THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

Luenthai

LUEN THAI HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 311)

MAJOR ACQUISITION

30 June 2008

CONTENTS

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

"Actual Average NPAT"	the arithmetic mean of the annual net profits after tax (excluding any extraordinary gains or losses (including but not limited to reversals of taxation, inventory and accounts receivable provisions made prior to the Completion Date) or one-off disposal of assets) of the Target Group for the period from the 1 January 2008 to 31 December 2010 (both days inclusive), as audited in accordance with HKAS by the Auditor;
"Affiliate"	(i) in the case of a corporate party, any subsidiary or holding company owned by such party, any subsidiary of any such holding company, and any company in which such party or any such holding company directly or indirectly have a Controlling Interest; or (ii) in the case of an individual party, any company in which he/she has a direct or indirect Controlling Interest or any trust in which he/she has beneficial interests or control;
"Announcement"	the announcement published by the Company on 16 June 2008 in relation to the Transaction;
"Approval"	approvals, sanctions, consents, permissions, certificates and authorisations from any person and filings and registration with any person of any relevant jurisdictions, including (without limitation) Hong Kong, the PRC, BVI and Macau;
"Appreciated Value"	the aggregate value of the PRC Land as at year end of the financial year immediately prior to the exercise of the First Put Option or the Second Put Option (as the case may be) net of the aggregate net book value of all such land, as appraised in accordance with application valuation standards by DTZ Debenham Tie Leung;
"Associated Company"	shall have the same meaning as ascribed to it in Part XV of the SFO;
"Auditor"	PricewaterhouseCoopers;
"Business Day"	a day (excluding Saturdays) on which banks are generally open for business in Hong Kong;
"BVI"	the British Virgin Islands;
"Company"	Luen Thai Holdings Limited, the shares of which are listed on the Stock Exchange;

"Completion"	completion of the Sale and Purchase Agreement in accordance with its terms;
"Completion Accounts"	the consolidated accounts of the Target Group, comprising a balance sheet as at the 30 June 2008 and a profit and loss account in respect of the period from 1 January 2008 to 30 June 2008 as audited by the Auditors and their report thereto;
"Completion Appreciated Value"	the aggregate of the PRC Land as at 31 December 2007 net of the aggregate net book value of all such land as at the same date, as appraised in accordance with the application valuation standards by DTZ Shenzhen;
"Completion Date"	the date on which the Completion will take place and currently expected to be the third Business Day after the date on which all the conditions precedents under the Sale and Purchase Agreement have been fulfilled or waived by the Purchaser (or on such a later day as the parties thereto may agree in writing);
"Connected Person"	shall have the meaning as ascribed to it under the Listing Rules;
"Controlling Interest"	(i) in the case of a listed company, 30% or more of the voting power at general meetings or control over the composition of a majority of the board of directors of the company; or (ii) in the case of a non-listed company, more than 50% of its issued share capital;
"Directors"	directors of the Company for the time being;
"Excluded Assets and Liabilities"	certain real properties, furniture and fittings, vessel and vehicles, current accounts with directors' dividend payables which are unrelated to the core business of the Target Group and which are to be transferred out by the Target Group to Mr Inglis or his Affiliates in accordance with the Sale and Purchase Agreement;
"Facilities"	the loans, overdrafts, debentures, acceptance credits and all other indebtedness and financial facilities of any nature outstanding or available to any of the Target Group (including, without limitation, working capital requirements and other financial arrangements as agreed in writing between the parties);
"First Call Option"	a call option granted by the Vendor to the Purchaser under the First Option Deed, in respect of the purchase of 200 Shares (representing 20% of the issued and fully paid-up share capital of the Target);

"First Put Option"	a put option granted by the Purchaser to the Vendor under the First Option Deed, in respect of the sale of 200 Shares (representing 20% of the issued and fully paid-up share capital of the Target);
"First Option"	collectively, the First Call Option and the First Put Option;
"First Option Deed"	an option deed to be entered into between the Vendor, the Purchaser and Mr. Inglis in relation to the First Call Option and the First Put Option;
"First Option Period"	a four-year period from 1 January 2011 to 31 December 2014 (both days inclusive);
"First Option Price"	exercise price of the First Option in accordance with the terms of the First Option Deed;
"Greater China Region"	shall mean collectively the PRC, Hong Kong and Macau;
"Group"	the Company and its subsidiaries;
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong;
"HKAS"	Hong Kong Standards on Auditing;
"HKGAAP"	generally accepted accounting principles in Hong Kong;
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China;
"Independent Third Parties"	the third parties which, to the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, is/are independent of the Company and its Connected Persons;
"Latest Practicable Date"	27 June 2008, or, in respect of the information regarding the statement of indebtedness of the Group, 30 April 2008;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange;
"Macau"	the Macau Special Administrative Region of the People's Republic of China;

"Minimum Threshold"	the following minimum criteria which should be reflected in, amongst other things, the Completion Accounts: (a) an aggregate sum of Facilities of not less than HK$310,000,000 (including HK$95,000,000 in foreign exchange trade facilities) ("**Total Facilities**"); (b) of the Total Facilities, HK$70,000,000 shall remain undrawn and are available; and (c) a net asset value that is greater than the net asset value as shown in the Unaudited Accounts for the financial year ended 31 December 2007 minus the aggregate net book value of the Excluded Assets and Liabilities plus NPAT for the period beginning on 1 January 2008 and ending on 30 June 2008;
"Mr. Inglis"	Mr. Owen John Inglis;
"NAV"	the net asset value of the Target Group as at year end of the financial year immediately prior to the exercise of the First Put Option or the Second Put Option (as the case may be), as audited in accordance with HKGAAP by the Auditor;
"NPAT"	the annual net profits after tax (excluding any extraordinary gains or losses (including but not limited to reversals of Taxation, inventory and accounts receivable provisions made prior to the Completion Date) or one-off disposal of assets) of the Target Group, as audited in accordance with HKAS by the Auditor;
"Percentage Ratios"	shall have the meaning as ascribed to it under Chapter 14 of the Listing Rules;
"Purchaser"	Fortune Investment Overseas Limited, a company incorporated under the laws of the British Virgin Islands and a wholly-owned subsidiary of each of the Company and Luen Thai Overseas Limited;
"PRC"	the Peoples' Republic of China (excluding, for the purposes of this announcement, Hong Kong, Macau and Taiwan);

"PRC Land"	collectively, (a) the land owned by the Target Group and situated in the PRC with Certificate of Land Use Right Numbers (東府國用(1997) 字第特310號) (Dong Fu Guo Yong (1997) Zi No. Te 310), (東府國用(1997)字第特287號) (Dong Fu Guo Yong (1997) Zi No. Te 287), (東府國用(2004)第特223號) (Dong Fu Guo Yong (2004) No. Te 223) and (東府國用(2004)第特224號) (Dong Fu Guo Yong (2004) No. Te 224); and (b) provided that full legal and marketable title to such land shall have been obtained from the relevant PRC authorities in accordance with applicable PRC laws at the time when any of the First and Second Option is exercised, the piece of land situated at Qichang Zhangnei, Gao Yu Lu, Qing Hu Tau, Tangxia Town, Dongguan, the PRC (東莞市塘廈鎮清湖頭高裕路奇昌長內);
"Sale and Purchase Agreement"	a sale and purchase agreement dated 11 June 2008 and entered into between, inter alia, the Vendor and the Purchaser in relation to the Transaction;
"Sale Price"	the consideration to be determined, and paid by the Purchaser, in accordance with the terms of the Sale and Purchase Agreement;
"Second Call Option"	a call option to be granted by the Vendor to the Purchaser under the Second Option Deed in respect of the purchase of 200 Shares (representing 20% of the issued and fully paid-up share capital of the Target);
"Second Put Option"	a put option to be granted by the Purchaser to the Vendor under the Second Option Deed in respect of the sale of 200 Shares (representing 20% of the issued and fully paid-up share capital of the Target);
"Second Option"	collectively, the Second Call Option and Second Put Option;
"Second Option Deed"	an option agreement to be entered into between the Vendor, Mr. Inglis and the Purchaser in relation to the Second Call Option and the Second Put Option;
"Second Option Period"	a three-year period from 1 January 2012 to 31 December 2014 (both days inclusive);
"Second Option Price"	exercise price of the Second Option in accordance with the terms of the Second Option Deed;
"SFO"	Securities and Futures Ordinance, Cap. 571 of the Laws of Hong Kong;
"Share"	a share of US$1.00 each in the capital of the Target;

"Share Charge"	a share charge to be entered into between the Vendor and the Purchaser in respect of certain Shares owned by the Vendor, as security for certain obligations of the Vendor under the Sale and Purchase Agreement;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"Supplemental Letter Agreement"	a supplemental letter agreement dated 16 June 2008 entered into between the parties to the Sale and Purchase Agreement, which supplemented and amended certain terms of the Sale and Purchase Agreement;
"Target"	Trinew Limited, a company incorporated under the laws of the British Virgin Islands and a wholly-owned subsidiary of the Vendor before Completion;
"Target Group"	the Target and its subsidiaries;
"Targeted Average NPAT"	HK$113,000,000, being the arithmetic mean of the annual net profits after tax (excluding any extraordinary gains or losses (including but not limited to reversals of Taxation, inventory and accounts receivable provisions made prior to the Completion Date) or one-off disposal of assets) of the Target Group for the period from 1 January 2008 to 31 December 2010 (both days inclusive), as agreed between Mr. Inglis and the Purchaser;
"Transaction"	the acquisition of a 60% interest in the issued and fully paid-up share capital of the Target and the granting of the First Option and the Second Option, and where appropriate, includes the exercise of any or all of the First Put Option and the Second Put Option;
"Unaudited Accounts"	collectively, the respective unaudited accounts of the Target Group for the three financial years ended 30 June 2007 and six months ended 31 December 2007, together with the notes thereto; and
"Vendor"	Ospella International Limited, a company incorporated under the laws of the British Virgin Islands which will be wholly-owned by Mr. Inglis upon Completion.

