrying amount of US\$5 million and the corporate guarantee provided by Luen Thai Holdings Limited.

### **Contingent liabilities**

- a) At the close of business on 31 October 2016, in respect of a Hong Kong subsidiary of the Group, the Hong Kong Inland Revenue Department (the "IRD") tentatively disallowed the 50% or 100% offshore profits claim for the previous years and issued notices of additional assessments/assessments for the years of assessment 2000/01 to 2012/13 on the basis of no 50:50 apportionment for 2000/01 to 2011/12 and no 100% offshore profit for 2012/13 with the amount of US\$3,812,000. The directors have thoroughly revisited the situations and have concluded that the subsidiary company has grounds to defend that the relevant profits are not subject to Hong Kong Profits Tax. In these circumstances, the directors have filed objections to these additional assessments/assessments and consider that sufficient tax provision has been made in the financial statements.

- b) At the close of business on 31 October 2016, a Macao subsidiary of the Group has received notices of additional assessments/assessments from the IRD for the years of assessment 2005/06 to 2008/09, demanding for tax totalling US\$3,902,000 in respect of certain income, which the directors have regarded as being not subject to Hong Kong Profits Tax. The directors have thoroughly revisited the situations and have concluded that the subsidiary company has grounds to defend that the relevant profits are not subject to Hong Kong Profits Tax. In these circumstances, the directors have filed objections to these additional assessments/assessments and consider that sufficient tax provision has been made in the financial statements.
- c) At the close of business on 31 October 2016, an overseas incorporated subsidiary of the Group has received a notice of additional assessment from an overseas tax authority for the years ended 31 December 2011 and 2012, demanding for tax totalling US\$3,585,000 after a comprehensive assessment on the subsidiary company was performed. The directors have thoroughly revisited the situations and have concluded that the subsidiary company has grounds to defend as there are various interpretations of tax rules in that country and this tax authority did not provide a clear calculation basis for the additional tax payment. In these circumstances, the directors have filed an objection to these additional assessments and consider that sufficient tax provision has been made in the financial statements.
- d) At the close of business on 31 October 2016, a subsidiary of the Group has received a notice of additional assessment from a PRC tax authority for the years ended 31 December 2006 to 2014, demanding for tax totalling US\$2,153,000 after a transfer pricing audit was performed. The directors have thoroughly revisited the situations and have concluded that the subsidiary company has grounds to defend as the amount demanded by the PRC tax authority is subject to negotiation and not regarded as a final tax assessment. In these circumstances, the directors have filed an objection to these additional assessments and consider that sufficient tax provision has been made in the financial statements.

Save as aforesaid, and apart from intra-group liabilities, none of the companies in the Group had any material debt securities, borrowings or indebtedness in the nature of borrowing including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits or other similar indebtedness, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities at the close of business on 31 October 2016.

The Directors confirm that there are no material changes in the indebtedness or contingent liabilities of the Group since 31 October 2016.

### 3. WORKING CAPITAL

Taking into account the Disposal Completion, the payment of Special Dividends and the financial resources available to the Group, including the internally generated funds, the existing borrowings and the available banking facilities, the Directors are of the opinion that the Group has sufficient working capital for its present requirements, that is for at least the next 12 months from the date of this circular.

### 4. FINANCIAL AND TRADING PROSPECTS

The Group is principally engaged in the manufacturing and trading of apparels and accessories, the provision of freight forwarding and logistics services and real estate development.

For the year ended 31 December 2015 and the six months ended 30 June 2016, the Disposal Group recorded a net loss after taxation of approximately US\$1,854,000 and approximately US\$3,372,000 respectively. The Directors are of the view that the Disposal represents an opportunity for the Group to streamline its business mix, by disposing of the non-core business operations or business operations which have not been and are not expected in the foreseeable future to become profit-contributing to the Group. Upon completion of the Disposal, the Directors believes that the profitability and return on asset of the Group should be improved.

Immediately after the Disposal Completion, the Remaining Group will continue to focus on the original equipment manufacturing (OEM) business of apparel and bags manufacturing and will continue to adopt a customer-centred business model emphasising the Remaining Group's developing ability to provide its customers with a range of services throughout the entire apparel supply chain, from the product design stage to the delivery process, and its commitment to do so in the shortest possible time and at the lowest total cost. These services include fabric development, product design and technical and laboratory services. It is currently expected that the capital expenditure of the Remaining Group would mainly be replacement of equipment and manufacturing facilities for its daily operation as and when such replacement is necessary, and if the Board considers appropriate having regard to the then market and economic environment, investments in factories and manufacturing facilities in strategic locations with joint venture partners. Currently, the Company does not expect that there will be major funding needs in the next 12 months.

#### **Prospect of Accessories manufacturing — Trade Preference Update**

The Office of the U.S. Trade Representative (“USTR”) announced a major expansion of trade preferences on 30 June 2016. According to this latest announcement of USTR, the U.S. GSP Update for Production and Diversification and Trade Enhancement Act (commonly referred to as GSP UPDATE), travel goods such as handbags, luggage, backpacks, wallets, sports and travel bags produced by the Least Developed Beneficiary Developing Countries (“LDBDCs”) as well as African Growth and Opportunity Act (“AGOA”) were eligible for duty free treatment for entering into the United States since 1 July 2016.

The Philippines, being one of the principal production locations of the Group, was excluded from the trade beneficiary list of the GSP UPDATE. Such unexpected exclusion has caught our customers by surprise and it also affected the Group's production plan to a certain extent in a short term. However, such exclusion has also positive effect to our Group, as the granting of GSP UPDATE to the Philippines has merely been deferred. Since then certain customers have been taking a wait-and-see attitude. As a result, the pressure from customers to move their orders to the Philippines from China was slightly relieved. In addition, the exclusion has provided the Group with a breathing space to expand and rearrange the production capacity in the Philippines. On the other hand, Cambodia becomes the only country in Asia with duty advantage for importation of travel goods into the USA, and the Directors believe our accessories customers may reconsider their sourcing strategies. As the Group has revamped certain of its Cambodia production capacities for the production of bags, the Directors believe some of our accessories customers would be more willing to place orders with the Group in Cambodia. The Board has also committed to transform the remaining part of the original apparel manufacturing facilities in Cambodia for producing travel goods.

*The following is the text of a report prepared for the purpose of incorporation in this circular, received from the reporting accountant, PricewaterhouseCoopers.*

**UNAUDITED FINANCIAL INFORMATION OF THE DISPOSAL GROUP FOR THE YEARS ENDED 31 DECEMBER 2014 AND 2015 AND AS AT AND FOR THE PERIOD ENDED 30 JUNE 2016, THE UNAUDITED FINANCIAL INFORMATION OF THE REMAINING GROUP AS AT AND FOR THE PERIOD ENDED 30 JUNE 2016 AND THE ESTIMATED GAIN ON DISPOSAL**

Set out below are (i) unaudited profit/(loss) before and after tax of Wisely Global Limited and its subsidiaries (“**Disposal Group I**”), Shiny New Limited (“**Disposal Company II**”), Luen Thai Industrial Company Limited and its subsidiaries (“**Disposal Group III**”), CTSI Holdings Limited and its subsidiaries (“**Disposal Group IV**”) (collectively the “**Disposal Group**”) and the Disposal Group for the years ended 31 December 2014 and 2015; ii) the unaudited loss after tax of the Disposal Group for the period ended 30 June 2016; iii) the unaudited revenue and the net loss after tax of the Disposal Group I for the period ended 30 June 2016; iv) the unaudited profit after tax of the Company and its subsidiaries upon the completion of disposal (the “**Remaining Group**”) for the year ended 31 December 2015 and for the period ended 30 June 2016; v) the unaudited net asset value of the Disposal Group as at 30 June 2016 (the unaudited profit/(loss) before and after tax of the Disposal Group in (i) and (ii), the unaudited revenue and the net loss after tax of the Disposal Group I, the unaudited profit after tax of the Remaining Group and the unaudited net asset value of the Disposal Group are collectively referred to “**the Unaudited Required Financial Information**”) and (vi) the estimated gain on disposal which are extracted from page 25 to 26 of this Circular (the “**Estimated Gain**”).

**A. Bases**

- (1) The Directors have prepared the Unaudited Required Financial Information of the Disposal Group based on the following:
  - i) the unaudited management accounts of companies comprising the Disposal Group as at and for the years ended 31 December 2014 and 2015; and
  - ii) the unaudited management accounts of companies comprising the Disposal Group as at and for the six months ended 30 June 2016.
- (2) The Directors have prepared the Unaudited Required Financial Information of the Remaining Group based on the following:
  - i) the unaudited management accounts of companies comprising the remaining Group as at and for the six months ended 30 June 2016.

- (3) The Directors have prepared the Estimated Gain of the Disposal based on the following:
- i) the total consideration of the disposal (without taken into account of the upward adjustment and the intra-group balance);
  - ii) the unaudited net asset value as at 30 June 2016 of the Disposal Group as derived from the audited management accounts of companies comprising the Disposal Group as at and for the six months ended 30 June 2016;
  - iii) the cumulative exchange differences in respect of the net asset value of the Disposal Group reclassified from equity to profit and loss as at 30 June 2016; and
  - iv) the estimated transaction costs.

The Unaudited Required Financial Information and the Estimated Gain have been prepared on a basis consistent in all material aspects with the accounting policies adopted by the Group as set out in the audited annual consolidated financial statements of the Group for the year ended 31 December 2015 and the new/revised accounting standards adopted as set out in the interim report of the Company for the six months ended 30 June 2016 and set out as below.

- (i) *Unaudited profit/(loss) before and after tax of Disposal Group I, Disposal Company II, Disposal Group III and Disposal Group IV for the years ended 31 December 2014 and 2015*

	Year ended 31 December 2014				Total US\$
	Disposal Group I US\$	Disposal Company II US\$	Disposal Group III US\$	Disposal Group IV US\$	
Profit (Loss) before tax	—	1,684,000	(7,047,000)	2,542,000	(2,821,000)
Profit (Loss) after tax	—	1,684,000	(7,192,000)	2,317,000	(3,191,000)

	Year ended 31 December 2015				Total US\$
	Disposal Group I US\$	Disposal Company II US\$	Disposal Group III US\$	Disposal Group IV US\$	
Profit (Loss) before tax	(1,508,000)	1,323,000	(4,803,000)	3,324,000	(1,664,000)
Profit (Loss) after tax	(1,508,000)	1,323,000	(4,677,000)	3,008,000	(1,854,000)

(ii) *The unaudited loss after tax of the Disposal Group for the period ended 30 June 2016*

	<b>For the six months ended 30 June 2016</b> US\$
Loss after tax of Disposal Group	(3,372,000)

(iii) *The unaudited revenue and the net loss after tax of the Disposal Group I for the period ended 30 June 2016*

	<b>For the six months ended 30 June 2016</b> US\$
Revenue of Disposal Group I	870,000
Net loss after tax of Disposal Group I	(1,951,000)

(iv) *The unaudited profit after tax of the Remaining Group for the year ended 31 December 2015 and for the period ended 30 June 2016*

	<b>Year ended 31 December 2015</b>	<b>For the six months ended 30 June 2016</b>
Profit after tax of Remaining Group	15,316,000	11,664,000

(v) *The unaudited net asset value of the Disposal Group as at 30 June 2016*

The unaudited net asset value of the Disposal Group as at 30 June 2016 was approximately US\$42 million.

(vi) *The estimated gain on disposal*

	<i>US\$ million</i>
Disposal Consideration	110
Less: Intra-Group Balance	<u>(59)</u>
	51
Less: the unaudited net asset value of the Disposal Group as at 30 June 2016	(42)
Add: Non-controlling interest of the Disposal Group as at 30 June 2016	<u>1</u>
	(41)
Add: release of an exchange reserve	5
Less: transaction costs	<u>(1)</u>
Gain on Disposal	<u><u>14</u></u>

The Unaudited Required Financial Information and the Estimated Gain are published during the offer period commencing from 26 October 2016 in connection with the possible pre-conditional voluntary cash general offer by HSBC on behalf of the Offeror to acquire all of the issued shares (other than those already owned by the Offeror) from the shareholder of the Company and under the Rule 10 of the Code on Takeovers and Mergers. Accordingly, it is regarded as profit estimates and the Company's reporting accountant and the Company's financial adviser are required to report on the Unaudited Required Financial Information and the Estimated Gain under Rule 10 of the Code on Takeovers and Mergers.

