Set out below is the text of a letter received from Akron, the Independent Financial Adviser to the Independent Board Committee regarding the Offers for the purpose of incorporation in this Composite Document.

AKRON
Corporate Finance Limited
亞貝隆資本有限公司

1 February 2016

To: The independent board committee of Pak Tak International Limited

Dear Sirs,

MANDATORY UNCONDITIONAL CASH OFFERS BY HAITONG INTERNATIONAL SECURITIES COMPANY LIMITED ON BEHALF OF HONG KONG INVESTMENTS GROUP LIMITED TO ACQUIRE ALL THE ISSUED SHARES AND OUTSTANDING WARRANTS IN PAK TAK INTERNATIONAL LIMITED (OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY THE OFFEROR AND PARTIES ACTING IN CONCERT WITH IT)

A. INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee in respect of the terms of the Offers and as to its acceptance, details of which are set out in the Composite Document jointly issued by the Offeror and the Company to the Shareholders and the Warrantholders dated 1 February 2016 of which this letter forms part. Capitalised terms used in this letter shall have the same meanings ascribed to them in the Composite Document unless the context otherwise requires.

On 11 January 2016, the Offeror and the Company jointly announced that on 4 January 2016 and 5 January 2016, the Vendors and the Offeror entered into the S&P Documents whereby the Vendors agreed to sell and the Offeror agreed to acquire the Sale Shares, being 380,488,490 Shares in aggregate, at an aggregate consideration of HK$209,268,669.50 (equivalent to HK$0.55 per Sale Share). The Completion took place on 8 January 2016.

Immediately following Completion and as at the Latest Practicable Date, the shareholding of the Offeror and the parties acting in concert with it increased from approximately 26.86% to 53.74% of the existing issued ordinary share capital of the Company. Pursuant to Rule 26.1 and 13.1 of the Takeovers Code, the Offeror is required to make an unconditional mandatory general offer in cash for all the issued Shares other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it. Pursuant to Rule 13.5 of the Takeovers Code, the Warrant Offer would also be made for all outstanding Warrants (other than those already acquired or agreed to be acquired by the Offeror and parties acting in concert with it).

An Independent Board Committee comprising Mr. Liu Kam Lung, Mr. Wu Shiming and Mr. Chan Sun Kwong (all being independent non-executive Directors) has been formed to advise the Independent Shareholders and the Warrantholders on whether the terms of the Offers are fair and reasonable so far as the Independent Shareholders and the Warrantholders are concerned and as to the acceptance of the Offers. We, Akron Corporate Finance Limited, have been appointed as the independent financial adviser by the Company after approval by the Independent Board Committee and the Board to advise the Independent Board Committee in this respect, and our opinion herein is solely for the assistance of the Independent Board Committee in connection with its consideration of the Offers pursuant to Rule 2.1 of the Takeovers Code.

As at the Latest Practicable Date, apart from the existing engagement in connection with the Offers, we do not and did not have any relationship (business, financial or otherwise) amounted to a significant connection (as referred to in Rule 2.6 of the Takeovers Code) with the Company or the Offeror within the past two years for us of a kind reasonably likely to create, or to create the perception of, a conflict of interest for us or which is reasonably likely to affect the objectivity of our advice.