LUEN THAI HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 311)

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

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

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

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

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

30 June 2008

To the Shareholders

Dear Sir or Madam,

MAJOR ACQUISITION

INTRODUCTION

As stated in the Announcement, the Purchaser, a wholly-owned subsidiary of the Company, has entered into the Sale and Purchase Agreement on 11 June 2008 (which was supplemented by the Supplemental Letter Agreement), pursuant to which the Purchaser has agreed to purchase and the Vendor has agreed to sell a 60% interest in the issued and fully paid-up share capital of the Target for a Sale Price to be determined pending the Actual Average NPAT of the Target Group for the three years from 1 January 2008 to 31 December 2010 subject to: (a) a minimum amount in HK Dollars equivalent to 60% of the aggregate of the net asset value of the Target Group as at Completion and the Completion Appreciated Value (currently estimated to be approximately US$18,883,000); and (b) a maximum of HK$488,160,000. As conditions precedent to Completion, the Vendor and Mr. Inglis shall enter into the First Option Deed and Second Option Deed with the Purchaser in respect of a further 20% interest and the remaining 20% interest in the issued and fully paid-up share capital of the Target, pursuant to which the Vendor shall grant the First Call

Option and the Second Call Option to the Purchaser and the Purchaser shall grant the First Put Option and Second Put Option to the Vendor exercisable during the First Option Period or the Second Option Period (as the case may be) at the First Option Price or the Second Option Price (as the case may be) to be determined pending the Appreciated Value, NAV and NPAT as at the relevant financial year(s) immediately prior to the exercise of the First Option and Second Option respectively.

The parties to the Sale and Purchase Agreement have also entered into the Supplemental Letter Agreement on 16 June 2008, pursuant to which the parties agreed that, notwithstanding any provisions in the Sale and Purchase Agreement, the First Option Deed and the Second Option Deed, the aggregate amount of consideration payable by the Purchaser to the Vendor for the acquisition of the 60% interest in the issued and fully paid-up share capital of the Target and the acquisition of all Shares under the First Option Deed and the Second Option Deed as a result of any exercise of any or all of the First Option and/or the Second Option thereunder shall not exceed HK$900 million.

The purpose of this Circular is to provide you with details regarding the Transaction.

I. The Sale and Purchase Agreement

Date: 11 June 2008

Parties:

(1) The Vendor — Ospella International Limited, the principal business of which is investment holding
(2) The Purchaser — Fortune Investment Overseas Limited (a wholly-owned subsidiary of the Company)
(3) The Vendor Guarantor — Mr. Inglis
(4) The Purchaser Guarantor — Luen Thai Overseas Limited (a wholly-owned subsidiary of the Company)

Pursuant and subject to the Sale and Purchase Agreement, the Purchaser has agreed to purchase and the Vendor has agreed to sell 600 Shares, representing 60% of the entire issued and fully paid-up share capital of the Target. Upon Completion, the Target will become a 60% owned subsidiary of the Company and its financial information will be consolidated into the Group's financial statements.

Pursuant and subject to the Sale and Purchase Agreement, the Purchaser Guarantor has agreed to guarantee the performance of all obligations of the Purchaser, its wholly-owned subsidiary, arising under the Sale and Purchase Agreement, the principal of which is the timely payment of the Sale Price. In the event that the Purchaser should fail to pay any part of the Sale Price, the Purchaser Guarantor will be liable to pay for such amounts.

Pursuant and subject to the Sale and Purchase Agreement, Mr. Inglis has agreed to guarantee the performance of all obligations of the Vendor arising under the Sale and Purchase Agreement. The Vendor and Mr. Inglis have also jointly and severally guaranteed to the Purchaser that certain account receivables of the Target Group shall be fully settled.

As security for such guarantee, the Vendor has agreed to pledge certain cash deposits and Shares in favour of the Purchaser upon Completion. The Vendor and the Target Group currently do not foresee any problem with collection of such account receivables.

The parties to the Sale and Purchase Agreement have also entered into the Supplemental Letter Agreement on 16 June 2008, pursuant to which the parties agreed that, notwithstanding any provisions in the Sale and Purchase Agreement, the First Option Deed and the Second Option Deed, the aggregate amount of consideration payable by the Purchaser to the Vendor for the acquisition of the 60% interest in the issued and fully paid-up share capital of the Target and for the acquisition of all Shares under the First Option Deed and the Second Option Deed as a result of any exercise of any or all of the First Option and/or the Second Option thereunder shall not exceed HK$900 million.

The Company values the Target Group's knowledge of production capabilities of handbags manufacturers in the Greater China Regions as well as Mr. Inglis' strong sense and understanding of handbags trends and customer needs. Mr. Inglis has more than 22 years' experience in the trading and manufacturing industries, and has been with the Target Group since 1986. He has served as Chairman of the Target Group since 1995, and led its expansion into the bag manufacturing business. He is qualified as a Chartered Accountant in Australia. Mr. Inglis and the Vendor (as well as its ultimate beneficial owners) are Independent Third Parties. Upon Completion, Mr. Inglis will continue to take a key role in the management of the Target Group as the Target's chief executive officer.

Pursuant to the Shareholders' Agreement: (a) upon Completion but before the exercise of any of the First Option and the Second Option, the Purchaser and the Vendor shall respectively have the right to appoint four and three directors to the board of the Target; and (b) after the exercise of any of the First Option but before exercise of any of the Second Option, the Purchaser and the Vendor shall respectively have the right to nominate five and two directors to the board of the Target.

Sale Price:

The Sale Price, negotiated on an arm's length basis between the parties, shall be the following, pro-rated for the 60% interest being acquired:

(a) a price-earnings multiple of 5 x the Actual Average NPAT where the Actual Average NPAT is below 90% of the Targeted Average NPAT; or

(b) a price-earnings multiple of 5.5 x the Actual Average NPAT where the Actual Average NPAT is between 90% and 110% (both percentages inclusive) of the Targeted Average NPAT; or

(c) a price-earnings multiple of 6 x the Actual Average NPAT where the Actual Average NPAT exceeds 110% of the Targeted Average NPAT,

Although the exact amount of Sale Price cannot currently be determined, it is subject to: (aa) a minimum amount in Hong Kong Dollars equivalent to 60% of the aggregate of the net asset value of the Target Group as at Completion reflected in the Completion

Accounts and the Completion Appreciated Value; and (bb) a maximum of HK$488,160,000, being the range agreed between the parties after arm's length negotiations. On the basis of: (i) a price-earnings multiple that was determined by reference to relevant comparables in the accessories industry; (b) the track record profitability and business prospects of the Target Group; (c) the market share of the Target Group in laptop bags and its plans to expand its product range; as well as (d) the potential synergies with other product lines of the Group, the Directors (including the independent non-executive Directors) are of the view that the Sale Price and the basis for its calculation are fair and reasonable, and are in the interests of the Group and the Company's shareholders as a whole. The minimum Sale Price is estimated to be US$18,883,000. Please refer to note 5 of Appendix III to this Circular for further details.

Payment of the Sale Price, funded by the internal resources of the Group, shall be made in cash over five instalments as follows:

(a) a sum of HK$129,034,229 shall be payable by the Purchaser upon Completion (the "**First Instalment**");

(b) a sum, being the greater of:

  (i) zero; and

  (ii) the aggregate of:

    (aa) the greater of: (yy) 60% of the net asset value of the Target Group as at Completion (as shown in the Completion Account) less the First Instalment, and (zz) zero; and

    (bb) 60% of the Completion Appreciated Value,

  and reduced by an amount equal to the shortfall between the Minimum Threshold and the value of such items as reflected in the Completion Accounts on a dollar-for-dollar basis, shall be payable by the Purchaser within 30 days after the Purchaser's receipt of the Completion Accounts (the "**Second Instalment**");

(c) a sum, being the greater of:

  (i) 65% x 60% x a price-earnings multiple of 5.5 x the NPAT for the year ending on 31 December 2008 less the First and Second Instalments; and

  (ii) zero,

  shall be paid by the Purchaser within 30 days after the Purchaser's receipt of the Target Group's audited and consolidated financial statements for the year ending on 31 December 2008 (the "**Third Instalment**");

(d) a sum, being the greater of:

(i) 80% x 60% x a price-earnings multiple of 5.5 x the averaged NPAT for the two years ending on 31 December 2009 less the First, Second and Third Instalments; and

(ii) zero,

shall be paid by the Purchaser within 30 days after the Purchaser's receipt of the Target Group's audited and consolidated financial statements for the year ending on 31 December 2009 (the "**Fourth Instalment**");

(e) the remainder of the Sale Price (having deducted the First, Second, Third and Fourth Instalments) shall be payable by the Purchaser within 30 days after the Purchaser's receipt of the Target Group's audited and consolidated financial statements for the year ending on 31 December 2010 (the "**Final Instalment**"),

provided that the Second, Third, Fourth and Final Instalments shall each be: (aa) increased by an amount in Hong Kong Dollars equivalent to 60% of all write-backs (if any) during the financial year in respect of the calculation of such instalments to provisions made prior to Completion (including, without limitation provisions relating to taxation, inventories and accounts receivables); and (bb) decreased by an amount in Hong Kong Dollars equivalent to 60% of all provisions or write-offs (if any) during the financial year in respect of the calculation of such payments relating to PRC collective lands and buildings thereon to which the Target Group does not presently hold good title.