**B. Independent Assurance Report to the Board of Directors of Luen Thai Holdings Limited**

羅兵咸永道

**INDEPENDENT ASSURANCE REPORT  
TO THE BOARD OF DIRECTORS OF LUEN THAI HOLDINGS LIMITED**

We have completed our assurance engagement to report on the principal accounting policies adopted and the calculations used in the preparation of (i) the unaudited net profit/(loss) before and after tax of Wisely Global Limited and its subsidiaries, Shiny New Limited, Luen Thai Industrial Company Limited and its subsidiaries, CTSI Holdings Limited and its subsidiaries (collectively the “**Disposal Group**”) and the Disposal Group for the years ended 31 December 2014 and 2015; ii) the unaudited loss after tax of the Disposal Group for the period ended 30 June 2016; iii) the unaudited revenue and the net loss after tax of the Disposal Group I for the period ended 30 June 2016; iv) the unaudited profit after tax of the Company and its subsidiaries upon the completion of disposal (the “**Remaining Group**”) for the year ended 31 December 2015 and for the period ended 30 June 2016; v) the unaudited net asset value of the Disposal Group as at 30 June 2016 (the unaudited net profit/(loss) before and after tax of the Disposal Group in (i) and (ii), the unaudited revenue and the net loss after tax of the Disposal Group I, the unaudited profit after tax of the Remaining Group and the unaudited net asset value of the Disposal Group are collectively referred to “**the Unaudited Required Financial Information**”) and vi) the estimated gain on disposal (the “**Estimated Gain**”) which are extracted from page 25–26 of this Circular of Luen Thai Holdings Limited (the “**Company**”) and its subsidiaries (together the “**Group**”). The Unaudited Required Financial Information and the Estimated Gain are published during the Offer Period commencing from 26 October 2016 in connection with the voluntary conditional cash offer by Shangtex (Hong Kong) Limited to acquire all the shares of Luen Thai Holdings Limited (other than 205,775,402 shares of the Company owned by the Selling Shareholders). We understand it is required to be reported on under Rule 10 of the Code on Takeovers and Mergers.

**Directors’ Responsibilities**

The directors of the Company are solely responsible for preparing the Unaudited Required Financial Information and the Estimated Gain on a basis consistent with the accounting policies adopted by the Group, as set out in the audited annual consolidated financial statements of the Group for the year ended 31 December 2015 and the new accounting standards introduced that are effective for the six months ended 30 June 2016, where applicable. This responsibility includes designing, implementing and maintaining internal controls relevant to the selection and application of appropriate accounting policies and the accurate calculations in the preparation of the Unaudited Required Financial Information and the Estimated Gain that is free from material misstatement.

**Our Independence and Quality Control**

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**Reporting Accountant’s Responsibilities**

It is our responsibility to report, as required by Rule 10 of the Code on Takeovers and Mergers, on whether, so far as the accounting policies and calculations are concerned, the Unaudited Required Financial Information and the Estimated Gain have been properly compiled on a basis consistent, in all material respects, with the accounting policies adopted by the Group, as set out in the audited annual consolidated financial statements of the Group for the year ended 31 December 2015 and the new accounting standards introduced that are effective for the six months ended 30 June 2016, where applicable, based on our reasonable assurance engagement, and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our work in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” (“HKSAE 3000 (Revised)”) issued by the HKICPA.

Our work consisted primarily of procedures such as a) obtaining an understanding of the principal accounting policies adopted in the preparation of the Unaudited Required Financial Information and the Estimated Gain through inquires primarily of persons responsible for financial and accounting matters, b) obtaining an understanding of the internal controls relevant to the selection and application of appropriate accounting policies and the accurate calculations in the preparation of the Unaudited Required Financial Information and the Estimated Gain, c) comparing the principal accounting policies adopted in preparing the Unaudited Required Financial Information and the Estimated Gain with those set out in the audited annual consolidated financial statements of the Group for the year ended 31 December 2015 and the new accounting standards introduced that are effective for the six months ended 30 June 2016, where applicable, d) checking solely the arithmetical calculations relating to the financial numbers presented in the Unaudited Required Financial Information and the Estimated Gain, and such other procedures that we considered necessary in the circumstances in accordance with HKSAE

3000 (Revised). Our work would not enable us to, and we do not, provide any assurance on the design or operational effectiveness of internal control relating to preparation of the Unaudited Required Financial Information and the Estimated Gain.

Our reasonable assurance engagement does not constitute an audit or review conducted in accordance with Hong Kong Standards on Auditing or Hong Kong Standards on Review Engagements issued by the HKICPA. Accordingly, we do not express an audit or review opinion on the Unaudited Required Financial Information and the Estimated Gain.

### **Opinion**

In our opinion, so far as the accounting policies and calculations are concerned, the Unaudited Required Financial Information and the Estimated Gain have been properly compiled in accordance with the bases adopted by the directors as set out on page II-1 to II-2 of the Circular and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in audited annual consolidated financial statements of the Group for the year ended 31 December 2015 and the new accounting standards introduced that are effective for the six months ended 30 June 2016, where applicable.

**PricewaterhouseCoopers**

*Certified Public Accountants*

Hong Kong, 14 December 2016

*The following is the text of a letter received from the independent financial adviser of the Company, Octal Capital Limited, addressed to the Directors and prepared for the sole purpose of inclusion in this circular.*



Octal Capital Limited  
802-805, 8th Floor, Nan Fung Tower  
88 Connaught Road Central  
Hong Kong

14 December 2016

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

Dear Sirs,

**MAJOR AND CONNECTED TRANSACTION  
IN RELATION TO THE DISPOSAL OF CERTAIN BUSINESS  
AND PROPERTIES THROUGH DISPOSAL OF SUBSIDIARIES**

We refer to the major and connected transaction of Luen Thai Holdings Limited (the “**Company**”) in relation to the disposal of the entire issued share capital of each of the Disposal Companies. Details of the aforesaid transaction are set out in the circular of the Company dated 14 December 2016 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless otherwise stated.

We also refer to (i) the unaudited net loss (before and after taxation) of each of the Disposal Group for the years ended 31 December 2014 and 2015 and the six months ended 30 June 2016, the unaudited profit after taxation of the Remaining Group for the year ended 31 December 2015 and the six months ended 30 June 2016, the unaudited revenue of Disposal Group I for the six months ended 30 June 2016 and the unaudited net asset value of Disposal Group as at 30 June 2016 (the “**Unaudited Required Financial Information**”); and (ii) the estimated gain from the Disposal (the “**Estimated Gain**”) as disclosed under the paragraph headed “Financial effects of the Disposal” in the “Letter from the Board” contained in the Circular, for which the Board is solely responsible. We note that the Unaudited Required Financial Information and the Estimated Gain are regarded as a profit forecast under Rule 10 of the Takeovers Code.

In respect of the Unaudited Required Financial Information, we have obtained and reviewed the Unaudited Required Financial Information including the unaudited financial information of Disposal Group for the two years ended 31 December 2015 and the six months ended 30 June 2016 and other relevant information and documents, which you as the Directors are solely responsible for. We also discussed with you and the senior management of the Company the information and documents provided by you which formed the key bases upon the Unaudited Required Financial Information has been made. We have discussed with you and the senior management the bases adopted by the Directors upon which the Unaudited Required Financial Information has been calculated and the accounting policies and calculations adopted in arriving at the Unaudited Required Financial Information, in particular, discussed with you and the senior management as to whether the Unaudited Required Financial Information have been prepared on a basis consistent in all material respects with the accounting policies and calculations normally adopted by the Group as set out in the annual report of the Group for the year ended 31 December 2015 and the interim report of the Group for the six months ended 30 June 2016. In respect of the Estimated Gain, we have also discussed with you and the senior management the bases and assumptions made for calculating the Estimated Gain, and have reviewed the calculation of the Estimated Gain. In addition, we have considered the financial information of the Group for the two years ended 31 December 2015, which have been audited by the Company's auditor, and the interim financial information for the six months ended 30 June 2016 reviewed by the Company's auditor as set out in Appendix I to this Circular.

Based on the above, we are satisfied that (i) the Unaudited Required Financial Information, for which you as the Directors are solely responsible, has been made with due care and consideration; and (ii) the Estimated Gain, for which the Directors are solely responsible, has been calculated by the Directors after due care and consideration.

For the purpose of this letter, we have relied on and assumed the accuracy and completeness of all information provided to us and/or discussed with the Group. We have not assumed any responsibility for independently verifying the accuracy and completeness of such information or undertaken any independent evaluation or appraisal of any of the assets or liabilities of the Group. Save as provided in this letter, we do not express any other opinion or views on the Unaudited Required Financial Information and the Estimated Gain. The Board remains solely responsible for the Unaudited Required Financial Information and the Estimated Gain.

Shareholders should however note that the actual gain from the Disposal will be determined based on the net asset value of the Disposal Group at the Disposal Completion, the cumulative exchange differences in respect of the net asset value of the Disposal Group at the Disposal Completion and the actual transaction costs relating to the Disposal. The actual gain from the Disposal may be different from the Estimated Gain as presented in the “Letter from the Board”.

Yours faithfully,  
for and on behalf of  
**Octal Capital Limited**  
**Alan Fung**  
*Managing Director*

## 1. RESPONSIBILITY STATEMENT

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

The Directors jointly and severally accept full responsibility for the accuracy of information contained in this circular (other than any information relating to the Offeror and other members of the Offeror Group and any parties acting in concert with any of them) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this circular (other than those expressed by the Offeror and other members of the Offeror Group and any parties acting in concert with any of them) have been arrived at after due and careful consideration and there are no other facts not contained in the document, the omission of which would make any statement in this circular misleading.

Information relating to the Offeror and other members of the Offeror Group and any parties acting in concert with any of them set out in this circular has been duly extracted from the Joint Announcement. The Directors jointly and severally accept responsibility for the correctness and fairness of reproduction or presentation of such information.

## 2. DISCLOSURE OF INTERESTS

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

- (a) As at the Latest Practicable Date, the interests or short positions of the Directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) 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 (“**Model Code**”) contained in the Listing Rules, to be notified to the Company and Stock Exchange, are as follows:

*Long positions in the shares:*

Name of Director	Capacity	Number of ordinary shares	Approximate percentage of interest in Company (Note 6)
Tan Siu Lin	Trustee (Note 1) Interest of controlled corporation (Note 1)	6,500,000 26,300,000	0.63% 2.54%
Tan Henry	Interest of controlled corporation (Note 2)	689,600,000	66.69%
Tan Willie	Beneficial owner (Notes 3)	1,000,000	0.10%
Tan Cho Lung, Raymond	Beneficial owner (Note 4)	2,903,000	0.28%
Mok Siu Wan, Anne	Beneficial owner (Note 5)	2,000,000	0.19%

*Notes:*

1. Dr. Tan Siu Lin as a trustee indirectly controls the entire issued capital of Wincare International Company Limited, which in turn holds directly 6,500,000 shares of the Company. Dr. Tan Siu Lin also controls and is a subscriber and founding member of Tan Siu Lin Foundation Limited, which in turn owns directly 26,300,000 shares of the Company.
2. Mr. Tan is the beneficial owner of 2,750 issued shares (representing 55% interests) in Helmsley, a company incorporated in the Commonwealth of the Bahamas. Mr. Tan is also the settler of a trust which indirectly holds 750 issued shares (representing 15% interests) in Helmsley. Helmsley wholly owns Capital Glory Limited and indirectly owns Hanium Industries Limited (“**Hanium**”), which own 614,250,000 Shares and 60,750,000 Shares respectively.  
  
Mr. Tan also has a controlling interest in Double Joy Investments Limited, a company incorporated in the BVI, which directly owns 14,600,000 Shares.
3. A total of 1,000,000 shares of the Company were acquired by an associate of Mr. Tan Willie in 2012. He is therefore deemed under Part XV of the SFO to be interested in all of the 1,000,000 shares acquired by his associate.
4. A total of 2,903,000 shares of the Company were acquired by an associate of Mr. Tan Cho Lung, Raymond between 2006 and 2014. He is therefore deemed under Part XV of the SFO to be interested in all of the 2,903,000 shares acquired by his associate.
5. Ms. Mok Siu Wan, Anne owns 2,000,000 Shares through the exercise of share options granted by the Company on 21 April 2008 and none of the 2,000,000 shares was disposed of up to the date of this circular.
6. The percentage has been compiled based on the total number of shares of the Company in issue (i.e. 1,034,112,666) as at the Latest Practicable Date.