B. BASIS OF OUR OPINION AND RECOMMENDATION

In formulating our opinion and recommendation, we have relied on the accuracy of the information and facts contained or referred to in the Composite Document and provided to us by the management of the Company. We have assumed that all information and representations contained or referred to in the Composite Document were true and accurate at the time when they were made and continue to be true, accurate and complete in all material respects and not misleading or deceptive at the time when they were provided or made and will continue to be so up to the date of dispatch of the Composite Document. Should there be any subsequent material changes in such information during the Offers period, the Company should inform the Shareholders as soon as practicable in accordance with Rule 9.1 of the Takeovers Code. We have also assumed that all statements of belief, opinion and intention made by the Directors and the Offeror in the Composite Document were reasonably made after due enquiries and considerations. We have no reasons to doubt that any relevant information has been withheld, nor are we aware of any fact or circumstance which would render the information provided and representations made to us untrue, inaccurate or misleading. We consider that we have reviewed sufficient information to enable us to reach an informed view and to justify reliance on the accuracy of the information contained in the Composite Document and to provide a reasonable basis for our opinions and recommendations. The Directors have declared in a responsibility statement set out in the Appendix III to the Composite Document that they jointly and severally accept full responsibility for the accuracy of the information contained in the Composite Document (other than that relating to the Offeror, the sole director of the Offeror, their associates and parties acting in concert with any of them, the terms and conditions of the Offers and the intention of the Offeror regarding the Group). We have not, however, carried out any independent verification of the information provided by the Company, the Directors and the management of the Company, nor have we conducted an independent investigation into the business and affairs, financial condition and future prospects of the Group and/or the Offeror.

In formulating our opinions, we have not considered the tax implications on the Independent Shareholders and the Warrantholders arising from acceptances or non-acceptances of the Offers as these are particular to their individual circumstances. It is emphasised that we will not accept responsibility for any tax effect on or liability of any person resulting from his or her acceptance or non-acceptance of the Offers. In particular, the Independent Shareholders and the Warrantholders who are residents outside Hong Kong or subject to overseas tax or Hong Kong taxation on securities dealings should consider their own tax position, and if in any doubt, should consult their own professional advisers.

In formulating our opinions, our opinions are necessarily based upon the financial, economic, market, regulatory and other conditions as they existed on, and the facts, information, representations, and opinions made available to us as of the Latest Practicable Date. We disclaim any undertaking or obligation to advise any person of any change in any fact or matter affecting the opinions expressed herein which may come or be brought to our attention after the end of the period for the acceptance of the Offers. Based on the foregoing, we confirm that we have taken all reasonable steps, which are applicable to the Offers, as referred to in Rule 13.80 of the Listing Rules (including the notes thereto).

This letter is issued for the Independent Board Committee solely in respect of the Offers and, except for its inclusion in the Composite Document, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

C. PRINCIPAL FACTORS AND REASONS CONSIDERED

1. Historical financial performance of the Group

The Group is principally engaged in manufacturing, on an OEM basis, and trading of men's, ladies' and children's knit-to-shape garments for export from Hong Kong and the PRC to mainly the United States ("**US**") and Europe ("**EU**").

Set out below is a summary of the financial information on the Group as extracted from the interim report of the Company for the six months ended 30 September 2015 (the "**2015 Interim Report**") and the annual report of the Company for the year ended 31 March 2015 (the "**2015 Annual Report**"):

	Six months ended 30 September		**For the year ended 31 March**	
	2015	**2014**	**2015**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(unaudited)	(unaudited)	(audited)	(audited)
Turnover	212,240	229,547	366,353	427,870
Gross profit	25,212	25,889	23,438	16,696
Profit/(Loss) for the period/year attributable to owners of the Company	3,304	13,091	(6,281)	(27,795)
Gross profit margin	11.9%	11.3%	6.4%	3.9%

	As at 30 September	**As at 31 March**	
	2015	**2015**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
	(unaudited)	(audited)	(audited)
Non-current assets	29,188	32,783	148,644
Current assets	294,573	221,449	117,205
Current liabilities	121,965	61,628	60,120
Net current assets	172,608	159,821	57,085
Net asset attributable to owners of the Company	184,078	175,781	183,544

Financial year ended 31 March 2015 vs financial year ended 31 March 2014

For the year ended 31 March 2015, the Group's turnover decreased by approximately 14.4% from approximately HK$427.9 million for the corresponding period in 2014 to approximately HK$366.4 million. Gross profit increased by approximately 40.4% from approximately HK$16.7 million for the corresponding period in 2014 to approximately HK$23.4 million. Gross profit margin also increased from approximately 3.9% for the corresponding period in 2014 to approximately 6.4%. The increase in gross profit and gross profit margin were mainly due to the reduction in sub-contractor wages by approximately 34.3% from approximately HK$90.3 million for the corresponding period in 2014 to approximately HK$59.3 million.