Conditions Precedent:

Completion is conditional upon the satisfaction of a number of conditions precedents, the major ones, amongst the others, being:

(a) the conducting of due diligence to the satisfaction of the Purchaser;

(b) completion of a series of corporate and asset restructuring (including, without limitation, the transfer or otherwise disposal of the Excluded Assets and Liabilities) in order to place the relevant companies and assets of the Target Group under the common ownership of the Target for a more streamlined corporate structure;

(c) the delivery of Hong Kong, BVI, PRC and Macau legal opinions to the satisfaction of the Purchaser;

(d) the payment, settlement, waiver or otherwise discharge (as the case may be) of all debts and payables of the Target Group as well as all debts owing to and receivables of the Target Group, in each case prior to or otherwise simultaneously with Completion;

(e) the execution of the prescribed ancillary agreements to the Transaction (including, without limitation, the First Option Deed, the Second Option Deed and the Shareholders' Agreement); and

(f) all necessary Approvals having been obtained for the Transaction contemplated under the Sale and Purchase Agreement.

As another condition precedent to Completion, the Company through the Target, will enter into an employment agreement ("Employment Agreement") with Mr. Inglis for a term of three years commencing from the Completion Date. Under the Employment Agreement, Mr. Inglis will receive an annual remuneration of HK$4.4 million, in addition to an annual performance bonus by reference to the Target Group's net annual profit.

Pursuant to Rule 14A.31(6) of the Listing Rules, the Employment Agreement, when entered into, will be exempt from all the reporting, announcement and independent shareholders' approval requirements contained in Chapter 14A of the Listing Rules.

No exact date has been fixed for the completion of the corporate and asset restructuring mentioned above, although all such conditions must be fulfilled on or before 30 September 2008 (or such later date as the parties may agree in writing), failing which the Purchaser may elect to waive any unfulfilled condition (save for condition (d) above) or otherwise the Sale and Purchase Agreement shall automatically be terminated. If Completion does not take place within three Business Days after 30 September 2008 other than as a result of any of the Vendor and Mr. Inglis failing to comply with any of their respective obligations under the Sale and Purchase Agreement and the Purchaser has not confirmed satisfaction of such conditions (or otherwise waived such conditions), the Vendor may at its option elect to rescind the Sale and Purchase Agreement. Any such termination or rescission of the Sale and Purchase Agreement shall be without liability to any party (save for any antecedent breaches and the survival of certain ancillary provisions, such as confidentiality obligations). Subject to the foregoing, Completion is expected to take place on the third Business Day after all such conditions have been fulfilled or otherwise waived by the Purchaser. The Purchaser currently does not intend to waive any such condition.

II. First Option Deed

Parties: (1) The Vendor
(2) The Purchaser
(3) Mr. Inglis (as guarantor for the Vendor)

As a condition precedent to Completion, the Vendor and Mr. Inglis shall enter into the First Option Deed with the Purchaser, pursuant to which the Vendor shall grant the First Call Option to the Purchaser and the Purchaser shall grant the First Put Option to the Vendor in respect of 200 Shares (representing 20% of the issued and fully paid-up share capital of the Target). The First Option Deed is conditional upon: (a) Completion occurring on or before 31 October 2008 (or such later date as the parties may agree in writing); and (b) the Share Charge not having been enforced prior to exercise of the First Option, failing which the First Option Deed (and the First Option) shall lapse and no party shall have any liability thereunder (without prejudice to any right in respect of antecedent breaches (if any)). No premium is paid for the First Option.

Subject to the foregoing, the First Option may be exercised respectively by the Purchaser and the Vendor (as the case may be) at any time during the First Option Period.

The First Option Price, negotiated on an arm's length basis between the parties, shall be the multiple of the following, pro-rated for the 20% interest being sold and purchased:

(a) In respect of the First Put Option:

A price-earnings multiple of 5.5 x average NPAT for the two financial years prior to the exercise of the First Put Option;

(b) In respect of the First Call Option:

The greater of:

(i) a price-earnings multiple of 5.5 x average NPAT for the two financial years prior to the exercise of the First Call Option; and

(ii) NAV + Appreciated Value

No minimum or, subject to the Supplemental Letter Agreement, maximum First Option Price has been determined. Payment of such First Option Price shall be made in cash at the completion of exercise of the First Option(s) and funded by the internal resources of the Group. Upon completion of the exercise of any of the First Option, the Purchaser will hold 800 Shares (representing 80% of the issued and fully paid-up share capital of the Target).

Mr. Inglis has unconditionally and irrevocably guaranteed the performance of all obligations of the Vendor arising under the First Option Deed.

The Company will comply with the then applicable Listing Rules when the First Call Option is exercised.

III. Second Option Deed

Parties: (1) The Vendor
(2) The Purchaser
(3) Mr. Inglis (as guarantor for the Vendor)

As a condition precedent to Completion, the Vendor and Mr. Inglis shall enter into the Second Option Deed with the Purchaser, pursuant to which the Vendor shall grant the Second Call Option to the Purchaser and the Purchaser shall grant the Second Put Option to the Vendor in respect of 200 Shares (representing the remaining 20% of the issued and fully paid-up share capital of the Target). The Second Option Deed is conditional upon: (a)

Completion occurring on or before 31 October 2008 (or such later date as the parties may agree in writing); (b) the Share Charge (as disclosed in Part II of this Circular) not having been enforced prior to exercise of the First Option; and (c) completion of the First Option Deed, failing which the Second Option Deed (and the Second Option) shall lapse and no party shall have any liability thereunder (without prejudice to any right in respect of antecedent breaches (if any)). No premium is paid for the Second Option.

Subject to the foregoing and the Target having employed a new managing director or chief executive officer (who has achieved certain prescribed performance targets to the satisfaction of the Purchaser) in succession of Mr. Inglis for a period of two consecutive financial years immediately prior to exercise of the Second Option (and the employment of which shall have an expired term of more than 12 months), the Second Option may be exercised respectively by the Purchaser and the Vendor (as the case may be) at any time during the Second Option Period.

The Second Option Price, negotiated on an arm's length basis between the parties, shall be the multiple of the following, pro-rated for the 20% interest being sold and purchased:

(a) In respect of the Second Put Option:

A price-earnings multiple of 5.5 x average NPAT for the two financial years prior to the exercise of the Second Put Option;

(b) In respect of the Second Call Option:

The greater of:

(i) a price-earnings multiple of 5.5 x average NPAT for the two financial years prior to the exercise of the Second Call Option; and

(ii) NAV + Appreciated Value

No minimum or, subject to the Supplemental Letter Agreement, maximum Second Option Price has been determined. Payment of the Second Option Price shall be made in cash at completion of exercise of the Second Option(s) and funded by the internal resources of the Group. Upon completion of the exercise of any of the Second Option, the Target will be a wholly-owned subsidiary of the Company.

Mr. Inglis has unconditionally and irrevocably guaranteed the performance of all obligations of the Vendor arising under the Second Option Deed.

The Company will continue to comply with the then applicable Listing Rules when the Second Call Option is exercised.

INFORMATION ON THE TARGET GROUP

As at the Latest Practicable Date, the Target is a private company duly incorporated under the laws of the British Virgin Islands on 15 April 2008 having an authorised share capital of US$1,000 divided into 1,000 Shares, all of which have been issued to and are fully paid up by the Vendor. As at the Latest Practicable Date, the Vendor is beneficially owned by affiliated entities of Mr. Inglis. Out of the 1,000 issued Shares, 600 Shares (representing 60% of the entire issued capital of the Target) shall be sold to the Purchaser pursuant to the Sale and Purchase Agreement. Upon Completion (and completion of the pre-Completion reorganisation as a condition precedent to the Transaction), the Vendor will become wholly-owned by Mr. Inglis and the remaining 400 issued Shares (representing 40% of the entire issued capital of the Target) shall be held by the Vendor subject to the Share Charge (as disclosed in Part II of this Circular) as well as the First Option Deed and the Second Option Deed. Mr. Inglis and the Vendor (as well as its ultimate beneficial owners) are Independent Third Parties.

The Target, through its wholly-owned subsidiaries, is principally engaged in the manufacturing of laptop bags, fashionable bags and other general bags products. Upon Completion, the Target will hold 6 active wholly-owned subsidiaries which have operations in Hong Kong, Macau and the PRC. The Target Group's business has been in operation since as early as 1986.

REASONS FOR THE TRANSACTION

The Directors believe that the Transaction is in line with the Group's multi-product strategy to expand its product categories and geographical coverage by way of selective acquisitions and joint ventures. Upon Completion, the Transaction will enable the Group to diversify and expand its operation to the laptop bags and handbags industries. The Group's experience in acquiring and managing GJM (its sleepwear division), Tomwell Limited (the ladies career wear division), Partner Joy Group Limited and On Time International Limited shows the Group's proven track record as an industry leader and consolidator.