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

<b>Name of Director</b>	<b>Name of associated corporation</b>	<b>Capacity</b>	<b>Number of ordinary shares</b>	<b>Approximate percentage of attributable interest in corporation</b>
Tan Henry	Helmsley ( <i>Note 1</i> )	Beneficial owner	2,750	100%
		Trustee	750	
	Capital Glory Limited ( <i>Note 2</i> )	Interest of controlled corporation ( <i>Note 4</i> )	1	100%
	Justintime Development Limited ( <i>Note 5</i> )	Beneficial owner ( <i>Note 4</i> )	1	100%

Name of Director	Name of associated corporation	Capacity	Number of ordinary shares	Approximate percentage of attributable interest in corporation
	Tripletrio International Limited <i>(Note 3)</i>	Interest of controlled corporation <i>(Note 4)</i>	42,500	100%
	Newtex International Limited <i>(Note 3)</i>	Interest of controlled corporation <i>(Note 4)</i>	2	100%
	Torpedo Management Limited <i>(Note 3)</i>	Interest of controlled corporation <i>(Note 4)</i>	1	100%
	Integrated Solutions Technology Inc. (a Cayman Islands corporation) <i>(Note 3)</i>	Interest of controlled corporation <i>(Note 4)</i>	1	100%
	Eldex Del Golfo, SA de CV <i>(Note 3)</i>	Interest of controlled corporation <i>(Note 4)</i>	11,819	100%
	Servicios Textiles Mexicanos, SA <i>(Note 3)</i>	Interest of controlled corporation <i>(Note 4)</i>	50	100%
	Hanium <i>(Note 3)</i>	Interest of controlled corporation <i>(Note 4)</i>	1	100%
	Integrated Solutions Technology Inc. (a HK corporation) <i>(Note 3)</i>	Interest of controlled corporation <i>(Note 4)</i>	2	100%
	Integrated Solutions Technology Inc. (a BVI corporation) <i>(Note 3)</i>	Interest of controlled corporation <i>(Note 4)</i>	1	100%
	Integrated Solutions Technology Inc. (a Philippines corporation) <i>(Note 3)</i>	Interest of controlled corporation <i>(Note 4)</i>	1	100%

*Notes:*

1. Helmsley is the holding company of Capital Glory Limited, which is, in turn, the holding company of the Company. Helmsley is therefore an associated corporation of the Company as defined under Part XV of the SFO.
2. Capital Glory Limited is the holding company of the Company. It is therefore an associated corporation of the Company.
3. This is a subsidiary of Helmsley. It is therefore an associated corporation of the Company.
4. Mr. Tan Henry directly holds 3,500 issued shares (or 70% interest) in Helmsley, of which he beneficially owns 2,750 issued shares (or 55% interest) and holds 750 issued shares (or 15% interest) as trustee. He is therefore deemed under Part XV of the SFO to be interested in the interests of Helmsley and its subsidiaries.
5. Mr. Tan Henry is beneficial own Justintime Development Limited. Justintime Development Limited is therefore an associated corporation of the Company as defined under Part XV of the SFO.

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

**(ii) Interests of Substantial Shareholders**

As at the Latest Practicable Date, the register of substantial shareholders maintained pursuant to Section 336 of the SFO showed that other than the interests disclosed in “Interests of Directors in the Company and its associated corporations”, the following shareholders had notified the Company of their relevant interests in the shares of the Company.

Name	Capacity	Number of ordinary shares	Approximate percentage of shareholding (Note 6)
Hanium (Notes 1 & 2)	Beneficial owner	60,750,000	5.87%
Torpedo Management Limited (Notes 1 & 2)	Interest of controlled corporation	60,750,000	5.87%

Name	Capacity	Number of ordinary shares	Approximate percentage of shareholding (Note 6)
Capital Glory Limited (Note 3)	Beneficial owner	614,250,000	59.40%
Helmsley (Notes 1, 2 & 3)	Interest of controlled corporation	675,000,000	65.27%
Pou Chen Corporation (Note 4)	Interest of controlled corporation	100,746,666	9.74%
Wealthplus Holdings Limited (Note 4)	Interest of controlled corporation	100,746,666	9.74%
Yue Yuen Industrial (Holdings) Limited (Note 4)	Interest of controlled corporation	100,746,666	9.74%
Pou Hing Industrial Co. Ltd. (Note 4)	Interest of controlled corporation	100,746,666	9.74%
Great Pacific Investments Limited (Note 4)	Beneficial owner	100,746,666	9.74%
Offeror (Note 5)	Beneficial owner	520,849,598	50.37%
Offeror Parent (Note 5)	Interest of controlled corporation	520,849,598	50.37%

*Notes:*

- 60,750,000 Shares are registered in the name of Hanium. Hanium is wholly owned by Torpedo Management Limited (“**Torpedo**”), a company incorporated in BVI with limited liability, which in turn is wholly owned by Helmsley. Helmsley is therefore deemed to be interested in the interests of Hanium held in the Company.
- Both of Dr. Tan Siu Lin and Dr. Tan Henry are directors in each of Capital Glory, Torpedo and Helmsley, companies which have interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

3. Capital Glory Limited (“**Capital Glory**”), a company incorporated in the BVI with limited liability, is a wholly owned subsidiary of Helmsley. Helmsley is therefore deemed to be interested in the interests of Capital Glory held in the Company.
4. Based on the information recorded in the register required to be kept under section 336 of the SFO, Great Pacific Investments Limited directly holds 100,746,666 shares of the Company. Great Pacific Investments Limited is 100% directly owned by Pou Hing Industrial Co. Ltd. In turn, Pou Hing Industrial Co. Ltd. is 100% directly owned by Yue Yuen Industrial (Holdings) Limited. Wealthplus Holdings Limited directly holds 46.89% interests in Yue Yuen Industrial (Holdings) Limited. In turn, Wealthplus Holdings Limited is 100% directly owned by Pou Chen Corporation.
5. On 26 October 2016, the Offeror, the Offeror Parent and the Selling Shareholders entered into the Irrevocable Undertaking, pursuant to which the Offeror will acquire 520,849,598 shares in the Company, representing about 50.37% of the issued share capital of the Company, from the Selling Shareholders upon their acceptance of the Offer in respect of the IU Shares.
6. The percentage has been compiled based on the total number of shares of the Company in issue (i.e. 1,034,112,666) as at the Latest Practicable Date.

Save as disclosed above, so far as is known to the Directors, as at the Latest Practicable Date, there are no other person (not being a Director or chief executive of the Company) who has interests or a short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or will be interested in 10% or more of the nominal values of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group.

### **3. DIRECTORS’ INTERESTS IN CONTRACTS, ASSETS AND COMPETING BUSINESSES**

As at the Latest Practicable Date, so far as the Directors are aware, none of the Directors or any of their respective associates had a controlling interest in a business which causes or may cause any significant direct or indirect competition with the business of the Group or any significant conflicts with the interests of the Group.

Other than the Existing CCT, the Disposal Agreement and the Possible CCT as described in this circular, there are no contracts or arrangements subsisting as at the Latest Practicable Date in which a Director is materially interested or which is significant in relation to any 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 2015, acquired or disposed of by or leased to any member of the Group or proposed to be acquired or disposed of by or leased to any member of the Group.

#### 4. SERVICE CONTRACTS

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

#### 5. EXPERTS' QUALIFICATION AND CONSENT

- (a) The following are the names and qualifications of the experts who given opinion or advice, which are contained or referred to in this circular:

Name	Qualification
Crowe Horwath (HK) Consulting & Valuation Limited	Professional valuer
Octal Capital Limited	A licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
PricewaterhouseCoopers	Certified Public Accountant

- (b) Each of the Valuer, the Independent Financial Adviser and PricewaterhouseCoopers has given and has not withdrawn its respective written consent to the issue of this circular with the inclusion of its respective report and letter and reference to its respective name in the form and context in which they are included.

#### 6. EXPERT'S INTERESTS

As at the Latest Practicable Date,

- (a) Each of the Valuer, the Independent Financial Adviser and PricewaterhouseCoopers did not have any direct or indirect interest in any asset which had since 31 December 2015 (being the date to which the latest published audited financial statements of the Company were made up) been acquired or disposed of by, or leased to, any member of the Group, or was proposed to be acquired or disposed of by, or leased to, any member of the Group; and
- (b) Each of the Valuer, the Independent Financial Adviser and PricewaterhouseCoopers has no shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities of any member in the Group.

## 7. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial position or trading position of the Group since 31 December 2015 (being the date to which the latest published audited financial statements of the Group was made up).

## 8. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance known to the Directors to be pending or threatened against any member of the Group.

## 9. MATERIAL CONTRACTS

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

- (a) a sale and purchase agreement dated 15 June 2015 and entered into between Mr. Frank Fleischer and Fortune Investment Overseas Limited (“**FIO**”), a wholly owned subsidiary of the Company, in relation to the acquisition of the remaining 40% of the issued share capital of On Time International Limited by the FIO, further details are set out in the announcement of the Company dated 15 June 2015;
- (b) a loan agreement dated 30 November 2015 and entered into between an indirect subsidiary of the Company (“**Lender**”) and Chang Jia, pursuant to which the Lender has agreed to make a loan in the amount of principal sum of RMB100,000,000 to Chang Jia, further details are set out in the announcement of the Company dated 30 November 2015;
- (c) a share purchase agreement dated 24 May 2016 (“**SPA**”) and entered into between the a wholly owned subsidiary of the Company, Smart Shirts Limited (“**Smart Shirts**”), Thien Nam Investment and Development Joint Stock Company (“**Thien Nam**”) and Ms. Tran Yen Linh (“**Ms. Linh**”). Pursuant to the SPA, Sunny Force acquired approximately 16.66% equity interest in Thien Nam Sunrise Textile Joint Stock Company for the cash consideration of the VND equivalent of USD4,500,000 based on the exchange rate (average of buy and sell rates) between USD and VND issued by the Vietcombank on the date of the SPA, further details are set out in the announcement of the Company dated 24 May 2016; and
- (d) the Disposal Agreement.

**10. MISCELLANEOUS**

- (a) The registered head office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111 Cayman Islands.
- (b) The principal share registrar and transfer office of the Company is Codan Trust Company (Cayman) Limited at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.
- (c) The share registrar and transfer office of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong.
- (d) The company secretary of the Company is Mr. Chiu Chi Cheung, Associate Member of The Hong Kong Institute of Certified Public Accountants.
- (e) The English text of this circular shall prevail over the Chinese text, in case of any inconsistency.

**11. DOCUMENTS AVAILABLE FOR INSPECTION**

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

- (a) the memorandum and articles of association of the Company;
- (b) the annual reports of the Company for the two years ended 31 December 2015 and the interim report of the Company for the six months ended 30 June 2016;
- (c) the material contracts as referred to under the paragraph headed "Material Contracts" in this appendix;
- (d) the Disposal Agreement;
- (e) the Possible CCT;
- (f) the written consents of the experts referred to in the paragraph headed "Experts Qualifications and Consent" in this appendix;
- (g) the letter from the Independent Financial Adviser, the text of which is set out in this circular;
- (h) the letter from the Independent Financial Adviser on the Valuer, the text of which is set out in this circular;
- (i) the letters from the reporting accountant of the Company and the Independent Financial Adviser on the Unaudited Required Financial Information and Estimated Gain, the text of which is set out in Appendix II to this circular;
- (j) the valuation report on the Disposal Properties, the text of which is set out in Appendix IV to this circular;
- (k) the business valuation report on Disposal Group IV, the text of which is set out in Appendix V to this circular; and
- (l) this circular.

*The following is the text of a letter and valuation certificate prepared for the purpose of incorporate in this circular received from Crowe Horwath (HK) Consulting & Valuation Limited, an independent valuer, in connection with its valuation as at 30 September 2016 of the Disposal Property.*



國富浩華(香港)諮詢評估有限公司  
**Crowe Horwath (HK) Consulting & Valuation Limited**  
Member Crowe Horwath International

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Date: 14 December 2016

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

Dear Sirs,

**RE: Valuation of Properties in Guangdong Province and Fujian Province of the People's Republic of China, Bataan of the Philippines, and Guam of United States**

In accordance with an instruction for us to value certain property interests held by subsidiaries of Luen Thai Holdings Limited (hereinafter together known as the "**Company**") in Guangdong Province and Fujian Province of the People's Republic of China (the "**PRC**"), Bataan of the Philippines, and Guam of the United States with details stated in the valuation certificate attached, we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the fair values of such property interests as at 30 September 2016 (the "**Date of Valuation**") for **Public Circular Purpose in relation to a major and connected transaction** of the Company only.

**Valuation Basis**

This valuation is complied with the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors ("**HKIS**"), the RICS Valuation — Professional Standards published by the Royal Institution of Chartered Surveyors ("**RICS**") and International Valuation Standards ("**IVS**") published by the International Valuation Standards Council. We have also complied with all the requirements set out in chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

As per the instruction, our valuation is on the basis of “Fair Value” which is defined by the IVS as “the estimated price for the transfer of an asset or liability between identified knowledgeable and willing parties that reflects the respective interests of those parties”. Fair value is recognized by HKIS and we opine there is no material difference from Market Value, which is defined as “the estimated amount for which an asset or liability should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing where the parties had each acted knowledgeably, prudently and without compulsion.”

For the purpose of compliance with Rule 11.3 of the Codes on Takeovers and Mergers and Share Repurchases and as advised by the Company, the potential tax liabilities which may arise on the disposal of the property interests held by the Group in the PRC comprise:

- business tax at 5%, title deed tax at 3% and stamp duty at 0.05% all on the sale consideration;
- land appreciation tax ranging from 30% to 60% of the appreciated amounts; and
- corporate income tax at 25% of the profit of disposal of the property.

The potential tax liabilities which may arise on the disposal of the property interests held by the Group in the Philippines comprise documentary stamp duty of 1.5%, transfer tax of 0.5% and expanded withholding tax at 6% all on the sale consideration; as well as corporate taxes at 30% of the profit of disposal of the property.

The potential tax liabilities which would arise on the disposal of the property interests held by the Group in Guam comprise the corporate income tax ranges from 34% to 39%.

The Group has advised that the potential tax liabilities, if all the properties were to be sold at the amounts of the valuation, are estimated to be approximately US\$4.9 million in total regarding the interests attributable to the Group.