Loss attributable to owners of the Company for the year ended 31 March 2015 amounted to approximately HK$6.3 million as compared to a loss of approximately HK$27.8 million for the corresponding period in 2014. The improvement in results for the year ended 31 March 2015 was mainly attributable to (i) increase in gross profit of approximately HK$6.7 million, (ii) increase in other net gain of approximately HK$4.3 million and (iii) the gain on disposal of subsidiaries of approximately HK$9.4 million.

As at 31 March 2015, the Group recorded net current assets and net assets attributable to owners of the Company of approximately HK$159.8 million and HK$175.8 million, respectively.

Six months ended 30 September 2015 vs six months ended 30 September 2014

For the six months ended 30 September 2015, the Group's turnover decreased by approximately 7.5% from approximately HK$229.5 million for the corresponding period in 2014 to approximately HK$212.2 million. The decrease in turnover was mainly due to the drop of orders placed from the US market segment. Gross profit slightly decreased by approximately 2.6% from approximately HK$25.9 million for the corresponding period in 2014 to approximately HK$25.2 million. However, gross profit margin slightly increased from approximately 11.3% for the corresponding period in 2014 to approximately 11.9% due to the decrease in direct labour costs as a result of substitution of such with the comparatively lower sub-contracting charges.

Profit attributable to owners of the Company for six months ended 30 September 2015 amounted to approximately HK$3.3 million as compared to a profit of approximately HK$12.8 million for the corresponding period in 2014. The deterioration in results for six months ended 30 September 2015 was mainly attributable to the absence of gain on disposal of subsidiaries of approximately HK$9.4 million recorded in the corresponding period in 2014.

As at 30 September 2015, the Group recorded net current assets and net assets attributable to owners of the Company of approximately HK$172.6 million (31 March 2015: HK$159.8 million) and HK$184.1 million (31 March 2015: HK$175.8 million), respectively. Such increases in both net current assets and net assets were mainly due (i) increase in trade receivables of approximately HK$64.5 million and partly offset by (ii) increase in trade and other payables and accrued charges of approximately HK$42.8 and (iii) increase in bank loans and overdraft of approximately HK$17.5 million.

2. Prospect and outlook of the Group

According to the 2015 Interim Report, the Group's turnover decreased by approximately 7.5% from approximately HK$229.5 million for the corresponding period in 2014 to approximately HK$212.2 million. Such decrease was mainly due to the decline in demand from the US which accounted for approximately 76% of the Group's total turnover for the six months ended 30 September 2015.

According to a research report titled "Clothing Industry in Hong Kong" published by Hong Kong Trade Development Council on 28 July 2015 (the "**HKTDC Research**"), in recent years, traditional markets, such as the US, EU and Japan, have shifted purchase from China to other countries, including ASEAN and Bangladesh, with more preferential market access, which has in turn impaired the competitiveness of Hong Kong and the Chinese manufacturers.

Further to the HKTDC Research, Hong Kong's total exports and re-exports of clothing decreased by 10% year-on-year in the first five months of 2015 and the domestic exports slumped by 31% year-on-year in the same period of 2015. In the first five months of 2015, Hong Kong's clothing exports to the US and EU, the two largest markets that accounted for more than 62% of the total, fell by 7% and 15%, respectively. Also, according to the statistics of the Chinese Customs, China's total export amount of the garments and clothing accessories to global markets from January to November 2015 was approximately US$157.2 billion, representing a year-on-year decrease of approximately 7.7%.