On the basis that the Transaction was negotiated on arm's length basis and that the price-earnings ratio used in the calculation of the Sale Price to be paid is in line with industry average, the Directors (including the independent non-executive Directors) consider that the Transaction (including the Sale Price and the payment arrangements thereunder) is made on normal commercial terms, that its terms are fair and reasonable, and that the Transaction and its terms are in the interests of the Group and the Company's shareholders as a whole. The Directors (including the independent non-executive Directors) are also of the view that the Transaction will not create any materially adverse impact on the Group's working capital position.

FINANCIAL EFFECTS

The audited consolidated total assets and net asset value of the Target Group as at 31 December 2007 amounted to approximately HK$799,170,000 and approximately HK$215,057,000 respectively. The audited consolidated revenue of the Target Group for the year ended 30 June 2007 amounted to approximately HK$965,575,000. For the year ended 30 June 2007, the audited consolidated net profit before and after taxation of the Target Group amounted to approximately HK$36,524,000 and approximately HK$26,946,000 respectively. For the year ended 30 June 2006, the audited consolidated net profit before and after taxation of the Target Group amounted to approximately HK$29,080,000 and approximately HK$21,014,000 respectively. The above-mentioned audited financial information was prepared in accordance with HKGAAP.

Subject to and upon Completion, the Group's effective attributable interest in the Target Group will be 60%. Upon completion of the First Option Deed, and the Second Option Deed, the Group's effective attributable interest in the Target Group will increase to 80% and 100% respectively. In view of the track record, earnings ability and customer base of the Target Group, the Directors believe that the Transaction will have a positive impact on the earnings of the Group in the future.

Upon Completion, the total assets of the enlarged Group will increase by approximately US$132,226,000. The total liabilities of the Group will also increase by approximately US$140,939,000. As a result, the net asset value of the Group is expected to decrease by approximately US$8,713,000 upon Completion as illustrated in the unaudited pro forma statement of assets and liabilities of the enlarged Group in Appendix III. The amounts contained in this paragraph are based on the maximum amount payable by the Company under the Transaction of approximately US$62,988,000, the First Option Deed and the Second Option Deed. The mechanism for which these amounts shall be adjusted and settled has been disclosed in Part I, II and III of this Circular.

As at 31 December 2007, the total amount of cash and bank balances of the Group was approximately US$96,668,000, representing a decrease of approximately US$10,408,000 as compared to 31 December 2006. The Group's total bank borrowings at 31 December 2007 was approximately US$52,158,000, representing a decrease of approximately 24.9% as compared to approximately US$69,434,000 at 31 December 2006.

As at 31 December 2007, the maturity profile of the Group's bank borrowings spread over five years with approximately US$18,408,000 repayable within one year or on demand, approximately US$4,500,000 in the second year, approximately US$13,500,000 in the third to fifth year, and approximately US$15,750,000 in more than five years.

Gearing ratio is defined as net debt (represented by bank borrowings net of cash and bank balances) divided by the capital and reserves attributable to the equity holders of the Company. As at 31 December 2007, the Group is in a net cash position. Hence, no gearing ratio is presented.

PROSPECT AND FUTURE PLANS

The business outlook for the Target Group remains positive. For the year 2008, the Target Group targets for continued and sustained growth in turnover as it reaps the benefits of capital investments made during 2005-2007 and continued efficiency improvements. The Target Group is committed to focus on its strength of providing value added services to its customers by contributing valuable resources in the design and research stages and performing to the expectations of its customers in terms of both the quality of its products and timely deliveries. Sales growth is being driven by increasing business with relatively new customers within the Target Group's luxury product set, as well as growth from its core computer case product customers, both new and existing. Moreover, from the perspective of trading prospect, the Company's business mix will be further diversified, as the Transaction will provide the Company a foothold in laptop bags and fashionable handbags business. This will propel further growth in the Enlarged Group's business with cross selling.

The Enlarged Group will continue to adopt a prudent financial approach to support its business by way of using its own internal resources for funding of future investments instead of seeking financial support from external sources e.g. banks. Further to recent discussions between the management of the Target Group and the Target Group's principal bankers, the Target Group's existing credit facilities have been maintained and are seen as adequate to finance the Target Group's operations and expansion.

FOREIGN EXCHANGE RISK MANAGEMENT

The Group adopts a prudent policy to hedge against the fluctuations in exchange rates. Most of the Group's operating activities are denominated in US dollar, Hong Kong dollar, Chinese Yuan, Philippine Peso and Euro. For those activities denominated in other currencies, the Group may enter into forward contracts to hedge its receivables and payables denominated in foreign currencies against the exchange rate fluctuations.

CONTINGENT LIABILITIES AND OFF-BALANCE SHEET OBLIGATIONS

The Group is involved in various labour lawsuits and claims arising from the normal course of its businesses. The Directors believe that the Group has substantial legal and factual bases to defend its position and are of the opinion that losses arising from these lawsuits, if any, will not have a material adverse impact on the results of the operations or the financial position of the Group as a whole. Accordingly, no provision for such liabilities has been made in the financial statements.

HUMAN RESOURCES, SOCIAL RESPONSIBILITIES, AND CORPORATE CITIZENSHIP

Over the years, Luen Thai has steadily enhanced its reputation as an employer of choice through focused, integrated and strategic human resources ("HR") strategies. Operating beyond the traditional HR infrastructure, Luen Thai's Corporate Human Resources Division ("CHR") is consistently aligned to the Group's vision and achievement of business goals.

Our corporate values, which center on meeting our customers' needs, help thousands of Luen Thai employees to move in one direction — to achieve our vision of becoming the best apparel supply chain services partner in the world. To do this, Luen Thai opens its communication channels and engages its employees.

With more than 20,000 employees around the world, Luen Thai continuously strives to provide the best employee care. In addition to providing a safe workplace, Luen Thai has established world class and convenient living environments, and places great emphasis on work-life balance and wellness.

Opportunities for growth and maximizing career potentials are also provided within the organization through regular and formal learning programs together with structured on-the-job trainings for all levels of the organization.

Luen Thai also has a long-standing commitment to diversity as demonstrated by its multi-cultural workforce. This commitment to fairness is also shown through equitable compensation and benefit schemes. Employees' contributions are valued, recognized and rewarded.

GENERAL

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

LISTING RULES IMPLICATIONS

Pursuant to Rule 14.74 of the Listing Rules, for the purposes of determining the applicable Percentage Ratios in connection with the Transaction, the First Put Option and Second Put Option should be treated as if they had been exercised. Pursuant to the Supplemental Letter Agreement dated 16 June 2008, the parties agreed that, notwithstanding any provisions in the Sale and Purchase Agreement, the First Option Deed and the Second Option Deed, the aggregate amount of consideration payable by the Purchaser to the Vendor for the acquisition of the 60% interest in the issued and fully paid-up share capital of the Target and for the acquisition of all Shares under the First Option Deed and the Second Option Deed as a result of any exercise of any or all of the First Option and/or the Second Option thereunder shall not exceed HK$900 million.

On the above basis, the Transaction (assuming the First Option and the Second Option had been fully exercised for the purposes of Rule 14.74 of the Listing Rules) constitutes a major transaction for the Company, and is therefore subject to the disclosures requirements and independent shareholders' approval under Rules 14.34, 14.38 and 14.40 of the Listing Rules.

No shareholder is required to abstain from voting on the Transaction. Capital Glory Limited, being the controlling shareholder of the Company holding 61.89% of all shareholders' voting rights, has given an irrevocable and unconditional written confirmation dated 13 June 2008 to the Company that it approves the Transaction. Pursuant to Rule 14.44 of the Listing Rules, the independent shareholders' approval requirement is deemed to have been fulfilled and hence no separate general meeting will need to be convened for approval of the Transaction.

No minimum or, subject to the Supplemental Letter Agreement, maximum First Option Price or Second Option Price has been determined. The actual exercise of any of the First Option and/or the Second Option may constitute a discloseable transaction for the Company in the future, in which case the Company will continue to comply with applicable provisions of the Listing Rules at the relevant time. If the actual exercise price of any of the First Option and/or the Second Option shall fall within a higher classification of notifiable transactions under the Listing Rules, the Company will also comply with the applicable provision of the Listing Rules at the relevant time (including the issue of further announcement(s)/circular(s)).

ADDITIONAL INFORMATION

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

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

1. FINANCIAL SUMMARY

The following is a summary of the audited consolidated financial information on the Company for each of the three years ended 31 December 2005, 2006 and 2007 as extracted from the relevant annual report of the Company for the respective years. There were no qualified or modified opinions in the auditor's reports for the three years ended 31 December 2005, 2006 and 2007.