The above amount is for indicative purpose and is calculated based on prevailing rules. The exact amount of the tax payable upon realization of the relevant properties will be subject to the formal tax advice issued by the relevant tax authorities at the time of disposal by presenting the relevant transaction documents. The likelihood of the relevant tax liability being crystalized is not high for the properties because the subject transactions would be made by disposition of the equity interests of the relevant disposal companies.

### **Valuation Assumptions**

Our valuations have been made on the assumption that the owner(s) sells the properties on the open market without the benefit or burden of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which would serve to affect the values of the property interests.

No allowance has been made in our valuation neither for any charges, mortgages or amounts owing on the property interests nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interests are free of encumbrances, restrictions and outgoings of onerous nature which could affect their values.

For the purpose of valuation, we have adopted the areas as appeared in the copies of the documents as provided, and no further verification work has been conducted.

### **Valuation Methodologies**

For all the properties with except of Property No. 5 in Guam, we have valued each of those property interests by the comparison approach. The property interests valued by the comparison approach consist of comparisons based on prices realized or current asking prices of comparable properties. Comparable properties of similar size, character and location are selected and then analyzed and carefully weighed against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of capital values.

Property No. 5 concerns only the building element. We have adopted the depreciated replacement cost approach in our valuation. The use of this approach requires an estimate of the new replacement cost of the building from which deductions are then made to allow for physical deterioration and all relevant forms of obsolescence.

The valuation under this approach is on the assumption that the property is subject to the test of adequate potential profitability of the business having due regard to the values of the total assets employed and the nature of the operation.

In considering the value of building element, the gross replacement cost of the building was taken into consideration everything which is necessary to complete the construction from a new green field site to provide buildings as they are, at the Date of Valuation, fit for and capable of being occupied and used for the current use. These costs to be estimated are not to erect buildings in the future but have the buildings available for occupation at the Date of Valuation, the work having commenced at the appropriate time.

We need to state that our opinion of value of Property No. 5 is not necessarily intended to represent the amount that might be realised from disposition of the buildings of the property on piecemeal basis in the open market.

**Source of Information**

We have been provided with extracts from title documents relating to such property interests. We have not, however, searched the original documents to verify ownership or any amendment which did not appear on the copies handed to us. All documents have been used for reference only. We have relied to a considerable extent on information given by the Company and its legal advisers as follow:

- Guangzhou Kingpound Law Firm,
- Guangdong Guanxin Law Office,
- Fujian Entire Justice Law Office,
- Oliver M. Zorilla Attorney at Law, and
- Law Office of Vincent J. Seman.

We have no reason to doubt the truth and the accuracy of the information provided by the Company and its legal advisers which is material to the valuation. We have relied to a considerable extent on information given by the Company, in particular, but not limited to, the historical sales records, development scheme and program, construction costs, planning approvals, statutory notices, easements, tenancies, site areas, gross floor areas (“GFA”), etc.. We have taken every reasonable care both during inspecting the information provided to us and in making relevant enquiries.

Site inspections of the properties were carried out in late October or November 2016 by the following staff. Their qualification and years of experience in real estate sector are as follow.

- Mr Alex PW Leung, MRICS MHKIS, over 20 years of experience,
- Mr Sean Wu, MRICS, about 10 years of experience,
- Mr. Roy De Mesa, about 20 years of experience, and
- Ms. Joyce Chan and Mr Bobby Chan, both around 1 year of experience.

We have inspected the exterior and the interior of the properties. We have not inspected those parts of the properties which were covered, unexposed or inaccessible and such parts have been assumed to be in reasonable condition. We have not carried out detailed measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations.

In the course of our inspection, we did not notice any serious defects. However, we have not carried out any structural survey or any tests on the building services. Therefore, we are not able to report whether the properties are free of rot, infestation or any other

structural defects. We have not carried out investigations on the site to determine the suitability of the ground conditions, the services, etc. for any future development. We have not carried out any investigation into past or present uses, either of the properties or of any neighboring land, to establish whether there is any contamination or potential for contamination to the properties from these uses or sites, and have therefore assumed that none exists.

In valuing the properties, unless otherwise stated, we have assumed that transferable land use rights of the properties for respective specific terms at nominal annual land use fees have been granted and that any land grant premium payables have already been fully paid. Unless otherwise stated, we have also assumed that the Company has enforceable titles to the properties and has free and uninterrupted rights to occupy, use, transfer, lease or assign the properties for the whole of the respective unexpired terms as granted.

### **Limitation of Liabilities**

We have had no reason to doubt the truth and accuracy of the information provided to us by the Company. We have also sought confirmation from the Company that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive an informed view, and we have no reason to suspect that any material information has been withheld.

The value conclusions were expressed in United States Dollars (“US\$”). Exchange rates of US\$1 = Renminbi (“RMB”) 6.6703 or Philippine Peso (“PHP”) 48.500 were adopted in our valuation.

Our findings or conclusion of values of the properties in this report are valid only for the stated purpose and at the Date(s) of Valuation, and for the sole use of the Company. We or our personnel shall not be required to give testimony or attendance in court or to any government agency by reason of this report, and the valuer accepts no responsibility whatsoever to any other person.

Neither the whole nor any part of this report or any reference made hereto may be included in any published documents, circular or statement, or published in any way, without our written approval of the form and context in which it may appear.

Our liability for loss or damage shall be limited to such sum as we ought reasonably to pay having regard to our responsibility for the same on the basis that all other consultants and specialists, where appointed, shall be deemed to have provided to the Company contractual undertakings in respect of their services and shall be deemed to have paid to the Company such contribution as may be appropriate having regard to the extent of their responsibility for such loss or damage.

Our liability for any loss or damage arising out of the action or proceedings aforesaid shall, notwithstanding the preceding provisions, in any event be limited to a sum not exceeding ten (10) times of the amount of our agreed fee(s) for this engagement or HK\$500,000, whichever the lower. In no event shall we be liable for consequential, special, incidental or punitive loss, damage or expense (including without limitation, loss of profits,

opportunity cost, etc.), even if it has been advised of their possible existence. For the avoidance of doubt our liability shall never exceed the lower of the sum calculated in accordance with the preceding provisions and the sum provided for in this clause.

The Company is required to indemnify and hold us and our personnel harmless from any claims, liabilities, costs and expenses (including, without limitation, attorney's fees and the time of our personnel involved) brought against, paid or incurred by us at a time and in any way based on the information made available in connection with our engagement except to the extent that any such losses, expenses, damages or liabilities are ultimately determined to be the result of gross negligence, misconduct, willful default or fraud of our engagement team in conducting its work. This provision shall survive even after the termination of this engagement for any reason.

We enclose herewith a summary of values and our valuation certificate.

Yours faithfully,

For and on behalf of

**Crowe Horwath (HK) Consulting & Valuation Limited**

**Alex P W Leung** MRICS, MHKIS, RPS(GP)

*Director*

Mr. Alex PW Leung is a member of Royal Institution of Chartered Surveyors, a member of the Hong Kong Institute of Surveyors and a Registered Professional Surveyor (General Practice). He has over 20 years' experience in valuing properties in the PRC and Pacific Region.

## SUMMARY OF VALUES

Property	Fair Value in existing state as at 30 September 2016	Interests Attributable to the Company	Fair value in existing state as at 30 September 2016
<b>Group I — Property Under Occupation</b>			
1. Industrial Complex erected on Land Nos. 1 to 4, Jin Fung Huang Industrial Zone, Tangli Village, Fenggang Town, Dongguan, Guangdong Province, the PRC (owned by Disposal Group III)	US\$25,036,000	100%	US\$25,036,000
2. Industrial Complex located at No. 87 Industrial Avenue, Shigu Village, Tangxia Town, Dongguan City, Guangdong Province, the PRC (owned by Disposal Group III)	US\$2,099,000	100%	US\$2,099,000
3. Industrial Complex erected on Lots A and B, Xingxian Road, Xiazou Village, Fuqiao Town, Licheng District, Quanzhou City, Fujian Province, the PRC (owned by Disposal Group III)	US\$5,997,000	100%	US\$5,997,000
4. Industrial Premises in Phase 1, Second Avenue, Freeport Area of Bataan, Marivekesm Bataan, the Philippines (owned by Disposal Group III)	US\$1,350,000	100%	US\$1,350,000
5. Building Element of Block 2/ Area 1, Central Avenue, Tiyyuan, City of Tamuning, Guam, United States (owned by Disposal Group IV)	US\$5,250,000	100%	US\$5,250,000
<b>Group I Sub-Total</b>	<b>US\$39,732,000</b>		<b>US\$39,732,000</b>

Property	Fair Value in existing state as at 30 September 2016	Interests Attributable to the Company (via 24% equity interests in Chang Jia International Limited held by Disposal Company II)	Fair value in existing state as at 30 September 2016
<b>Group II — Completed Property Held for Sale</b>			
6. Completed and Unsold Portions, Qingyuan Mango Town, District No. N24 Pikeng Liantai Industrial Zone, Longtang Town, Qingcheng District, Qingyuan City, Guangdong Province, the PRC	US\$9,010,000	24%	US\$2,162,400
<b>Group III — Property Under Development</b>			
7. Work-in-Progress Portions, Qingyuan Mango Town, District No. N24 Pikeng Liantai Industrial Zone, Longtang Town, Qingcheng District, Qingyuan City, Guangdong Province, the PRC	US\$203,289,000	24%	US\$48,789,360
<b>Group IV — Lands Held for Future Development</b>			
8. Reserved Lands for Future Development, Qingyuan Mango Town, District No. N24 Pikeng Liantai Industrial Zone, Longtang Town, Qingcheng District, Qingyuan City, Guangdong Province, the PRC	US\$77,358,000	24%	US\$18,565,920
<b>Grand Total</b>	<b><u>US\$329,389,000</u></b>		<b><u>US\$109,249,680</u></b>

## VALUATION CERTIFICATE

## Group I — Property under Occupation

Property	Description and tenure	Occupancy details	Fair value in existing state as at 30 September 2016						
1. Industrial Complex erected on Land Nos. 1 to 4, Jin Fung Huang Industrial Zone, Tangli Village, Fenggang Town, Dongguan, Guangdong Province, the PRC	<p>The property comprises six workshops and twenty-one dormitory blocks completed between 1996 and 2006.</p> <p>The property has a total GFA of approximately 238,031.03 sqm with the following breakdown.</p> <table border="1"> <thead> <tr> <th>Usage</th> <th>GFA (sqm)</th> </tr> </thead> <tbody> <tr> <td>Workshops /Administrative Offices</td> <td>117,833.04</td> </tr> <tr> <td>Dormitories</td> <td>120,197.99</td> </tr> </tbody> </table> <p>A relatively small piece of vacant land, with a site area of about 4,882 sqm, within the industrial complex is reserved for industrial use. As informed, there is no plan for make of this surplus land for development or expansion.</p> <p>The property is held under six State-owned Land Use Rights Certificates expiring between May 2051 and May 2055.</p>	Usage	GFA (sqm)	Workshops /Administrative Offices	117,833.04	Dormitories	120,197.99	<p>As advised by the Company, some 59,264 sqm of the premises had been leased for term expiring on 31 December 2019 at a total monthly rent of RMB588,679 exclusive of management fee.</p> <p>Majority of the subject spaces were being owner-occupied whilst certain spaces were vacant.</p>	<p>RMB167,000,000 (RENMINBI ONE HUNDRED SIXTY SEVEN MILLION) (Approximately Equivalent to US\$25,036,000)</p>
Usage	GFA (sqm)								
Workshops /Administrative Offices	117,833.04								
Dormitories	120,197.99								

## Notes:

- a) Pursuant to the following State-owned Land Use Rights Certificates, the land use rights of the relevant lands for the development have been granted to Dongguan Luen Thai Garment Co., Ltd., a wholly owned subsidiary of the Company.

Certificate Number	Permitted Use	Land Use Expiry	Site Area (sqm)
Dong Fu Guo Yong (2005) 1311	Industrial	29 May 2055	28,667.00
Dong Fu Guo Yong (2005) 1310	Industrial	29 May 2055	8,635.49
Dong Fu Guo Yong (2004) 141	Industrial	15 March 2054	40,633.50
Dong Fu Guo Yong (2003) 726	Industrial	1 December 2053	21,477.05
Dong Fu Guo Yong (2003) 543	Industrial	10 July 2053	24,367.92
Dong Fu Guo Yong (2002) 187	Industrial	30 May 2052	11,667.00
	<b>Total</b>		<b><u>135,447.96</u></b>

- b) Pursuant to the following Realty Title Certificates, the ownerships of the factories and dormitories below have been granted to Dongguan Luen Thai Garment Co., Ltd.