More, as the production operation of the Group takes place in the PRC and it has over 1,000 employees, surge in wages in the PRC would have negative impact on the competitiveness of the Group. According to the annual statistical data as published on the website of National Bureau of Statistics of China (http://data.stats.gov.cn), the average wage of employed persons in urban private units was RMB36,390 in 2014, representing a surge of approximately 11.3% from approximately RMB32,706 in 2013. Along with the rising labour costs in the PRC, an increasing number of Hong Kong and the PRC clothing manufacturers have relocated their production lines from the PRC to the low-cost Southeast Asian countries like Bangladesh, Vietnam, Cambodia and Indonesia. Though the Group can relocate its production line from the PRC to the low-cost countries so as to reduce its production costs, the Group has to incur additional efforts and costs for the relocation, such as procuring new manufacturing plants and equipment, redundancy payment to the PRC staff and new employees' training costs. As such, the relocation could disrupt the Group's operations and adversely affect its business, financial condition, results of operations and growth prospects.

In view of (i) traditional markets, such as the US, EU and Japan, have shifted purchase from China to other countries, (ii) decline in demand in global markets for the garment exported from Hong Kong and China, (iii) the rising labor costs in the PRC and (iv) keen competition from other low-cost countries, we are of the view that that the prospects and outlook of the Group is uncertain.

3. Information on the Offeror

Set out below is the information on the Offeror obtained from the "Letter from Haitong International Securities" in the Composite Document:

The Offeror is an investment holding company incorporated in the BVI with limited liability. As at the Latest Practicable Date, the sole shareholder and sole director of the Offeror is Mr. Cheung Chi Mang, the Chairman and an executive Director.

4. Intention of the Offeror and proposed change of Board composition

Business

As stated in the "Letter from Haitong International Securities", following the close of the Offers, the Offeror intends to continue the existing principal businesses of the Group. The Offeror will conduct a review on the financial position and the operations of the Group and will formulate long-term business plans and strategy of the Group, explore other business opportunities and consider whether any asset disposals, asset acquisitions, business rationalisation, business divestment, fund raising, restructuring of the business and/or business diversification will be appropriate in order to enhance the long-term growth potential of the Group. The Offeror has no intention to (i) discontinue the employment of any employees of the Group; or (ii) redeploy the fixed assets of the Group other than those in its ordinary and usual course of business.

Proposed change of Board composition of the Company

As at the Latest Practicable Date, the Board is currently made up of six Directors, comprising two executive Directors, one non-executive Director and three independent non-executive Directors. The Offeror has proposed to appoint two Directors, namely Mr. Jacky Shang as executive Director and Mr. Chong, Ka Yee as non-executive Director with effect from a date which is after the despatch of the Composite Document. Any changes to the Board will be made in accordance with the requirements under the Listing Rules and Takeovers Code as and when appropriate.

Maintain the listing status of the Company

The Offeror intends to maintain the listing of the Shares on the Stock Exchange after the close of the Offers and has undertaken to the Stock Exchange to take appropriate steps as soon as possible following the close of the Offers to ensure that a sufficient public float exists for the Shares.

The Offeror does not intend to exercise or apply any right which may be available to it to acquire compulsorily any Shares outstanding after the close of the Offers.

If, at the close of the Offers, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, are held by the public at all time, or if the Stock Exchange believes that:

i. a false market exists or may exist in the trading of the Shares; or

ii. there are insufficient Shares in public hands to maintain an orderly market,

then, it will consider exercising its discretion to suspend dealings in the Shares.

Each of the Offeror and the Company has undertaken, and the proposed Directors who will be nominated by the Offeror to be appointed as Directors will undertake to the Stock Exchange to take appropriate steps after the close of the Offers to ensure that sufficient public float exists in the Shares.

5. Principal terms of the Offers

Haitong International Securities is making the Offers in accordance with the Takeovers Code on the following basis:

The Share Offer:

For each Share . . . . HK$0.55 in cash

The Share Offer Price of HK$0.55 for each Share under the Share Offer is the same as the price per Share of HK$0.55 at which the Sale Shares had been acquired by the Offeror pursuant to the S&P Documents.

The Warrant Offer:

For each Warrant . . . . HK$0.0001 in cash

Pursuant to Rule 13 of the Takeovers Code and Practice Note 6 of the Takeovers Code, the offer price for the outstanding Warrants would normally represent the difference between the exercise price of the Warrants and the Share Offer Price. Under the Warrant Offer, since the exercise prices of the outstanding Warrants are above the Share Offer Price, the outstanding Warrants are out-of-money and the offer price for each outstanding Warrant is at a nominal value of HK$0.0001.