	For the year ended 31 December		
	2005	**2006**	**2007**
	US$'000	*US$'000*	*US$'000*
ASSETS			
Non-current assets			
Leasehold land and land use rights	4,727	4,286	4,476
Property, plant and equipment	84,309	90,643	92,578
Intangible assets	21,852	52,857	65,004
Interests in associated companies	231	287	382
Interests in jointly controlled entities	2,560	2,045	6,745
Deferred income tax assets	792	311	759
Other non-current assets	4,558	3,627	4,295
	119,029	154,056	174,239
Current assets			
Inventories	64,783	65,332	65,245
Trade and bills receivables	71,318	93,852	100,065
Financial assets at fair value through profit and loss	—	122	—
Amounts due from related companies	3,273	2,397	3,175
Amounts due from associated companies and jointly controlled entities	2,045	6,778	5,127
Deposits, prepayments and other receivables	6,934	15,600	11,086
Pledged bank deposits	—	681	1,519
Cash and bank deposits	148,038	107,076	96,668
	296,391	291,838	282,885
Total assets	415,420	445,894	457,124

	For the year ended 31 December		
	2005	2006	2007
	US$'000	*US$'000*	*US$'000*
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	9,925	9,925	9,925
Other reserves	117,726	98,628	108,052
Retained earnings			
— Proposed final dividend	1,548	—	1,727
— Others	89,515	90,178	100,582
	218,714	198,731	220,286
Minority interest	5,290	15,502	9,794
Total equity	224,004	214,233	230,080
LIABILITIES			
Non-current liabilities			
Borrowings	386	38,250	33,750
Retirement benefit obligations	2,041	2,295	3,135
Deferred income tax liabilities	401	3,849	3,769
Other long-term liabilities	10,296	22,073	26,673
	13,124	66,467	67,327
Current liabilities			
Trade and bills payables	31,558	43,906	55,755
Borrowings	83,301	31,184	18,408
Current income tax liabilities	2,590	12,489	11,747
Amounts due to related companies	2,775	1,499	2,837
Amounts due to associated companies and jointly controlled entities	—	84	1,647
Other payables and accruals	58,068	76,032	69,323
	178,292	165,194	159,717
Total liabilities	191,416	231,661	227,044
Total equity and liabilities	415,420	445,894	457,124
Net current assets	118,099	126,644	123,168
Total assets less current liabilities	237,128	280,700	297,407

	For the year ended 31 December		
	2005	2006	2007
	US$'000	*US$'000*	*US$'000*
Revenue	593,118	661,836	800,877
Cost of sales	(479,445)	(537,565)	(645,982)
Gross profit	113,673	124,271	154,895
Selling and distribution expenses	(14,325)	(19,168)	(26,158)
General and administrative expenses	(78,273)	(91,570)	(104,742)
Operating profit	21,075	13,533	23,995
Finance income	1,980	3,500	3,601
Finance costs	(3,474)	(6,608)	(4,670)
Share of profit/(loss) of associated companies	(1,891)	54	95
Share of profit/(loss) of jointly controlled entities	(257)	(435)	1,592
Profit before income tax	17,433	10,044	24,613
Income tax expense	(2,933)	(5,000)	(4,208)
Profit for the year	14,500	5,044	20,405
Attributable to:			
Equity holders of the Company	13,240	2,509	12,515
Minority interest	1,260	2,535	7,890
	14,500	5,044	20,405
Earnings per share for profit attributable to the equity holders of the Company, expressed in US cents per share			
— Basic	1.3	0.3	1.3
— Diluted	1.3	0.3	1.3
Dividends	3,970	1,846	3,762

2. AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR THE YEAR ENDED 31 DECEMBER 2007

The following financial information is a reproduction of the relevant information extracted from the audited financial statements of the Group for the year ended 31 December 2007 as published in the 2007 annual report of the Company.

Consolidated Balance Sheet
As at 31 December 2007

	Note	**2007** *US$'000*	**2006** *US$'000*
ASSETS			
Non-current assets			
Leasehold land and land use rights	6	4,476	4,286
Property, plant and equipment	7	92,578	90,643
Intangible assets	8	65,004	52,857
Interests in associated companies	10	382	287
Interests in jointly controlled entities	11	6,745	2,045
Deferred income tax assets	12	759	311
Other non-current assets		4,295	3,627
		174,239	154,056
Current assets			
Inventories	13	65,245	65,332
Trade and bills receivables	14	100,065	93,852
Financial assets at fair value through profit and loss		—	122
Amounts due from related companies	32	3,175	2,397
Amounts due from associated companies and jointly controlled entities	32	5,127	6,778
Deposits, prepayments and other receivables		11,086	15,600
Pledged bank deposits	15	1,519	681
Cash and bank deposits	15	96,668	107,076
		282,885	291,838
Total assets		457,124	445,894

	Note	2007 US$'000	2006 US$'000
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	16	9,925	9,925
Other reserves	17	108,052	98,628
Retained earnings			
— Proposed final dividend		1,727	—
— Others		100,582	90,178
		220,286	198,731
Minority interest		9,794	15,502
Total equity		230,080	214,233
LIABILITIES			
Non-current liabilities			
Borrowings	18	33,750	38,250
Retirement benefit obligations	19	3,135	2,295
Deferred income tax liabilities	12	3,769	3,849
Other long-term liabilities	20	26,673	22,073
		67,327	66,467
Current liabilities			
Trade and bills payables	21	55,755	43,906
Borrowings	18	18,408	31,184
Current income tax liabilities		11,747	12,489
Amounts due to related companies	32	2,837	1,499
Amounts due to associated companies and jointly controlled entities	32	1,647	84
Other payables and accruals		69,323	76,032
		159,717	165,194
Total liabilities		227,044	231,661
Total equity and liabilities		457,124	445,894
Net current assets		123,168	126,644
Total assets less current liabilities		297,407	280,700

Balance Sheet
As at 31 December 2007

	Note	2007 US$'000	2006 US$'000
ASSETS			
Non-current assets			
Investments in subsidiaries	9	199,626	199,626
Current assets			
Deposits, prepayments and other receivables		23	—
Cash and bank deposits	15	167	430
Amount due from a subsidiary	9	2,500	—
		2,690	430
Total assets		202,316	200,056
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	16	9,925	9,925
Other reserves	17	189,664	189,101
Retained earnings			
— Proposed final dividend		1,727	—
— Others		741	841
Total equity		202,057	199,867
LIABILITIES			
Current liabilities			
Other payables and accruals		259	189
Total equity and liabilities		202,316	200,056
Net current assets		2,431	241
Total assets less current liabilities		202,057	199,867

Consolidated Income Statement
For the year ended 31 December 2007
(By function of expense)

	Note	2007 US$'000	2006 US$'000
Revenue	22	800,877	661,836
Cost of sales	23	(645,982)	(537,565)
Gross profit		154,895	124,271
Selling and distribution expenses	23	(26,158)	(19,168)
General and administrative expenses	23	(104,742)	(91,570)
Operating profit		23,995	13,533
Finance income	25	3,601	3,500
Finance costs	25	(4,670)	(6,608)
Share of profit of associated companies		95	54
Share of profit/(loss) of jointly controlled entities		1,592	(435)
Profit before income tax		24,613	10,044
Income tax expense	26	(4,208)	(5,000)
Profit for the year		20,405	5,044
Attributable to:			
Equity holders of the Company		12,515	2,509
Minority interest		7,890	2,535
		20,405	5,044
Earnings per share for profit attributable to the equity holders of the Company, expressed in US cents per share	28		
— Basic		1.3	0.3
— Diluted		1.3	0.3
Dividends	29	3,762	1,846

Consolidated Statement of Changes in Equity

For the year ended 31 December 2007

	Attributable to equity holders of the Company						
	Share capital	Share premium	Other reserves	Retained earnings	Total	Minority interest	Total equity
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Balance at 1 January 2006	9,925	116,998	728	91,063	218,714	5,290	224,004
Net income recognized directly in equity — currency translation differences	—	—	2,196	—	2,196	—	2,196
Profit for the year	—	—	—	2,509	2,509	2,535	5,044
Total recognized income for 2006	—	—	2,196	2,509	4,705	2,535	7,240
Dividends paid	—	—	—	(3,394)	(3,394)	—	(3,394)
Acquisition of a subsidiary	—	—	(1,450)	—	(1,450)	—	(1,450)
Recognition of financial liability arisen from acquisition of a subsidiary	—	—	(20,383)	—	(20,383)	—	(20,383)
Share based compensation expense	—	—	539	—	539	—	539
Minority interest — Business combinations	—	—	—	—	—	7,677	7,677
	—	—	(21,294)	(3,394)	(24,688)	7,677	(17,011)
Balance at 31 December 2006	9,925	116,998	(18,370)	90,178	198,731	15,502	214,233
Balance at 1 January 2007	9,925	116,998	(18,370)	90,178	198,731	15,502	214,233
Net income recognized directly in equity — currency translation differences	—	—	4,550	—	4,550	—	4,550
Profit for the year	—	—	—	12,515	12,515	7,890	20,405
Total recognized income for 2007	—	—	4,550	12,515	17,065	7,890	24,955
Dividends paid	—	—	—	(2,035)	(2,035)	—	(2,035)
Purchase of additional interests in subsidiaries from minority shareholders *(Note 20)*	—	—	—	—	—	(4,142)	(4,142)
Derecognition of financial liabilities upon acquisition of minority interest *(Note 20)*	—	—	4,311	1,651	5,962	—	5,962
Dividends paid to minority shareholders of subsidiaries	—	—	—	—	—	(9,456)	(9,456)
Share based compensation expense	—	—	563	—	563	—	563
	—	—	4,874	(384)	4,490	(13,598)	(9,108)
Balance at 31 December 2007	9,925	116,998	(8,946)	102,309	220,286	9,794	230,080