Certificate Number	Building	Building Completion	GFA ( <i>sqm</i> )
Yue Fang Di Zheng Zi C4275410	No. 7 Workshop	2004	32,304.80
Yue Fang Di Zheng Zi C3747737	Nos. 9 & 10 Dormitory	2004	12,812.70
Yue Fang Di Zheng Zi C2424630	Level 2 of No. 3 Workshop	1999	5,072.68
Yue Fang Di Zheng Zi C2424629	No. 4 Dormitory	1999	2,715.26
Yue Fang Di Zheng Zi C2424628	No. 5 Dormitory	1999	2,715.26
Yue Fang Di Zheng Zi C2424627	No. 6 Dormitory	1999	2,715.26
Yue Fang Di Zheng Zi C2424626	No. 5 Workshop	1999	4,406.40
Yue Fang Di Zheng Zi C2412837	No. 6 Workshop	2002	29,874.20
Yue Fang Di Zheng Zi C2412836	Nos. 11–14 Dormitory	2002	25,243.90
Yue Fang Di Zheng Zi C2412835	No. 15 Dormitory	2002	18,387.12
Yue Fang Di Zheng Zi C0503994	No. 1 Dormitory	1996	2,250.36
Yue Fang Di Zheng Zi C0503993	No. 2 Dormitory	1996	2,250.36
Yue Fang Di Zheng Zi C0503992	No. 4 Workshop	1996	9,478.96
Yue Fang Di Zheng Zi C0503991	No. 3 Dormitory	1996	2,250.36
Yue Fang Di Zheng Zi C0503990	No. 3 Workshop	1996	4,171.57
Yue Fang Di Quan Zheng Guan Zi 2300665530	Nos. 24–27 Dormitory	2006	21,896.02
Yue Fang Di Quan Zheng Guan Zi 2300757393	Nos. 16–19 Dormitory	2005	26,961.39
Yue Fang Di Quan Zheng Guan Zi 2300606822	No. A8 Workshop	2004	32,524.43
		<b>Total</b>	<b><u>238,031.03</u></b>

- c) We have been provided with the legal opinion, which contains, *inter alia*, the following information:
- i. The Company has the right to possess the abovementioned lands and has obtained all relevant legal documents and certificates required to use the land use rights of the relevant lands;
  - ii. The Company has the rights to use, lease, sale, mortgage and transfer all relevant property; and
  - iii. The property is free from mortgage and encumbrances.

## VALUATION CERTIFICATE

Property	Description and tenure	Occupancy details	Fair value in existing state as at 30 September 2016												
2. Industrial Complex located at No. 87 Industrial Avenue, Shigu Village, Tangxia Town, Dongguan City, Guangdong Province, the PRC	<p>The property comprises a 3-storey factory, completed in 1995, and three 6-storey dormitories, completed between 1998 and 1999.</p> <p>The site area of the property is approximately 8,789.40 sqm which is formed by two adjacent land parcels. The approximate GFA of all the buildings are as follows:</p> <table border="1"> <thead> <tr> <th>Usage</th> <th>GFA (sqm)</th> </tr> </thead> <tbody> <tr> <td>Factory</td> <td>9,869.04</td> </tr> <tr> <td>Dormitory B</td> <td>1,858.50</td> </tr> <tr> <td>Dormitory C</td> <td>2,520.00</td> </tr> <tr> <td>Dormitory A</td> <td><u>3,958.00</u></td> </tr> <tr> <td><b>Total</b></td> <td><b><u>18,205.54</u></b></td> </tr> </tbody> </table> <p>Land use rights have been granted for terms expiring on 11 February 2053 or 3 August 2047 for industrial use for the two land parcels.</p>	Usage	GFA (sqm)	Factory	9,869.04	Dormitory B	1,858.50	Dormitory C	2,520.00	Dormitory A	<u>3,958.00</u>	<b>Total</b>	<b><u>18,205.54</u></b>	The property has been leased to a tenant for a term until 31 December 2023. The current rent is RMB153,297 per month excluding water and electricity charges.	RMB14,000,000 (RENMINBI FOURTEEN MILLION) (Approximately Equivalent to US\$2,099,000)
Usage	GFA (sqm)														
Factory	9,869.04														
Dormitory B	1,858.50														
Dormitory C	2,520.00														
Dormitory A	<u>3,958.00</u>														
<b>Total</b>	<b><u>18,205.54</u></b>														

*Notes:*

- a) Pursuant to the following State-owned Land Use Rights Certificates, the land use rights of the relevant lands for the development have been granted to Dongguan Xing Xi Handbag Co., Ltd., a wholly owned subsidiary.

Certificate Number	Permitted Use	Land Use Expiry	Site Area (sqm)
Dong Fu Guo Yong (2003) 287	Industrial and ancillary	11 February 2053	5,784.40
Dong Fu Guo Yong (1997) 310	Industrial and ancillary	3 August 2047	<u>3,005.00</u>
	<b>Total</b>		<b><u>8,789.40</u></b>

- b) Pursuant to the following Building Ownership Certificates, the ownerships of the factories and dormitories below have been granted to Dongguan Xing Xi Handbag Co., Ltd.

<b>Certificate Number</b>	<b>Building</b>	<b>User</b>	<b>GFA (<i>sqm</i>)</b>
Yue Fang Di Zheng Zi C1881256	Factory	Factory	3,005
Yue Fang Di Zheng Zi C1944044	Dormitory B	Dormitory	1,858.5
Yue Fang Di Zheng Zi C1344843	Dormitory C	Dormitory	<u>2,520</u>
		<b>Total</b>	<b><u>7,383.5</u></b>

- c) We have been provided with the legal opinion, which contains, *inter alia*, the following information:
- i. the Company has acquired the two land use rights certificates;
  - ii. the Company has acquired the Building Ownership Certificates of the factory, Dormitory B and Dormitory C;
  - iii. No title certificate has been granted for Dormitory A;
  - iv. the Company has all legal rights, and has obtained the relevant legal certificates to possess, use, lease, mortgage or transfer of the property other than Dormitory A; and
  - v. the property is free from mortgage and encumbrances.
- d) As Dormitory A does not contain proper ownership title, we have disregarded its value in our valuation. If Dormitory A were freely transferrable in the open market, we opine the fair value of Property No. 2 were in the sum RMB17,000,000.

## VALUATION CERTIFICATE

Property	Description and tenure	Occupancy details	Fair value in existing state as at 30 September 2016																
3. Industrial Complex erected on Lots A and B, Xingxian Road, Xiazou Village, Fuqiao Town, Licheng District, Quanzhou City, Fujian Province, the PRC	<p>The property comprises whole of six building and portions in two buildings, which are erected on two sites with a total land area of approximately 28,980.35 sqm.</p> <p>The total GFA of the property is approximately 33,959 sqm, excluding three temporary structures/annex, with the following area breakdown.</p>	Majority of the spaces floor were being owner-occupied whilst portion of Level 1 of a dormitory was let on short term basis.	RMB40,000,000 (RENMINBI FORTY MILLION) (Approximately Equivalent to US\$5,997,000)																
	<table border="1"> <thead> <tr> <th data-bbox="539 736 616 763">Building</th> <th data-bbox="842 736 895 793">GFA (sqm)</th> </tr> </thead> <tbody> <tr> <td data-bbox="539 832 715 859">3-storey workshop</td> <td data-bbox="804 832 895 859">10,947.17</td> </tr> <tr> <td data-bbox="539 863 719 921">5-storey office and warehouse</td> <td data-bbox="804 863 895 891">4,514.82</td> </tr> <tr> <td data-bbox="539 925 671 983">Two 5-storey warehouses</td> <td data-bbox="804 925 895 953">9,053.24</td> </tr> <tr> <td data-bbox="539 987 730 1081">Majority portion of a 7-storey dormitory</td> <td data-bbox="804 987 895 1015">5,917.05</td> </tr> <tr> <td data-bbox="539 1085 730 1178">Minority portion of another 7-storey dormitory</td> <td data-bbox="804 1085 895 1112">1,523.62</td> </tr> <tr> <td data-bbox="539 1183 676 1210">2-storey office</td> <td data-bbox="804 1183 895 1210">1,199.80</td> </tr> <tr> <td data-bbox="539 1215 676 1272">2-storey boiler room</td> <td data-bbox="820 1215 895 1242">803.30</td> </tr> </tbody> </table>	Building	GFA (sqm)	3-storey workshop	10,947.17	5-storey office and warehouse	4,514.82	Two 5-storey warehouses	9,053.24	Majority portion of a 7-storey dormitory	5,917.05	Minority portion of another 7-storey dormitory	1,523.62	2-storey office	1,199.80	2-storey boiler room	803.30		
Building	GFA (sqm)																		
3-storey workshop	10,947.17																		
5-storey office and warehouse	4,514.82																		
Two 5-storey warehouses	9,053.24																		
Majority portion of a 7-storey dormitory	5,917.05																		
Minority portion of another 7-storey dormitory	1,523.62																		
2-storey office	1,199.80																		
2-storey boiler room	803.30																		
	As advised, the buildings were completed between 1995 and 2002.																		
	The subject sites are held under State-owned Land Use Rights Certificates for industrial uses with the same land use term expiring on 30 May 2043.																		

Notes:

- a) Pursuant to the following State-owned Land Use Rights Certificates, the land use rights of the two lands have been granted to Luen Thai Footwear Co., Ltd. (聯太 (泉州) 輕工有限公司), a wholly owned subsidiary of the Company.

Certificate Number	Permitted Use	Land Use Expiry	Site Area (sqm)
Quan Guo Yong (2012) 100035	Industrial	30 May 2043	4,693.50
Quan Guo Yong (2012) 100036	Industrial	30 May 2043	<u>24,286.85</u>
	<b>Total</b>		<b><u>28,980.35</u></b>

- b) Pursuant to the following Realty Title Certificates, the ownerships of the premises below have been granted to Luen Thai Footwear Co., Ltd.

Certificate Number	Building	GFA (sqm)
Quan Fang Quan Zheng Li Zi 61876	No. 2 (Workshop)	10,947.17
Quan Fang Quan Zheng Li Zi 61875	No. 1 (Office)	1,199.80
Quan Fang Quan Zheng Li Zi 61877	No. 6 (Boiler room)	803.30
Quan Fang Quan Zheng Li Zi 64342	No. 19 (Office and warehouse)	4,514.82
Quan Fang Quan Zheng Li Zi 64338 and 64341	Nos. 15 and 18 (Dormitory) <sup>#</sup>	7,359.53
Quan Fang Quan Zheng Li Zi 64339 and 64340	Nos. 16 and 17 (Dormitory) <sup>#</sup>	7,051.38
Quan Fang Quan Zheng Li Zi 64336	No. 13 (Warehouse)	4,526.62
Quan Fang Quan Zheng Li Zi 64337	No. 14 (Warehouse)	<u>4,526.62</u>
	<b>Sub-total</b>	<b><u>40,929.24</u></b>
Less: Portions in two of the dormitories being sold <sup>#</sup> (Remarks: sold portions are under these two buildings)		<u>(6,970.24)</u>
	<b>Total</b>	<b><u>33,959.00</u></b>

- c) We have been provided with the legal opinion, which contains, *inter alia*, the following information:

- i. the Company has all legal rights to use the property and land;
- ii. the Company has obtained all relevant legal certificates to possess, lease, mortgage or transfer the property and land; and
- iii. the property is free from mortgage and encumbrances.

## VALUATION CERTIFICATE

Property	Description and tenure	Occupancy details	Fair value in existing state as at 30 September 2016								
4. Industrial Premises in Phase 1, Second Avenue, Freeport Area of Bataan, Marivekesm Bataan, the Philippines	<p>The property comprises four factory buildings completed in about 1993 erecting on a land with a site area of approximately 24,596 sqm.</p> <p>The buildings are generally of reinforced concrete frame structures with metal sheet roofing in steel frame. The approximate GFA of the four buildings are as follows:</p> <table border="1"> <thead> <tr> <th>Usage</th> <th>GFA (sqm)</th> </tr> </thead> <tbody> <tr> <td>One 2-storey (including a mezzanine floor) factory</td> <td>12,488.39</td> </tr> <tr> <td>Three single storey factories/ warehouses</td> <td>8,766.14</td> </tr> <tr> <td><b>Total</b></td> <td><b><u>21,254.53</u></b></td> </tr> </tbody> </table>	Usage	GFA (sqm)	One 2-storey (including a mezzanine floor) factory	12,488.39	Three single storey factories/ warehouses	8,766.14	<b>Total</b>	<b><u>21,254.53</u></b>	The property is owner occupied for production use.	US\$1,350,000 (UNITED STATES DOLLARS ONE MILLION THREE HUNDRED FIFTY THOUSAND)
Usage	GFA (sqm)										
One 2-storey (including a mezzanine floor) factory	12,488.39										
Three single storey factories/ warehouses	8,766.14										
<b>Total</b>	<b><u>21,254.53</u></b>										
	<p>Land use rights have been granted for terms of 32 years from January 2013 and renewable for 25 years.</p>										

*Notes:*

- a) We have been provided with the legal opinion, which contains, *inter alia*, the following information:
- i. the property has a mortgage of Php8,832,000 in favor of PNB DTD;
  - ii. the property is subject to previous attachment by Metropolitan Bank and Trust Company; and the Company has initiated an action entitled “Boast, Inc. vs. Metropolitan Bank and Trust Company, et al.” and docketed as Civil Case No. 1090-ML before the Regional Trial Court, Branch 4 of Mariveles, Bataan, where the Company seeks the declaration of nullity of the said attachment. And a favorable outcome is expected;
  - iii. the Company is subject to a notice of Lis Pendens regarding the case “Metropolitan Bank and Trust Company v. S. S. Ventures International Inc. where the defendant sold the property to public auction on 30 April 2014;
  - iv. Other than the abovementioned conditions, the Company has possession and rights to use the property; and
  - v. the Company has a good marketable title to the property and is the legal and beneficial owner of the property.