In view of the exercise price of the outstanding Warrants is out of money, we consider the Warrant Offer is fair and reasonable.

6. Comparison of value

The Share Offer Price of HK$0.55 for each Share under the Share Offer represents:

i. a discount of approximately 21.43% to the closing price of HK$0.70 per Share as quoted on the Stock Exchange on the Last Trading Day;

ii. a discount of approximately 20.75% to the average closing price of HK$0.694 per Share as quoted on the Stock Exchange for the 5 consecutive trading days up to and including the Last Trading Day;

iii. a discount of approximately 20.86% to the average closing price of HK$0.695 per Share as quoted on the Stock Exchange for the 10 consecutive trading days up to and including the Last Trading Day;

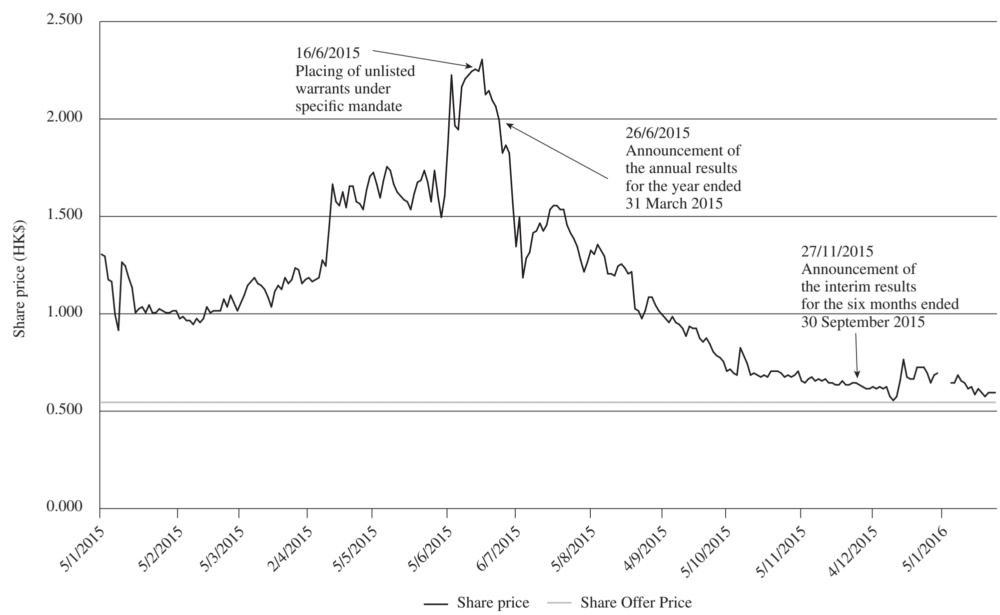
iv. a discount of approximately 15.90% to the average closing price of HK$0.654 per Share as quoted on the Stock Exchange for the 30 consecutive trading days up to and including the Last Trading Day;

v. a premium of approximately 323.08% over the unaudited condensed consolidated net asset value attributable to Shareholders of the Company of approximately HK$0.13 per Share (based on the number of issued Shares as at the Latest Practical Date) as at 30 September 2015, the date to which the latest unaudited financial results of the Group were made up; and

vi. a discount of approximately 8.33% to the closing price of HK$0.60 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

7. Historical price performance of the Shares

Set out below is the chart showing the daily closing price of the Shares as quoted on the Stock Exchange during the period commencing from 5 January 2015, being the twelve-month period prior to the Last Trading Day, up to and including the Latest Practicable Date (the "**Review Period**"):



As illustrated in the chart above, during the Review Period, the closing price of the Shares ranged from the lowest closing price of HK$0.56 per Share recorded on 14 December 2015 to the highest closing price of HK$2.31 per Share recorded on 19 June 2015, with an average of approximately HK$1.133 per Share. The Share Offer Price represents a discount of approximately 76.2% to the highest closing price of the Shares and a discount of approximately 1.8% to the lowest closing price of the Shares during the Review Period, respectively.