Consolidated Cash Flow Statement
For the year ended 31 December 2007

	Note	2007 US$'000	2006 US$'000
Cash flow from operating activities			
Cash generated from operations	30	57,146	17,558
Interest paid		(3,684)	(4,091)
Income tax paid		(3,116)	(1,268)
Overseas taxation paid		(2,338)	(1,416)
Net cash generated from operating activities		48,008	10,783
Cash flow from investing activities			
Purchase of property, plant and equipment		(13,695)	(19,813)
Purchase of financial assets at fair value through profit and loss		122	—
Decrease in bank deposits maturing beyond three months		—	56,674
Increase in pledged bank deposits		(838)	(681)
Proceeds from disposal of property, plant and equipment		839	1,470
Acquisition of a subsidiary, net of cash acquired		—	(13,683)
Payment for purchase of additional interests in subsidiaries from minority shareholders		(9,817)	—
Payment of consideration payable for acquisition of a subsidiary		(7,400)	(5,739)
Disposal of subsidiaries, net of cash disposed		—	196
Increase in investment in jointly controlled entities		(649)	(1,289)
Increase in long-term loans to a jointly controlled entity		(2,459)	—
Interest received		3,601	3,500
(Increase)/decrease in other non-current assets		(668)	931
Net cash (used in)/generated from investing activities		(30,964)	21,566
Net cash generated before financing activities		17,044	32,349

	Note	2007 US$'000	2006 US$'000
Cash flows from financing activities			
Decrease in trust receipts bank loans and collateralized borrowings		(8,140)	(8,943)
Increase in short-term bank loans		—	(413)
Increase in long-term bank loans		—	45,000
Repayment of long-term bank loans		(4,900)	(48,635)
Dividends paid to the Company's shareholders		(2,035)	(3,394)
Dividends paid to minority shareholders of subsidiaries		(9,456)	—
Net cash used in financing activities		(24,531)	(16,385)
(Decrease)/increase in cash and cash equivalents		(7,487)	15,964
Cash and cash equivalents at 1 January		96,977	80,003
Effect of foreign exchange rate changes		1,315	1,010
Cash and cash equivalents at 31 December	15	90,805	96,977

Notes to the Consolidated Financial Statements

1 GENERAL INFORMATION

Luen Thai Holdings Limited (the "Company") and its subsidiaries (together the "Group") are principally engaged in the manufacturing and trading of garment and textile products, apparel manufacturing and the provision of freight forwarding and logistic services.

The Company is a limited liability company incorporated in the Cayman Islands. The address of its registered office is 5/F, Nanyang Plaza, 57 Hung To Road, Kwun Tong, Kowloon, Hong Kong.

The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

These consolidated financial statements are presented in thousands of units of United States dollars (US$'000), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 17 April 2008.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented.

2.1 Basis of preparation

The consolidated financial statements of Luen Thai Holdings Limited have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss, which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

(a) Standards, amendments and interpretations that are effective in 2007

- HKFRS 7, "Financial instruments: Disclosures", and the complementary amendment to HKAS 1, "Presentation of financial statements — Capital disclosures", introduces new disclosures relating to financial instruments and does not have any impact on the classification and valuation of the Group's financial instruments, or the disclosures relating to taxation and trade and other payables;

- HK(IFRIC) — Int 8, "Scope of HKFRS 2" (effective for annual periods beginning on or after 1 May 2006). HK(IFRIC) 8 requires consideration of transactions involving the issuance of equity instruments – where the identifiable consideration received is less than the fair value of the equity instruments issued — to establish whether or not they fall within the scope of HKFRS 2. This standard does not have any impact on the Group's financial statements; and

- HK(IFRIC) — Int 10, "Interim Financial Reporting and Impairment" (effective for annual periods beginning on or after 1 November 2006). HK(IFRIC) — Int 10 prohibits the impairment losses recognized in an interim period on goodwill, investments in equity instruments and investments in financial assets carried at cost to be reversed at a subsequent balance sheet date. This standard does not have any impact on the Group's financial statements.

(b) Standards and interpretations effective in 2007 but not relevant for the Group's operations

The following standards and interpretations are mandatory for accounting periods beginning on or after 1 January 2007 but are not relevant to or have no significant impact on the Group's operations:

- HK(IFRIC) — Int 7 "Applying the restatement approach under HKAS 29, Financial reporting in hyper-inflationary economies"; and

- HK(IFRIC) — Int 9 "Re-assessment of embedded derivatives".

(c) Standards, amendments and interpretations that are not yet effective and have not been early adopted by the Group

The following standards, amendments and interpretations have been published but are not effective for 2007 and have not been early adopted:

- HKAS 1 (Revised), "Presentation of Financial Statements" (effective from 1 January 2009). HKAS 1 (Revised) requires all owner changes in equity to be presented in a statement of changes in equity. All comprehensive income is presented in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). It requires presenting a statement of financial position as at the beginning of the earliest comparative period in a complete set of financial statements when there are retrospective adjustments or reclassification adjustments. However, it does not change the recognition, measurement or disclosure of specific transactions and other events required by other HKFRSs. The Group will apply HKAS 1 (Revised) from 1 January 2009.

- HKAS 23 (Amendment), "Borrowing costs" (effective from 1 January 2009). The amendment requires an entity to capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The Group will apply HKAS 23 (Amended) from 1 January 2009.

- HKFRS 8, "Operating segments" (effective from 1 January 2009). HKFRS 8 replaces HKAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The Group will apply HKFRS 8 from 1 January 2009. The expected impact is still being assessed in detail by management, but it appears likely that the number of reportable segments, as well as the manner in which the segments are reported, will change in a manner that is consistent with the internal reporting provided to the chief operating decision-maker. As goodwill is allocated to groups of cash-generating units based on segment level, the change will also require management to reallocate goodwill to the newly identified operating segments. Management does not anticipate that this will result in any material impairment to the goodwill balance.

- HK(IFRIC) — Int 11, "HKFRS 2 — Group and treasury share transactions". HK (IFRIC) — Int 11 provides guidance on whether share-based transactions involving treasury shares or involving Group entities (for example, options over a parent's shares) should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and group companies. This interpretation does not have an impact on the Group's financial statements.

- HK(IFRIC) — Int 14, "HKAS 19 — The limit on a defined benefit asset, minimum funding requirements and their interaction" (effective from 1 January 2008). HK (IFRIC) — Int 14 provides guidance on assessing the limit in HKAS 19 on the amount of the surplus that can be recognized as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. The Group will apply HK(IFRIC) — Int 14 from 1 January 2008, but it is not expected to have any significant impact on the Group's financial statements.

- HKAS 27 (Revised) "Consolidated and Separate Financial Statements" (effective from annual period beginning on or after 1 July 2009). The amendment requires non-controlling interests (i.e. minority interests) to be presented in the consolidated statement of financial position within equity, separately from the equity of the owners of the parent. Total comprehensive income must be attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Changes in a parent's ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity. When control of a subsidiary is lost, the assets and liabilities and related equity components of the former subsidiary are derecognized. Any gain or loss is recognized in profit or loss. Any investment retained in the former subsidiary is measured at its fair value at the date when control is lost. The Group will apply HKAS 27 (Revised) from 1 January 2010.

- HKFRS 3 (Revised) "Business Combination" (effective for business combinations with acquisition date on or after the beginning of the first annual reporting period beginning on or after 1 July 2009). The amendment may bring more transactions into acquisition accounting as combinations by contract alone and combinations of mutual entities are brought into the scope of the standard and the definition of a business has been amended slightly. It now states that the elements are 'capable of being conducted' rather than 'are conducted and managed'. It requires considerations (including contingent consideration), each identifiable asset and liability to be measured at its acquisition-date fair value, except leases and insurance contracts, reacquired right, indemnification assets as well as some assets and liabilities required to be measured in accordance with other HKFRSs. They are income taxes, employee benefits, share-based payment and non current assets held for sale and discontinued operations. Any non-controlling interest in an acquiree is measured either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets. The Group will apply HKFRS 3 (Revised) from 1 January 2010; and

- HKFRS 2 Amendment "Share-based Payment Vesting Conditions and Cancellations" (effective from 1 January 2009). The amendment clarifies the definition of "vesting conditions" and specifies the accounting treatment of "cancellations" by the counterparty to a share-based payment arrangement. Vesting conditions are service conditions (which require a counterparty to complete a specified period of service) and performance conditions (which require a specified period of service and specified performance targets to be met) only. All "non-vesting conditions" and vesting conditions that are market conditions shall be taken into account when estimating the fair value of the equity instruments granted. All cancellations are accounted for as an acceleration of vesting and the amount that would otherwise have been recognized over the remainder of the vesting period is recognized immediately. The Group will apply HKFRS 2 Amendment from 1 January 2009, but it is not expected to have any significant impact on the Group's financial statements.

(d) *The following interpretations have not yet been effective and not relevant for the Group operations:*

- HK(IFRIC) — Int 12, "Service concession arrangements" (effective from 1 January 2008). HK(IFRIC) — Int 12 applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services. HK(IFRIC) — Int 12 is not relevant to the Group's operations because none of the Group's companies provide for public sector services; and

- HK(IFRIC) — Int 13, "Customer loyalty programmes" (effective from 1 July 2008). HK (IFRIC) — Int 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. HK(IFRIC) — Int 13 is not relevant to the Group's operations because none of the Group's companies operate any loyalty programmes.

2.2 Consolidation

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries made up to 31 December.

(a) *Subsidiaries*

Subsidiaries are entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill (Note 2.7). If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the income statement.

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision for impairment losses (Note 2.9). The results of subsidiaries are accounted by the Company on the basis of dividend received and receivable.