## VALUATION CERTIFICATE

Property	Description and Tenure	Occupancy Details	Fair value of Building Element as at 30 September 2016
5. Building Element of Block 2/Area 1, Central Avenue, Tiyuan, City of Tamuning, Guam, United States.	Completed in August 2010, the subject property comprises a single-storey logistic building. The land where the building erected on is held by the International Airport Authority of Guam and being excluded from this valuation.  The GFA of the building is approximately 35,000 sqft.	The building and its relevant land are operating under CTSI Logistics.	US\$5,250,000 (UNITED STATES DOLLARS FIVE MILLION TWO HUNDRED FIFTY THOUSAND)

*Notes:*

- a) Pursuant to a Ground Lease Agreement dated 12 December 2008 made between Antonio B. Won Pat International Airport Authority, Guam (the “**Lessor**”) and CTSI Logistics Guam (the “**Lessee**”),
- i. The Lessor leases a land with an area of approximately 7,644 sqm (about 82,280 sqft) within the international airport to the Lessee for constructing, maintaining and operating facilities for air transportation activities;
  - ii. The initial term of the lease is 25 years commencing on the date the Lessor delivers the leased premises, and the Lessee has the option to extend for an additional term of 15 years;
  - iii. By reason of the broad public interest in the efficient maintenance, operation and development of the airport, the Lessor reserves rights to terminate the lease upon its determination that the leased premises are needed for airport construction or development;
  - iv. In the first five years beginning on the date of beneficial occupancy, the rent shall be US\$5,121.48 per month excluding CAM charges, which represents the costs in connection with security, landscape, and off-premises common area lighting. The rent shall escalate at the rate of 10% for each five years period;
  - v. The Lessee undertakes to develop the leased premises;
  - vi. The Lessee shall have the rights to the ownership of the improvements installed at the leased premises; and
  - vii. If the Lessee’s occupancy is terminated (other than due to default of the Lessee), the Lessee will reimburse the Lessee for the unamortized net book value of its existing structural improvements based upon a 30-year straight line depreciation with no residual value.
- b) The Lessee is wholly owned subsidiary of the Company.
- c) We have been provided with the legal opinion, which contains, *inter alia*, the following information:
- i. CTSI’s leasehold interests began in or about 2009;
  - ii. CTSI has the right to the sole possession, exclusive occupancy, and quiet use and enjoyment of the premises, subject to the terms and conditions of the lease agreement; and
  - iii. subject to the lease agreement, CTSI has a right to mortgage the leased premises.

## VALUATION CERTIFICATE

## Group II — Completed Property Held for Sale

Property	Description and tenure	Occupancy details	Fair value in existing state as at 30 September 2016						
6. Completed and Unsold Portions, Qingyuan Mango Town, District No. N24 Pikeng Liantai Industrial Zone, Longtang Town, Qingcheng District, Qingyuan City, Guangdong Province, the PRC	<p>The property comprises various completed and unsold portions of a large-scale residential development with a planned GFA of approximately three million sqm.</p> <p>Completed in 2014 to 1st half of 2016, the property comprises 62 apartments, 68 commercial units and 1,149 car parking spaces.</p> <p>The GFA of the apartment and commercial units are as follow.</p> <table border="1"> <thead> <tr> <th>Usage</th> <th>GFA (sqm)</th> </tr> </thead> <tbody> <tr> <td>Residential</td> <td>6,381.71</td> </tr> <tr> <td>Commercial</td> <td>6,404.23</td> </tr> </tbody> </table> <p>The whole development is held under eleven State-owned Land Use Rights Certificates expiring between January 2053 and September 2078.</p>	Usage	GFA (sqm)	Residential	6,381.71	Commercial	6,404.23	<p>As informed, some 3,461 sqm of the commercial units had been leased for 3 to 5 years. The expected annual rental income from the leased units in 2017 would be about RMB598,540 exclusive of management fee.</p> <p>The remaining residential and commercial units were vacant.</p>	<p>RMB60,100,000 (RENMINBI SIXTY MILLION AND ONE HUNDRED THOUSAND)</p> <p>(24% interests attributable to the Company: RMB14,424,000) (Approximately Equivalent to US\$2,162,400)</p>
Usage	GFA (sqm)								
Residential	6,381.71								
Commercial	6,404.23								

## Notes:

- a) Pursuant to the following State-owned Land Use Rights Certificates, the land use rights of the relevant land for the development have been granted to the subsidiaries of the Company.

Certificate Number	Permitted Use	Land Use Expiry	Site Area (sqm)
Qing Shi Fu Guo Yong (2013) 00375	Residential	7 September 2078	71,329.05
Qing Shi Fu Guo Yong (2013) 00376	Residential	7 September 2078	43,175.92
Qing Shi Fu Guo Yong (2013) 00377	Residential	7 September 2078	89,509.99
Qing Shi Fu Guo Yong (2013) 00378	Residential	7 September 2078	120,287.59
Qing Shi Fu Guo Yong (2013) 00379	Residential	7 September 2078	73,922.65
Qing Shi Fu Guo Yong (2013) 00380	Residential	7 September 2078	25,588.96
Qing Shi Fu Guo Yong (2013) 00007	Residential	7 September 2078	84,617.64
Qing Shi Fu Guo Yong (2013) 00006	Residential	7 September 2058	28,290.62
Qing Shi Fu Guo Yong (2013) 00005	Residential	7 September 2058	97,075.30
Qing Shi Fu Guo Yong (2009) 00338	Residential	7 September 2078	133,765.69
Qing Shi Fu Guo Yong (2004) 00101	Residential and Retail	20 January 2053	79,703.36
<b>Total</b>			<b><u>847,266.77</u></b>

- b) We have been provided with the legal opinion, which contains, *inter alia*, the following information:
  - i. the Company has the rights to possess, use the land use right of land and benefit from the land; and to develop and use the land at the Company;
  - ii. the property is free from mortgage and encumbrances; and
  - iii. the transfer of land subject to mortgage will be restricted until the mortgage has been released.
- c) As informed by the Company's lawyer, the Company is entitled to 24% interests and profit sharing from the development.

## VALUATION CERTIFICATE

## Group III — Property Under Development

Property	Description and tenure	Occupancy details	Fair value in existing state as at 30 September 2016										
7. Work-in-Progress Portions, Qingyuan Mango Town, District No. N24 Pikeng Liantai Industrial Zone, Longtang Town, Qingcheng District, Qingyuan City, Guangdong Province, the PRC	<p>The property comprises various undergoing construction portions of a large-scale residential development, which is developing by phases. The total planned GFA of the whole development is approximately three million sqm.</p> <p>The proposed GFA of the property is approximately 603,949.08 sqm in total plus car parking spaces with the following breakdown.</p> <table border="1"> <thead> <tr> <th>Usage</th> <th>GFA (sqm)</th> </tr> </thead> <tbody> <tr> <td>Residential</td> <td>559,553.86</td> </tr> <tr> <td>Commercial</td> <td>39,895.22</td> </tr> <tr> <td>Common Area</td> <td>4,500.00</td> </tr> <tr> <td>Car Park</td> <td>3,587 units</td> </tr> </tbody> </table> <p>Part of the property, with a GFA of about 303,303.02 sqm, has been pre-sold.</p> <p>The whole development is held under eleven State-owned Land Use Rights Certificates expiring between January 2053 and September 2078.</p>	Usage	GFA (sqm)	Residential	559,553.86	Commercial	39,895.22	Common Area	4,500.00	Car Park	3,587 units	As at the Date of Valuation, the subject property was under construction and was scheduled to complete in late 2016 to 2018.	<p>RMB1,356,000,000 (RENMINBI ONE BILLION THREE HUNDRED FIFTY SIX MILLION)</p> <p>(24% interests attributable to the Company: RMB325,440,000) (Approximately Equivalent to US\$48,789,360)</p>
Usage	GFA (sqm)												
Residential	559,553.86												
Commercial	39,895.22												
Common Area	4,500.00												
Car Park	3,587 units												

Notes:

- a) Pursuant to the following State-owned Land Use Rights Certificates, the land use rights of the relevant land for the development have been granted to the subsidiaries of the Company.

Certificate Number	Permitted Use	Land Use Expiry	Site Area ( <i>sqm</i> )
Qing Shi Fu Guo Yong (2013) 00375	Residential	7 September 2078	71,329.05
Qing Shi Fu Guo Yong (2013) 00376	Residential	7 September 2078	43,175.92
Qing Shi Fu Guo Yong (2013) 00377	Residential	7 September 2078	89,509.99
Qing Shi Fu Guo Yong (2013) 00378	Residential	7 September 2078	120,287.59
Qing Shi Fu Guo Yong (2013) 00379	Residential	7 September 2078	73,922.65
Qing Shi Fu Guo Yong (2013) 00380	Residential	7 September 2078	25,588.96
Qing Shi Fu Guo Yong (2013) 00007	Residential	7 September 2078	84,617.64
Qing Shi Fu Guo Yong (2013) 00006	Residential	7 September 2058	28,290.62
Qing Shi Fu Guo Yong (2013) 00005	Residential	7 September 2058	97,075.30
Qing Shi Fu Guo Yong (2009) 00338	Residential	7 September 2078	133,765.69
Qing Shi Fu Guo Yong (2004) 00101	Residential and Retail	20 January 2053	<u>79,703.36</u>
	<b>Total</b>		<b><u>847,266.77</u></b>

- b) As advised by the Company, the total contracted amount of the pre-sold portion was about RMB1,931.9 million. We have include this amount in our valuation.
- c) We opine the Gross Development Value of the property as at the Date of Valuation, including the above pre-sold portion was in the sum of RMB2,348.9 million.
- d) As advised by the Company, the outstanding construction cost was RMB1,557.6 million.
- e) We have been provided with the legal opinion, which contains, *inter alia*, the following information:
- i. the Company has the rights to possess, use the land use right of land and benefit from the land; and to develop and use the land at the Company;
  - ii. the property is free from mortgage and encumbrances; and
  - iii. the transfer of land subject to mortgage will be restricted until the mortgage has been released.
- f) As informed by the Company's lawyer, the Company is entitled to 24% interests and profit sharing from the development.

## VALUATION CERTIFICATE

## Group IV — Lands Held for Future Development

Property	Description and tenure	Occupancy details	Fair value in existing state as at 30 September 2016												
8. Reserved Land for Future Development, Qingyuan Mango Town, District No. N24 Pikeng Liantai Industrial Zone, Longtang Town, Qingcheng District, Qingyuan City, Guangdong Province, the PRC	<p>The property comprises parcels of lands which are reserved for future phase(s) of a large-scale residential development. The total planned GFA of the whole development is approximately three million sqm.</p> <p>As per a master plan, the proposed GFA of the subject portion is approximately 2,035,945 sqm in total with the following breakdown.</p> <table border="1"> <thead> <tr> <th>Usage</th> <th>GFA (sqm)</th> </tr> </thead> <tbody> <tr> <td>Residential</td> <td>1,452,948</td> </tr> <tr> <td>Commercial</td> <td>227,997</td> </tr> <tr> <td>Car Park</td> <td>300,000</td> </tr> <tr> <td>Hotel</td> <td>20,000</td> </tr> <tr> <td>Common Area</td> <td>35,000</td> </tr> </tbody> </table> <p>The whole development is held under eleven State-owned Land Use Rights Certificates expiring between January 2053 and September 2078.</p>	Usage	GFA (sqm)	Residential	1,452,948	Commercial	227,997	Car Park	300,000	Hotel	20,000	Common Area	35,000	As at the Date of Valuation, portion of the subject lands were erected by an abundant factory and dormitories.	<p>RMB516,000,000 (RENMINBI FIVE HUNDRED SIXTEEN MILLION)</p> <p>(24% interests attributable to the Company: RMB123,840,000) (Approximately Equivalent to US\$18,565,920)</p>
Usage	GFA (sqm)														
Residential	1,452,948														
Commercial	227,997														
Car Park	300,000														
Hotel	20,000														
Common Area	35,000														

## Notes:

- a) Pursuant to the following State-owned Land Use Rights Certificates, the land use rights of the relevant land for the development have been granted to the subsidiaries of the Company.