During the period commencing from 5 January 2015 to 4 January 2016 (being the Last Trading Day) (the "**Pre-announcement Period**"), the closing price of the Shares generally exhibited an upward trend in the first half of the Pre-announcement Period which subsequently hit the highest point of HK$2.31 per Share on 19 June 2015 (the "**Highest Price**"). The closing price of the Shares then gradually decreased from the Highest Price and reached a relatively low level of HK$0.7 per Share on the Last Trading Day. We have enquired with the management of the Company and were advised that save for the announcements of (i) placing of unlisted warrants under specific mandate on 16 June 2015, (ii) the annual results for the year ended 31 March 2015 on 26 June 2015 and (iii) interim results for the six months ended 30 September 2015 on 27 November 2015, the Company did not issue any other announcement which is of price-sensitive nature during the Pre-announcement Period and the management of the Company is not aware of any particular reason for the price movement.

At the request of the Company, trading in the Shares was suspended from 5 January 2016 to 11 January 2016 (both days inclusive) pending the publication of the Joint Announcement. Subsequent to the issue of the Joint Announcement, the closing price of the Shares decreased by approximately 7.1% to HK$0.65 per Share on 12 January 2016 (being the first trading day after the publication of the Joint Announcement) as compared to that of HK$0.70 per Share on the Last Trading Day. Afterward, the Shares price decreased to HK$0.60 on 29 January 2016 and below the closing price of the Shares on the Last Trading Day. We have enquired with the management of the Company regarding the possible reasons for the decrease in the Share price after the publication of the Joint Announcement and were advised that save for the sale and purchase of the Sale Shares owned by the Vendors contemplated under the S&P Documents and the possibility of the Offers, they were not aware of any other matters which might have impact on the Share price. We noted that the decrease of the closing price of the Shares immediately after the publication of the Joint Announcement was generally in line with the recent market sentiment during this period in which the Hang Seng Index recorded a close of approximately 21,327 on 4 January 2016 and decreased to approximately 19,683 on 29 January 2016, representing a decline of approximately 7.7%.

Notwithstanding the fact that the Share Offer Price falls below the closing price of the Shares throughout the Review Period, given the trading volume of the Shares has been very thin as discussed in the sub-paragraph headed "8. Liquidity of the Shares" below, the market price of the Shares might not be an appropriate indicator to truly reflect the value of the Company.

8. Liquidity of the Shares

A table showing the average daily volume of the Shares per month and the respective percentages of the average daily trading volume as compared to the total number of issued Shares and total number of issued Shares held by public Shareholders respectively during the Review Period is as follows:

	Total trading volume for the month/period	Average daily trading volume for the month/ period (the "Average Daily Volume") *(Note 1)*	Percentage of average daily trading volume to total number of issued Shares as at the Latest Practicable Date *(Note 2)*	Percentage of average daily trading volume to total number of issued Shares held by public Shareholders as at the Latest Practicable Date *(Note 3)*
2015				
January (from 5 January 2015)	71,971,250	3,598,562	0.25%	0.56%
February	31,890,000	1,771,666	0.13%	0.27%
March	12,670,000	575,909	0.04%	0.09%
April	48,838,000	2,570,421	0.18%	0.40%
May	91,460,000	4,813,684	0.34%	0.75%
June	522,469,000	23,748,590	1.68%	3.69%
July	189,630,000	8,619,545	0.61%	1.34%
August	39,015,300	1,857,871	0.13%	0.29%
September	13,120,000	656,000	0.05%	0.10%
October	61,710,000	3,085,500	0.22%	0.48%
November	13,190,000	628,095	0.04%	0.10%
December	31,340,000	1,424,545	0.10%	0.22%
2016				
January (up to the Latest Practicable Date)	37,980,000	2,532,000	0.18%	0.39%

Source: website of the Stock Exchange (http://www.hkex.com.hk)

Notes:

1. Average daily trading volume is calculated by dividing the total trading volume for the month/period by the number of trading days during the relevant month/period which exclude any trading day on which trading of Shares on the Stock Exchange was suspended for the whole trading day.