(b) Transactions with minority interests

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the consolidated income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

(c) Associates

Associates are entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by the equity method of accounting and are initially recognized at cost.

The Group's share of its associates' post-acquisition profits or losses is recognized in the income statement, and its share of post-acquisition movements in reserves is recognized in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

(d) Joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity.

The consolidated income statement includes the Group's share of the results of jointly controlled entities for the year, and the consolidated balance sheet includes the Group's share of the net assets of the jointly controlled entities.

2.3 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in US dollars ("US$"), which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement. Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analyzed between translation differences resulting from changes in the amortized cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortized cost are recognized in profit and loss, and other changes in carrying amount are recognized in equity.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation difference on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in the available-for-sale reserve in equity.

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognized as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, exchange differences that were recorded in equity are recognized in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and are translated at the closing rate.

2.5 Property, plant and equipment

The property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the income statement during the financial period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate cost to their residual values over their estimated useful lives, as follows:

Buildings	20 years
Leasehold improvements	5-15 years or over the unexpired period of the lease, whichever is shorter
Plant and machinery	5–10 years
Furniture, fixtures and equipment	3–5 years
Motor vehicles	3–5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

2.6 Construction-in-progress

Construction-in-progress represents buildings, plants and machinery under construction and pending installation and is stated at cost. Cost includes the costs of construction of buildings, the costs of plant and machinery and interest charges arising from borrowings used to finance these assets during the period of construction or installation and testing, if any. No provision for depreciation is made on construction-in-progress until such time as the relevant assets are completed and ready for intended use. When the assets concerned are brought into use, the costs are transferred to other property, plant and equipment and depreciated in accordance with the policy as stated in Note 2.5 in this Section.

2.7 Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Separately recognized goodwill is tested for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

(b) Other intangible assets

Other intangible assets, representing customer relationship, have definite useful lives and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of other intangible assets over its estimated useful life of 14 to 15 years.

2.8 Leasehold land and land use right

Leasehold land and land use rights are stated at less accumulated amortization and impairment losses. Cost represents consideration paid for the rights to use the land on which various plants and buildings are situated for periods varying from 10 to 50 years. Amortization of land use rights is calculated on a straight-line basis over the period of the land use right.

2.9 Impairment of investments in subsidiaries, associated companies, jointly controlled entities and non-financial assets

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.10 Financial assets

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as "trade and bills receivables" in the balance sheet (Note 2.12).

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. Impairment testing of trade and bills receivables is described in Note 2.12.

2.11 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods and work-in-progress comprises materials, direct labour and an appropriate proportion of all production overhead expenditure. It excludes borrowing costs. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.12 Trade and bills receivables

Trade and bills receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade and bills receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognized in the income statement within selling and distribution expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against selling and distribution expenses in the income statement.

2.13 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

2.14 Share capital

Ordinary shares are classified as equity.

2.15 Trade and other payables

Trade and other payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2.16 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.17 Current and deferred income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries and associates operate and generate taxable income.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax assets is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associated companies and jointly controlled entities, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2.18 Employee benefits

(a) Pension obligations

Group companies operate various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Group has both defined benefit and defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognized actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of the greater of 10% of the value of plan assets or 10% of the present value of the defined benefit obligation are expensed or credited to the income over the employees' expected average remaining working lives.

Past-service costs are recognized immediately as income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortized on a straight-line basis over the vesting period.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Long service payments

The Group's net obligation in respect of long service payments to its employees upon the termination of their employment or retirement when the employee fulfills certain circumstances under the Hong Kong Employment Ordinance is the amount of future benefit that employees have earned in return for their service in the current and prior periods.

The obligation is calculated using the projected unit credit method, discounted to present value and reduced by entitlements accrued under the Group's retirement plans that are attributable to contributions made by the Group. The discount rate is the yield at balance sheet date on high quality corporate bonds which have terms to maturity approximating the terms of the related liability.

(c) Share-based compensation

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognized as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest. It recognizes the impact of the revision of original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

(d) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

2.19 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

2.20 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. It can also be a present obligation arising from past events that is not recognized because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognized but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognized as a provision.

2.21 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns and discounts and after eliminating sales within the Group.

The Group recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognized as follows:

(i) Sale of goods

Sale of goods is recognized when products have been delivered to its customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.

(ii) Freight forwarding and logistics services income

Freight forwarding and logistics services income are recognized when services are rendered.

(iii) Interest income

Interest income is recognized on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income.

(iv) Rental income

Rental income is recognized on a straight-line basis over the lease periods.

(v) Management and commission income

Management and commission income is recognized when services are rendered.

2.22 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

2.23 Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

Risk management is carried out by a central treasury department (Group Treasury). Group Treasury identifies and evaluates financial risks in close co-operation with the Group's operating units.

(a) Market risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures. Most of the Group's operating activities are denominated in United State dollar (US$), Hong Kong dollar (HK$), Euro and Chinese Renminbi (RMB). Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations.

To manage the foreign exchange risk arising from future commercial transactions and recognized assets and liabilities, the Group enters into foreign exchange forward contracts with external financial institutions to partially hedge against such foreign exchange risk. The Group also mitigates this risk by maintaining HK$, Euro and RMB bank accounts which are used by the Group to pay for the transactions denominated in these currencies.

At 31 December 2007, if US$ had weakened/strengthened by 10% against the Euro with all other variables held constant, post-tax profit for the year would have been US$715,000 (2006: US$350,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of Euro-denominated trade receivables and payables, and cash and bank balances.

At 31 December 2007, if US$ had weakened/strengthened by 10% against the RMB with all other variables held constant, post-tax profit for the year would have been US$781,000 (2006: US$601,000) lower/higher, mainly as a result of foreign exchange gains/losses on translation of RMB-denominated trade payables and cash and bank balances.

(ii) Cash flow and fair value interest rate risk

As the Group has no significant interest-bearing assets except for certain bank deposits, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises from bank borrowings. As at 31 December 2007, borrowings were primarily at floating rates. The Group generally has not used financial derivatives to hedge its exposure to interest rate risk.

The Company's loans to subsidiaries were issued at interest free, and expose the Company to fair value interest-rate risk.

The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing. Based on these scenarios, the Group calculates the impact on profit and loss of a defined interest rate shift.

At 31 December 2007, if interest rates on borrowings had been 1% higher/lower with all other variables held constant, post-tax profit for the year would have been US$597,000 (2006: US$787,000) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

(b) Credit risk

The carrying amount of cash and bank deposits, trade and bills receivables, amounts due from related companies and associated companies, jointly controlled entities, deposits and other receivables included in the balance sheet represents the Group's maximum exposure to credit risk in relation to its financial assets. The Group has put in place policies to ensure that sales of products are made to customers (including related companies) with an appropriate credit history and the Group performs periodic credit evaluations of its customers. The Group usually requires customers to settle the balances with normal credit terms of 30 to 60 days. The Group's top five customers accounted for approximately 63% (2006: 62%) of the total sales. Management considers that the credit risk in respect of these customers is minimal after considering the financial position and past experience with these customers. The Group's historical experience in collection of trade and other receivables falls within the recorded allowances and the directors are of the opinion that adequate provision for uncollectible accounts receivable has been made.

The credit risk on cash and bank deposit is limited because the Group mainly places the deposits in banks with high credit rating and management does not expect any losses from non-performance by banks.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of available credit facilities. The directors aim to maintain flexibility in funding by keeping credit lines available.

Management monitors rolling forecasts of the Group's liquidity reserve which comprises undrawn borrowing facility (Note 18) and cash and cash equivalents (Note 15) on the basis of expected cash flow.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 year *US$'000*	Between 1 and 2 years *US$'000*	Between 2 and 5 years *US$'000*	Over 5 years *US$'000*
Group				
At 31 December 2007				
Bank borrowings	19,308	4,731	15,787	19,387
Trade and other payables	125,078	—	—	—
Amounts due to related companies	2,837	—	—	—
Amounts due to associated companies and jointly controlled entities	1,647	—	—	—
Other long-term liabilities	—	5,758	12,519	13,596
At 31 December 2006				
Bank borrowings	32,625	5,118	15,644	25,970
Trade and other payables	119,938	—	—	—
Amounts due to related companies	1,499	—	—	—
Amounts due to associated companies and jointly controlled entities	84	—	—	—
Other long-term liabilities	—	1,905	—	26,004

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other shareholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital by maintaining a net cash position throughout the year.

3.3 Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the balance sheet date.

The carrying value less impairment provision of financial assets and liabilities are a reasonable approximation of their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Income taxes

The Group is subject to income taxes in various jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be required. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. Please refer to Note 26 for details.

(b) Useful lives of property, plant and equipment and intangible assets (other than goodwill)

The Group's management determines the estimated useful lives, and related depreciation and amortization charges for its property, plant and equipment and intangible assets (other than goodwill). This estimate is based on the historical experience of the actual useful lives of property, plant and equipment and intangible assets of similar nature and functions. Management will increase the depreciation and amortization charges where useful lives are less than previously estimated lives. It will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in depreciable and amortization lives and therefore depreciation and amortization expense in future periods.

(c) Impairment of property, plant and equipment, leasehold land and land use rights and intangible assets (other than goodwill)

Property, plant and equipment, leasehold land and land use rights and intangible assets (other than goodwill) are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on value-in-use calculations or market valuations. These calculations require the use of judgements and estimates.