Certificate Number	Permitted Use	Land Use Expiry	Site Area (sqm)
Qing Shi Fu Guo Yong (2013) 00375	Residential	7 September 2078	71,329.05
Qing Shi Fu Guo Yong (2013) 00376	Residential	7 September 2078	43,175.92
Qing Shi Fu Guo Yong (2013) 00377	Residential	7 September 2078	89,509.99
Qing Shi Fu Guo Yong (2013) 00378	Residential	7 September 2078	120,287.59
Qing Shi Fu Guo Yong (2013) 00379	Residential	7 September 2078	73,922.65
Qing Shi Fu Guo Yong (2013) 00380	Residential	7 September 2078	25,588.96
Qing Shi Fu Guo Yong (2013) 00007	Residential	7 September 2078	84,617.64
Qing Shi Fu Guo Yong (2013) 00006	Residential	7 September 2058	28,290.62
Qing Shi Fu Guo Yong (2013) 00005	Residential	7 September 2058	97,075.30
Qing Shi Fu Guo Yong (2009) 00338	Residential	7 September 2078	133,765.69
Qing Shi Fu Guo Yong (2004) 00101	Residential and Retail	20 January 2053	79,703.36
<b>Total</b>			<b><u>847,266.77</u></b>

- b) We have been provided with the legal opinion, which contains, *inter alia*, the following information:
  - i. the Company has the rights to possess, use the land use right of land and benefit from the land; and to develop and use the land at the Company;
  - ii. the property is free from mortgage and encumbrances; and
  - iii. the transfer of land subject to mortgage will be restricted until the mortgage has been released.
- c) As informed by the Company's lawyer, the Company is entitled to 24% interests and profit sharing from the development.

*The following is the text of a letter and valuation certificate prepared for the purpose of incorporate in this circular received from Crowe Horwath (HK) Consulting & Valuation Limited, an independent valuer, in connection with its valuation as at 30 June 2016 of the Business value of the Disposal Group IV.*



國富浩華(香港)諮詢評估有限公司  
**Crowe Horwath (HK) Consulting & Valuation Limited**  
Member Crowe Horwath International

香港 銅鑼灣 禮頓道77號 禮頓中心9樓  
9/F Leighton Centre,  
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電話 Main +852 2894 6888  
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[www.crowehorwath.hk](http://www.crowehorwath.hk)

Date: 14 December 2016

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

Dear Sirs,

**RE: Valuation of 100% equity interest of CTSI Logistics, Inc. for Luen Thai Holdings Limited**

In accordance with an instruction from Luen Thai Holdings Limited (the “**Luen Thai**” or the “**Instructing Party**”), we hereby provide a valuation on the market value basis of 100% equity interest (the “**Equity Interest**”) of CTSI Logistics, Inc. (the “**Target**”) as at 30 June 2016 (the “**Valuation Date**”). We are of the opinion that a valuation as at the date of this circular would not be materially different with our valuation as at the Valuation Date.

We confirm that we have made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the Target. This valuation is complied with the RICS Valuation — Professional Standards published by the Royal Institution of Chartered Surveyors (“**RICS**”) and International Valuation Standards (“**IVS**”) published by the International Valuation Standards Council.

The purpose of this report is to express an independent opinion on the market value of the Equity Interest of the Target for the Instructing Party’s Public Circular reference purpose only.

## **1. BACKGROUND OF THE TARGET**

As at the Valuation Date, the Company operates as a logistics service provider in South East Asia.

## **2. VALUATION METHODOLOGY**

There are three generally accepted valuation approaches in valuation of the Equity Interest.

### **2.1 Asset Approach (or Cost Approach)**

Asset approach (or known as cost approach) is an asset-based rather than a market-oriented method. It requires valuing the business on an individual basis to add up to the total valuations of business.

Under this approach, the expenses or costs on replacing or re-acquiring individual items or parts are estimated by valuers on an itemised basis, thus arriving at the valuation of target business.

### **2.2 Market Approach**

Market approach is the most straightforward valuation method in determining market value of assets. Under this approach, valuers seek to identify the transaction cases having been executed and qualified as a reference for value comparison. It is normally difficult to apply the approach to unique business, as there is a lack of sufficient comparable transactions for reference.

### **2.3 Income Approach**

Income approach is an income-oriented valuation method assuming that the investors may invest in alternative business with similar characteristics but not necessarily identical with the subject business.

Under the income approach, business value equals to the present value of the future expected income or economic benefit brought by the business, which involves the principle of capitalisation. Generally, capitalisation is a process through which the expected benefit is discounted based on the required rate of return (risk factors).

### **2.4 Selection of Assessment Methodology**

For Equity Interest, we considered that the income approach not applicable for the valuation, as the Target is in a rapid changing economic environment and concrete financial projection is difficult to be made. We also considered that cost approach not an adequate approach for the valuation, as this approach does not take future growth potential into consideration. Thus, we determined that the market approach was the most appropriate valuation approach to value the Equity Interest, as there are sufficient comparable transactions in the market.

In particular, pricing multiple method were used in this valuation.

## 2.5 Pricing Multiple Method

Relative valuation methods rely on the use of multiples. A multiple is a ratio between two financial variables. In most cases, the numerator of the multiple is either the company's market price (in the case of price multiples) or its enterprise value (in the case of enterprise value multiples). The denominator of the multiple is an accounting metric, such as the company's earnings, sales, or book value. Multiples can be calculated from per-share amounts (market price per share, earnings per share, sales per share, or book value per share) or total amounts.

## 3. PRICING MULTIPLE ANALYSIS

In this case, we have primarily prepared the valuation based on Price-Earnings Ratio (P/E Ratio).

### P/E Ratio

P/E Ratio is a widely adopted pricing multiple in valuation. It is a ratio for valuing a company that measures its current share price relative to its earning & business scale. The P/E Ratio can be calculated as:

*Market Value per Share/Earning per Share*

We have also considered other common pricing multiples:

### Price-Book Ratio

Price-Book Ratio is often applied in valuation of asset-driven companies, such as banks, manufacturers, mining companies, etc. As the Target focus on logistic services, Price-Book Ratio is not so appropriate.

### Price-Sales Ratio

Price-Sales Ratio captures the business scale of a company but at the same time ignores the profitability. Two companies with similar Price-Sales Ratio may have very different earning prospective. Thus Price-Sales Ratio is not selected in this valuation.

### EV/EBITDA Ratio

EV/EBITDA Ratio is often applied to companies with heavy investments or complex debt structures. It does not consider tax and interest expense and is subject to subsequent adjustments on debt and cash. Besides, EV/EBITDA Ratio does not take minority interest into calculation. So EV/EBITDA Ratio is not selected in this valuation.

#### 4. FINANCIAL STATEMENT OF THE TARGET

The market value of the Target is determined by multiplying the average of price multiples of comparable transactions with the financial figures of the Target as at Valuation Date. The following table shows the financial figures of the Target which are extracted from the financial statements.

##### Income Statement of the Target in 2015 and 2014:

Items	Jan 2015 – Dec 2015 (12 months)	Jan 2014 – Dec 2014 (12 months)
<b>Revenue</b>	<b>21,910,081</b>	<b>21,212,271</b>
Cost of goods sold	(254,951)	(1,131,065)
<b>Gross profit</b>	<b>21,655,130</b>	<b>20,081,206</b>
Other gains/(losses)	8,636	281,560
Sales expense	(71,562)	(19,138)
General expense	(18,251,799)	(17,786,629)
<b>EBIT</b>	<b>3,340,405</b>	<b>2,556,999</b>
Finance income	91,631	101,779
Finance costs	(113,961)	(145,342)
Share of results of associated companies	5,997	28,274
<b>Profit before tax</b>	<b>3,324,072</b>	<b>2,541,710</b>
Corporate tax	(316,021)	(224,653)
<b>Net profit</b>	<b>3,008,051</b>	<b>2,317,057</b>
Minority interests	(38,333)	(41,091)
<b>Income attributable to shareholders</b>	<b>2,969,718</b>	<b>2,275,966</b>
<i>Gross profit margin</i>	<i>98.8%</i>	<i>94.7%</i>
<i>EBIT margin</i>	<i>15.2%</i>	<i>12.1%</i>
<i>Net profit margin</i>	<i>13.7%</i>	<i>10.9%</i>

Unit: US\$

**Balance Sheet of the Target as at financial reporting periods:**

<b>Items</b>	<b>31 December 2015</b>	<b>31 December 2014</b>
Cash and bank balance	14,305,165	11,529,595
Trade and bills receivables, net	9,796,987	8,873,128
Deposits, prepayments and other current assets	2,532,204	2,157,194
Inventory	1,432,629	503,217
Due from related companies	2,857,256	4,434,374
Due from associated companies & jointly controlled entities	3,363	7,857
Property, plant and equipment, net	7,416,952	6,975,476
Investments	12,112	12,112
Other non-current assets	1,483,925	2,092,131
Interest in associated companies	<u>408,877</u>	<u>428,593</u>
<b>Total assets</b>	<b><u>40,249,470</u></b>	<b><u>37,013,677</u></b>
Accounts and bills payable	7,912,864	5,495,625
Accrued liabilities and other payable	3,178,485	2,469,593
Due to related companies	2,214,758	3,132,834
Due to associated companies & jointly controlled entities	31,604	9,512
Current portion of long-term bank loans	144,926	112,853
Long-term bank loans, net of current portion	2,459,437	2,630,451
Long-term loan from related companies	2,208,814	3,838,814
Employee benefits obligations	175,381	215,752
<b>Total liabilities</b>	<b><u>18,326,269</u></b>	<b><u>17,905,434</u></b>
Share capital	1,000,001	1,000,001
Retained profit	19,601,462	16,631,744
Reserves	46,930	(29,633)
Cumulative translation adjustments	478,469	748,124
Minority interests	<u>796,339</u>	<u>758,007</u>
<b>Total equity</b>	<b><u>21,923,201</u></b>	<b><u>19,108,243</u></b>
<b>Total equity and liabilities</b>	<b><u>40,249,470</u></b>	<b><u>37,013,677</u></b>

*Unit: US\$*

## 5. COMPARABLE COMPANIES

We have selected a group of comparable transactions to provide a reasonable reference in order to evaluate the price multiples. Our selection criteria are as below:

- The comparable companies should primarily be engaged in logistics service business, the revenue weight of logistic service related business should be larger than 70%;
- The comparable companies should has its primary operation in South East Asia or Greater China region;
- The net profit margin of the comparable companies should be similar to the Target, i.e. ranging from 10% to 14%;
- The comparable companies should operate in an environment similar to the Target; and
- Information on the peer firms must be extracted from reliable databases, such as Bloomberg.

We have selected four comparable companies, representing an exhaustive list of comparable companies base on our selecting criteria, which are listed as below:

<b>Ticker</b>	<b>Company Name</b>	<b>Total Revenue</b> <i>US\$ million</i>	<b>Total Assets</b> <i>US\$ million</i>	<b>Revenue Weight of Logistic Service</b>	<b>Net Profit Margin</b>
TNL MK Equity	Tiong Nam Logistics Holdings	142	378	76%	13.4%
HALG MK Equity	Harbour-Link Group Berhad	143	147	73%	10.0%
SHC MK Equity	See Hup Consolidated Berhad	20	25	100%	14.0%
CLSB MK Equity	Complete Logistic Services Bhd	31	40	81%	13.2%
N/A	Target	22	40	100%	13.7%

*Source: Bloomberg*

The pricing multiple information of the selected comparable companies is shown as below:

Ticker	Company Name	Place of Listing	P/E ratio 30 Jun 16	Business Description
TNL MK Equity	Tiong Nam Logistics Holdings	Kuala Lumpur Stock Exchange	8.15	Tiong Nam Logistics Holdings is an investment holding company. The Company, through its subsidiaries, provides warehousing and transportation services. Tiong Nam Logistics also leases properties.
HALG MK Equity	Harbour-Link Group Berhad	Kuala Lumpur Stock Exchange	6.57	Harbour-Link Group Berhad is an investment holding company and provides management service. The Company, through its subsidiaries, provides shipping, forwarding, and transportation services. Harbour-Link also operates plant and machinery renting business and provides engineering and civil works services.
SHC MK Equity	See Hup Consolidated Berhad	Kuala Lumpur Stock Exchange	5.33	See Hup Consolidated Berhad is an investment holding company. The Company, through its subsidiaries, provides transportation services, maintenance of heavy vehicles, forwarding agent services, bonded truck services, bonded warehousing, and contractor services. See Hup also rents properties and hires cranes and forklifts.
CLSB MK Equity	Complete Logistic Services Bhd	Kuala Lumpur Stock Exchange	5.62	Complete Logistic Services Bhd. is an investment holding company. The Company, through its subsidiaries, owns ships, provides marine transportation services, general trading, trading of freight, lorry and trucking services, and logistics.
<b>Median</b>			<b>6.09</b>	

Source: Bloomberg

## 6. VALUATION OF THE TARGET

We have noticed that for the selected comparable companies, the presented P/E ratio is calculated based on their profit figure recorded in the latest available financial period. To be consistent, we have used Target's 12 months net profit for the financial period ended 2015 as the basis of our calculation. The net profit is approximately US\$3.0 million. The detailed calculation using P/E ratio is shown in below table:

Subject	Valuation	Formula
Earning of Target	2,969,718	A
P/E Multiple	6.09	B
<b>Value</b>	<b>18,085,583</b>	<b>C = A*B</b>
Lack of Marketability Discount	25%	D
<b>Adjusted Value</b>	<b>13,564,187</b>	<b>E = C*(1-D)</b>

*Unit: US\$*

### Lack of Marketability Discount

While the Instructing Party is a listed company, the Target itself is a private entity on stand-alone basis. The Equity Interest of the Target cannot be traded easily in an active market. Thus when assessing the market value of the Equity Interest, lack of marketability discount should be considered.