2. Based on 1,415,000,000 Shares in issue as at the Latest Practicable Date.

3. Based on 644,353,020 Shares held by the public Shareholders as at the Latest Practicable Date.

As illustrated in the above table, the Average Daily Volume ranged from (i) approximately 0.04% to approximately 1.68% of the respective total number of issued Shares as at the Latest Practicable Date and (ii) approximately 0.09% to approximately 3.69% of the respective total number of issued Shares held by public Shareholders as at the Latest Practicable Date during the Review Period. The daily trading volume of the Shares during the Review Period ranged from 0 Share to approximately 91,465,000 Shares, representing 0% and approximately 6.46% of the total number of Shares in issue as at the Latest Practicable Date during the Review Period, respectively. The liquidity of the Shares, in our view, was generally thin during the Review Period.

Given the thin historical daily trading volume of the Shares during the Review Period, it is uncertain as to whether there would be sufficient liquidity in the Shares for the Independent Shareholders to dispose of a significant number of the Shares in the open market without depressing the Share price. Accordingly, the market trading price of the Shares may not necessarily reflect the proceeds that the Independent Shareholders can receive by the disposal of their Shares in the open market. Therefore, we are of the view that the Share Offer represents an opportunity for the Independent Shareholders, particularly for those who hold a large volume of the Shares, to dispose of part or all of their Shares at the Share Offer Price if they so wish to.

9. Comparable analysis

Given that the Company is loss making for the year ended 31 March 2015, it is impracticable to use price-to-earnings ("**P/E**") ratio to value the Company with other companies engaged in similar industry. Other than P/E ratio, price-to-book ("**P/B**") ratio is the most commonly used benchmark in valuing a company. Taking into account the nature of the business of the Company which is capital intensive, the Group's total assets mainly comprise of (i) property, plant and equipment, (ii) inventories, (iii) trade receivables, (iv) other receivables, prepayments and deposits; and (v) cash and cash equivalents, we consider the net asset approach (i.e. by computing the P/B ratios) is an appropriate alternate approach to assess the fairness and reasonableness of the Share Offer Price. Based on the price of HK$0.55 per Offer Share and the total number of issued Shares of 1,415,000,000 as at the Latest Practicable Date, the Company is valued at approximately HK$778.3 million. The P/B ratio of the Company implied by the Share Offer Price (the "**Implied P/B**") is approximately 4.23 times based on the equity attributable to owners of the Company of approximately HK$184.1 million.

In assessing the fairness and reasonableness of the Share Offer Price, we have identified an exhaustive list of companies (the "**Comparable Companies**") which (i) are principally engaged in manufacturing and trading in garments products on an OEM basis and generated over 50% of their revenue from the US and EU market segments in their respective latest financial year; (ii) have the production lines in the PRC and (iii) have their shares listed on the Main Board of the Stock Exchange. Based on these criteria, we identified 2 Comparable Companies. The Comparable Companies represent a complete and an exhaustive list of companies meeting the aforementioned criteria as identified by us. We consider that while the Company and the Comparable Companies are not closely similar in terms of, among others, financial performance, financial position and market capitalization, the supply and demand of the garments products, and therefore the fundamentals of such companies engaged in the manufacturing and trading of garments products, are in general affected by similar macro-economic factors including, but not limited to, global economy and outlook, prices of raw materials, demand from end users, i.e. market demand for and consumption of garments products. Based on the foregoing, we consider the Comparable Companies as fair and representative samples, the analysis of which is useful for assessing the fairness and reasonableness of the Share Offer Price. The following table sets out the details of the Comparable Companies:

Company (Stock code)	**Principal business**	**Market capitalisation as at the Latest Practicable Date** *(HK$ million)*	**Net asset value attributable to the shareholders of the company** *(HK$ million)*	**PB Ratio** *(Note)* *(times)*
China Ting Group Holdings Limited (3398)	Manufacturing and sale of garments	682.4	2,532.9	0.27
Top Form International Limited (333)	Design, manufacture and distribution of ladies' intimate apparel, principally brassieres	384.9	558.5	0.69
			Minimum	0.27
			Maximum	0.69
			Average	0.48
The Company		778.3	184.1	4.23

Source: website of the Stock Exchange (http://www.hkex.com.hk)

Note:

The P/B ratios of the Comparable Companies are calculated based on the market capitalisation of the respective Comparable Companies as at the Latest Practicable Date divided by the equity attributable to owners of the respective Comparable Companies as extracted from their respective latest published annual or interim results.

As illustrated in the table set out above, the P/B of the Comparable Companies ranged from approximately 0.27 times to approximately 0.69 times, with an average of approximately 0.48 times. The Implied P/B of approximately 4.23 times is higher than the upper bound of the range of the P/B of the Comparable Companies and is significantly higher than the average and median of the P/B of the Comparable Companies. As such, we consider the Share Offer Price, with reference to the Implied P/B, is fair and reasonable given the current market valuation of the Comparable Companies.

D. RECOMMENDATION

Taking into consideration the abovementioned factors and reasons for the Offers, in particular:

(i) the Group reported decrease in revenue for the six months ended 30 September 2015 and the year ended 31 March 2015 as compared with their corresponding periods in 2014;

(ii) the prospect of the garment industry is challenging and uncertain as (i) the market demand for Hong Kong's and China's exports of garment is sluggish, (ii) there is increasing market competition from other low-cost countries and (iii) surge in wages in the PRC would have negative impact on the competitiveness of the Group, as discussed in the paragraph headed "Prospect and outlook of the Group" above;

(iii) the Offeror has no future plan on the business of the Group as at the Latest Practicable Date and it is uncertain to the success of the Group in the future;

(iv) the exercise prices of the outstanding Warrants are out of money;

(v) the Share Offer represents an opportunity for Shareholders to realise their investments since Shareholders may not be able to dispose large quantities of Shares without exerting downward pressure on the price of Shares in the open market given the low liquidity of the Shares; and

(vi) the Implied P/B of approximately 4.23 times is higher than the upper bound of the range of the P/B of the Comparable Companies and significantly higher than the average of the P/B of the Comparable Companies.

We are of the view that the terms of the Offers are fair and reasonable so far as the Independent Shareholders and the Warrantholders are concerned. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders and the Warrantholders to accept the Offers.

The Independent Shareholders and the Warrantholders, in particular those who intend to accept the Offers, are reminded to note the recent fluctuation in the price of the Shares. Since the publication of the joint announcement of the Company dated 11 January 2016 and up to the Latest Practicable Date, the Share price are higher than the Share Offer Price. However, Independent Shareholders and the Warrantholders should note that there is no guarantee that the current market price of the Shares will or will not sustain and will or will not be higher than the Share Offer Price during and after the Offers period. The Independent Shareholders and the Warrantholders who intend to accept the Offers are reminded to closely monitor the market price and the liquidity of the Shares during the Offers period and shall, having regard to their own circumstances and investment objectives, consider selling their Shares or their Shares so converted in the open market, instead of accepting the Offers, if the net proceeds from the sale of such Shares or such Shares so converted, net of all transaction costs, would be higher than that receivable under the Offers.

In any case, the Independent Shareholders and the Warrantholders are strongly advised that the decision to realise or to hold their investment is subject to individual circumstances and investment objectives. If in doubt, the Independent Shareholders and the Warrantholders should consult their own professional advisers for professional advice. Furthermore, the Independent Shareholders and the Warrantholders who wish to accept the Offers are recommended to carefully read the procedures for accepting the Offers as detailed in the Composite Document.

Yours faithfully,
For and on behalf of
Akron Corporate Finance Limited
Ross Cheung
Managing Director