During the course of our valuation, we have adopted a lack of marketability discount of 25% in the valuation of the Equity Interest to compensate for the potential difficulty of selling the equity shares, which are not traded on a stock exchange, compared with those of the peer companies that are traded publicly in stock exchange markets. The lack of marketability discount is sourced from research published by National Association of Certified Valuers and Analysts (NACVA) in 2012. NACVA was found in 1991 and is headquartered in Salt Lake City, Utah. Over the years NACVA has trained over 35,000 valuation experts in the fields of business. NACVA also provides comprehensive research on various topic of valuation. We are of the view that such research is an authoritative guide in the market. This research draws conclusion from all business sectors and focus on samples observed in the US market, which is a developed market and we are of the opinion that such research also applicable to the Hong Kong market. Historical research also published by NACVA further shows that time factor and fluctuation of stock market has minimal effect on the lack of marketability discount, and in this regard, we are of opinion that the research performed in 2012 is applicable to this valuation.

## 7. PREMISE OF VALUATION AND BASIS OF VALUATION

Our valuation is based on market value basis and market value is defined as “the amount for which an asset could be exchanged, or a liability settled between knowledgeable, willing parties in an arm’s-length transaction”.

### 7.1 Source of Information

Our investigation covers the discussion with the Target's and the Instructing Party's representatives, the collection of information including the details of the Target.

We assume that the data obtained in the course of the valuation, along with the opinions and representations provided to us by the Target was prepared in reasonably care.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Target. We have also sought confirmation from the Target at no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive an informed view, and we have no reason to suspect that any material information has been withheld.

## 7.2 Factors Considered

The major factors considered in this valuation included, but were not limited to, the following:

- The financial performance of the Target;
- Historical financial statements of the Target;
- Operation and financial risks of the Target;
- Extra-ordinary items in relation to the Target's financial performance;
- The price of listed securities of similar companies;
- Operation experience of the management of the Target; and
- The macro-economic condition.

## 8. VALUATION ASSUMPTIONS

Due to the changing environment in which the Target is operating, a number of operating assumptions have been prepared by the management of the Target in order to sufficiently support our concluded opinion of the market value. The major assumptions are listed as follows:

- Capital market is efficient and the stock prices of comparable companies well reflect their market value.
- The Target will continue to provide logistics services in the region and fulfill all legal and regulatory requirements for the continuation of its business;
- There will be no material changes in politics, laws, rules or regulations where the Target currently operates which may materially and adversely affect the operations of the logistics service business;

- There will be no major changes in the current taxation law where the Target currently operates which will materially affect the profits, that the rates of tax payable remain unchanged and that all applicable laws and regulations in relation to taxation will be complied with;
- There will not be any adverse events beyond the management's control, including natural disasters, catastrophes, fire, explosion, flooding, acts of terrorism and epidemics that may adversely affect the operation of the Target; and
- Any financial statements, service contracts, schedule of assets and their condition or other relevant information as provided by the Target and the Instructing Party in connection with the valuation is true, lawful, complete and credible.

## 9. DISCLAIMER AND LIMITATION

Our valuation is subject to General Services Conditions are attached at the rear of this report as Appendix. Our findings or conclusion of values of the subject(s) in this report are valid only for the stated purpose and at the Valuation Date(s), and for the sole use of the Instructing Party.

Our liability for loss or damage shall be limited to such sum as we ought reasonably to pay having regard to our responsibility for the same on the basis that all other consultants and specialists, where appointed, shall be deemed to have provided to the Instructing Party contractual undertakings in respect of their services and shall be deemed to have paid to the Instructing Party such contribution as may be appropriate having regard to the extent of their responsibility for such loss or damage.

Our liability for any loss or damage arising out of the action or proceedings aforesaid shall, notwithstanding the preceding provisions, in any event be limited to a sum not exceeding ten (10) times of the amount of our agreed fee(s) for this engagement. In no event shall we be liable for consequential, special, incidental or punitive loss, damage or expense (including without limitation, loss of profits, opportunity cost, etc.), even if it has been advised of their possible existence. For the avoidance of doubt our liability shall never exceed the lower of the sum calculated in accordance with the preceding provisions and the sum provided for in this clause.

The Instructing Party and the Instructing Party are required to indemnify and hold us and our personnel harmless from any claims, liabilities, costs and expenses (including, without limitation, attorney's fees and the time of our personnel involved) brought against, paid or incurred by us at a time and in any way based on the information made available in connection with our engagement except to the extent that any such losses, expenses, damages or liabilities are ultimately determined to be the result of gross negligence, misconduct, willful default or fraud of our engagement team in conducting its work. This provision shall survive even after the termination of this engagement for any reason.

We reserve the right to include your company/firm name in our client list, but we will maintain the confidentiality of all conversations, documents provided to us, and the contents of our reports, subject to legal or administrative process or proceedings. These conditions can only be modified by written documents executed by both parties.

Any decision to purchase, sell or transfer any interest in the valuation subjects shall be the owners' sole responsibility, as well as the structure to be utilized and the price to be accepted. The selection of the price to be accepted requires consideration of factors beyond the information we will provide or have provided. An actual transaction involving the subject business might be concluded at a higher value or at a lower value, depending upon the circumstances of the transaction and the business, and the knowledge and motivations of the buyers and sellers at that time.

## 10. CONCLUSION

The conclusion of value is based on the accepted valuation procedures and practices that rely substantially on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained.

While the assumptions and consideration of such matters are considered to be reasonable, they are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Target, the Instructing Party and/or Crowe Horwath.

Based on the valuation methodology adopted, we are of the opinion that as at 30 June 2016, the market value of the 100% Equity Interest of CTSI Logistics, Inc., was in the sum of US\$13,600,000 (UNITED STATES DOLLARS THIRTEEN MILLION SIX HUNDRED THOUSAND).

We hereby certify that we have neither present nor prospective interests in the Instructing Party, the Target or the value reported.

Yours faithfully,  
For and on behalf of  
**Crowe Horwath (HK) Consulting & Valuation Limited**  
**Stella KY Law**  
*Executive Director*

*Ms. Stella Law, being the person signing off this Valuation Report, (i) is a Member of Royal Institution Chartered Surveyors (MRICS); and (ii) specializes in business valuation with over 10 years' experience in the industry.*



Octal Capital Limited  
802-805, 8th Floor, Nan Fung Tower  
88 Connaught Road Central  
Hong Kong

14 December 2016

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

Dear Sirs,

We refer to the business valuation report dated 14 December 2016 (the “**Business Valuation**”) prepared by Crowe Horwath (HK) Consulting & Valuation Limited (the “**Valuer**”) in relation to the valuation of CTSI Holdings Limited and its subsidiaries. Capitalised terms used in this letter shall have the same meanings as defined in the circular of Luen Thai Holdings Limited dated 14 December 2016.

Based on the review work conducted by us in relation to the qualifications and experience of the Valuer, which include reasonableness checks to assess the relevant experience and expertise of the Valuer, review of, and discussion with the Valuer about, the qualifications, experience and expertise of the Valuer, we are satisfied that the Valuer has the qualifications and experience to compile the Business Valuation.

We have also reviewed the Business Valuation and discussed with the Directors and the management of the Company and the Valuer regarding the Business Valuation, among others, the assumptions, comparable companies and methodologies adopted for the Valuation and adjustments made to arrive at the Business Valuation.

On the basis of the foregoing, we are satisfied that the Business Valuation including the methodologies and assumptions, for which the Directors are solely responsible, have been made after due care and consideration and objectivity, and on a reasonable basis.

Yours faithfully,  
for and on behalf of  
**Octal Capital Limited**  
**Alan Fung**  
*Managing Director*

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## NOTICE OF EGM

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*Hong Kong Exchanges and Clearing Limited and 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.*



### **LUEN THAI HOLDINGS LIMITED**

### **聯泰控股有限公司**

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

**(Stock Code: 311)**

### **NOTICE OF EXTRAORDINARY GENERAL MEETING**

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (“the “EGM”) of Luen Thai Holdings Limited (the “Company”) will be held at the Boardroom, 5th Floor, Nanyang Plaza, 57 Hung To Road, Kwun Tong, Kowloon, Hong Kong on Saturday, 31 December 2016 at 10:00 a.m., or any adjournment thereof, for the purpose of considering and, if thought fit, passing (with or without amendments) the following ordinary resolutions of the Company. Unless the context requires otherwise, capitalised terms used in this notice shall have the same meaning as defined in the circular of the Company dated 14 December 2016.

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

**“THAT:**

- (a) the Disposal Agreement and the Possible CCT and the respective transactions contemplated thereunder as special deals under the Takeovers Code in relation to the Offer be and are hereby approved, confirmed and ratified; and
- (b) the Directors be and are hereby generally and unconditionally authorized to do all such acts and things and to sign and execute all such documents and to take all such steps which, in the opinion of the Directors, may be necessary, desirable or expedient to give effect to the respective terms of, or the respective transactions contemplated under, the Disposal Agreement and the Possible CCT and to agree to such variation, amendment or waiver or matter relating thereto as are, in the opinion of the Directors, not of a material nature and in the interests of the Company and its shareholders as whole.”

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## NOTICE OF EGM

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### 2. ORDINARY RESOLUTION (2):

“THAT:

- (a) the Disposal Agreement and the transactions contemplated thereunder as major transaction of the Company under Chapter 14 of the Listing Rules and as a connected transaction of the Company under Chapter 14A of the Listing Rules be and are hereby approved, confirmed and ratified, regardless of whether the ordinary resolution (1) as set out above is approved; and
- (b) the Directors be and are hereby generally and unconditionally authorized to do all such acts and things and to sign and execute all such documents and to take all such steps which, in the opinion of the Directors, may be necessary, desirable or expedient to give effect to the terms of, or the transactions contemplated under the Disposal Agreement and to agree to such variation, amendment or waiver or matter relating thereto as are, in the opinion of the Directors, not of a material nature and in the interests of the Company and its shareholders as whole.”

### 3. ORDINARY RESOLUTION (3):

“THAT:

Subject to the Disposal Completion having taken place, the Disposal Special Dividend of HK\$0.82 per Share, to be distributed and paid in cash to the Shareholders whose names are registered on the register of members of the Company on Disposal Special Dividend Record Date be distributed and paid in cash; and the Directors (or any one of them) be and is/are hereby authorised to do such acts or things and execute such documents (including but not limited to the affixing of the seal of the Company) which in their/his/her opinion may be necessary, desirable or expedient to carry out or to give effect to the transactions contemplated under this resolution.”

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## NOTICE OF EGM

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### 4. ORDINARY RESOLUTION (4):

“THAT:

Subject to the Offer having been made and declared to be unconditional, the Offer Special Dividend of HK\$0.749 per Share, to be distributed and paid in cash to the Shareholders whose names are registered on the register of members of the Company on Offer Special Dividend Record Date be distributed and paid in cash; and the Directors (or any one of them) be and is/are hereby authorised to do such acts or things and execute such documents (including but not limited to the affixing of the seal of the Company) which in their/his/her opinion may be necessary, desirable or expedient to carry out or to give effect to the transactions contemplated under this resolution.”

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

Hong Kong, 14 December 2016

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

*Head Office and Principal Place of  
Business in Hong Kong*  
5/F, Nanyang Plaza  
57 Hung To Road  
Kwun Tong, Kowloon  
Hong Kong

### Notes:

- i. A member entitled to attend and vote at the meeting convened is entitled to appoint another person(s) as his proxy to attend and vote in his stead. A proxy does not need to be a member of the Company.
- ii. To be valid, a form of proxy together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of attorney shall be deposited at Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not less than 48 hours before the time appointed for holding of the meeting or any adjournment thereof. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the meeting or any adjournment thereof should he so wish.
- iii. The Register of Members of the Company will be closed from 22 December 2016 to 30 December 2016 (both days inclusive), during which period no transfers of shares will be registered. To determine the entitlement to attend and vote at the EGM, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's Branch Share Registrars in Hong Kong, Computershare Hong Kong

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## NOTICE OF EGM

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Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on 21 December 2016.

- iv. In case of joint shareholdings, the vote of the senior joint shareholder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint shareholder(s) and for this purpose seniority will be determined by the order in which the names stand in the Register of Members of the Company in respect of the joint shareholding.
- v. If Typhoon Signal No. 8 or above, or a "black" rainstorm warning is in effect any time after 7:00 a.m. on the date of the EGM, the meeting will be postponed. The Company will post an announcement on the websites of the Company at [www.luenthai.com](http://www.luenthai.com) and the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) to notify Shareholders of the date, time and place of the rescheduled meeting.
- vi. A form of proxy for use at the EGM is enclosed herewith.

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

*Executive Directors:*

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

*Independent Non-executive Directors:*

Chan Henry  
Cheung Siu Kee  
Seing Nea Yie

*Non-executive Directors:*

Tan Willie  
Lu Chin Chu

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