Management judgement is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell or net present value of future cash flows which are estimated based upon the continue use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could affect the net present value used in the impairment test and as a result affect the Group's financial position and results of operations.

(d) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment. For the purposes of impairment reviews, the recoverable amount of goodwill is determined based on value-in-use calculations. The value-in-use calculations primarily use cash flow projections based on two to four-year financial budgets approved by management and estimated terminal value at the end of the two to four-year periods. There are a number of assumptions and estimates involved in the preparation of cash flow projections for the period covered by the approved budgets. Key assumptions include the growth rates and selection of discount rates to reflect the risks involved. Management prepares the financial budgets reflecting actual and prior year performance and market development expectations. Judgement is required to determine key assumptions adopted in the cash flow projections and changes to key assumptions could affect these cash flow projections and therefore the results of the impairment reviews.

(e) Net realizable value of inventories

Net realizable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and variable selling expenses. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of changes in customer taste and competitor actions in response to severe industry cycle. Management reassesses these estimates at each balance sheet date.

(f) Trade, bills and other receivables

The Group's management determines the provision for impairment of trade, bills and other receivables based on an assessment of the recoverability of the receivables. This assessment is based on the credit history of its customers and other debtors and the current market condition, and requires the use of judgements and estimates. Management reassesses the provision at each balance sheet date.

(g) Employee benefits — share-based payments

The determination of the fair value of the share options granted requires estimates in determining, among others, the expected volatility of the share price, the expected dividend yield, the risk-free interest rate for the life of the option, and the number of options that are expected to become exercisable as stated in Note 16. Where the outcome of the number of options that are exercisable is different, such difference will impact the income statement in the subsequent remaining vested period of the relevant share options.

(h) Business combinations

Contingent consideration involving post-acquisition performance of the purchased entities is included in the cost of acquisition if the contingent consideration is likely to become payable and can be measured reliably at the date of the acquisitions. Contingent consideration is estimated by the Company's directors and the Group's management after considering historical performance and anticipation of post-acquisition growth and integration synergies expected to arise after the acquisitions. In making such financial budgets, management considers uncertainties and that various outcomes have different chances of being realized. Judgement is required in determining key assumptions adopted in the budgets. Changes to these key judgements and estimates could significantly affect the related financial budgets and therefore the estimated consideration for acquisition.

5 SEGMENT INFORMATION

(a) Primary reporting format — business segments

At 31 December 2007, the Group is principally engaged in the manufacturing and trading of garment and textile products, apparel manufacturing and the provision of freight forwarding and logistics services.

Turnover consists of sales from garment and textile products and provision of freight forwarding and logistics services.

The segment results for the year ended 31 December 2007 are as follows:

	Garment/ textile products	Freight forwarding/ logistics services	Others	Group
	US$'000	*US$'000*	*US$'000*	*US$'000*
Segment revenues				
Total segment revenue	777,227	20,668	6,389	804,284
Inter-segment revenue	—	(3,407)	—	(3,407)
Revenue	777,227	17,261	6,389	800,877
Segment result	22,420	1,575	—	23,995
Finance income	3,293	308	—	3,601
Finance costs	(4,670)	—	—	(4,670)
Share of profit of associated companies	—	95	—	95
Share of profit of jointly controlled entities	1,592	—	—	1,592
Profit before income tax				24,613
Income tax expense	(3,804)	(404)	—	(4,208)
Profit for the year				20,405
Minority interest	(7,757)	(133)	—	(7,890)
Profit attributable to the equity holders of the Company				12,515

The segment results for the year ended 31 December 2006 are as follows:

	Garment/ textile products *US$'000*	Freight forwarding/ logistics services *US$'000*	Others *US$'000*	Group *US$'000*
Segment revenues				
Total segment revenue	644,416	16,737	3,629	664,782
Inter-segment revenue	—	(2,946)	—	(2,946)
Revenue	644,416	13,791	3,629	661,836
Segment result	13,105	428	—	13,533
Finance income	3,083	417	—	3,500
Finance costs	(6,608)	—	—	(6,608)
Share of profit of associated companies	—	54	—	54
Share of loss of jointly controlled entities	(435)	—	—	(435)
Profit before income tax				10,044
Income tax expense	(4,524)	(476)	—	(5,000)
Profit for the year				5,044
Minority interest	(2,458)	(77)	—	(2,535)
Profit attributable to the equity holders of the Company				2,509

Other segment items included in the consolidated income statement are as follows:

	Year ended 31 December 2007			Year ended 31 December 2006		
	Garment/ textile products	**Freight forwarding/ logistics services**	**Group**	**Garment/ textile products**	**Freight forwarding/ logistics services**	**Group**
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Depreciation *(Note 7)*	13,383	1,053	14,436	12,778	711	13,489
Amortization *(Notes 6 and 8)*	2,145	—	2,145	1,166	—	1,166
Provision for/ (write-back of) impairment of trade receivables	595	(198)	397	343	25	368
(Write-back of)/ provision for inventory obsolescence	(1,567)	—	(1,567)	1,047	—	1,047
Provision for impairment of intangible assets	758	—	758	827	—	827
Provision for impairment of property, plant and equipment	—	—	—	1,273	—	1,273

Inter-segment transactions are entered into under normal commercial terms and conditions that would also be available to third parties.

The segment assets and liabilities at 31 December 2007 and capital expenditure for the year then ended are as follows:

	Garment/ textile products US$'000	Freight forwarding/ logistics services US$'000	Group US$'000
Segment assets	418,101	30,057	448,158
Associated companies	8	374	382
Jointly controlled entities	6,745	—	6,745
	424,854	30,431	455,285
Unallocated assets			1,839
Total assets			457,124
Segment liabilities	160,801	12,477	173,278
Unallocated liabilities			53,766
Total liabilities			227,044
Capital expenditure *(Notes 7 and 8)*	18,306	1,209	19,515

The segment assets and liabilities at 31 December 2006 and capital expenditure for the year then ended are as follows:

	Garment/ textile products US$'000	Freight forwarding/ logistics services US$'000	Group US$'000
Segment assets	414,194	28,935	443,129
Associated companies	8	279	287
Jointly controlled entities	2,045	—	2,045
	416,247	29,214	445,461
Unallocated assets			433
Total assets			445,894
Segment liabilities	160,942	11,231	172,173
Unallocated liabilities			59,488
Total liabilities			231,661
Capital expenditure *(Notes 7 and 8)*	49,003	2,548	51,551

Segment assets consist primarily of leasehold land and land use rights, property, plant and equipment, intangible assets, interests in associated companies and jointly controlled entities, inventories, receivables, cash and cash equivalents and other operating assets. Unallocated assets comprise deferred taxation, prepaid tax and financial assets at fair value through profit or loss.

Segment liabilities comprise operating liabilities. They exclude items such as taxation and corporate borrowings.

Capital expenditure comprises additions to leasehold land and land use rights (Note 6), property, plant and equipment (Note 7) and intangible assets (Note 8), including additions resulting from acquisitions through business combinations (Notes 7 and 8).

(b) Secondary reporting segments — geographical segments

The Group's revenue is mainly derived from customers located in the United States of America (the "United States" or "USA"), Europe and Asia, while the Group's business activities are conducted predominantly in Hong Kong, the People's Republic of China (the "PRC"), Commonwealth of Northern Mariana Islands, the Philippines and the United States.

	2007	**2006**
	US$'000	*US$'000*
Revenue		
The United States	412,277	429,869
Europe	237,543	115,664
Japan	57,413	64,325
The PRC	32,330	17,501
Others	61,314	34,477
	800,877	661,836

Revenue is allocated based on the place/countries in which customers are located.

	2007	**2006**
	US$'000	*US$'000*
Total Assets		
Hong Kong	233,690	239,476
The United States	42,902	37,279
The PRC	118,158	106,079
Commonwealth of Northern Mariana Islands	11,257	18,234
The Philippines	40,540	36,264
Others	3,450	6,230
	449,997	443,562
Associated companies	382	287
Jointly controlled entities	6,745	2,045
	457,124	445,894

Total assets are allocated based on where the assets are located.

	2007	2006
	US$'000	*US$'000*
Capital expenditure		
Hong Kong	8,545	33,128
The United States	162	1,101
The PRC	8,812	12,384
Commonwealth of Northern Mariana Islands	856	1,514
The Philippines	554	1,710
Others	586	1,714
	19,515	51,551

Capital expenditure is allocated based on where the assets are located.

6 LEASEHOLD LAND AND LAND USE RIGHTS

The Group's interests in leasehold land and land use rights represent prepaid operating lease payments and their net book values are analyzed as follows:

	2007	2006
	US$'000	*US$'000*
Outside Hong Kong held on:		
Leases of between 10 to 50 years	4,476	4,286
Opening net book amount	4,286	4,727
Amortization of prepaid operating lease payments *(Note 23)*	(91)	(102)
Transfer to a related company	(41)	—
Exchange differences	322	(339)
Closing net book amount	4,476	4,286

7 PROPERTY, PLANT AND EQUIPMENT — THE GROUP

	Buildings	Leasehold improvements	Plant and machinery	Furniture, fixture and equipment	Motor vehicles	Construction-in-progress	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
At 1 January 2006							
Cost	32,542	22,780	47,476	33,110	3,960	8,121	147,989
Accumulated depreciation	(5,594)	(15,595)	(19,486)	(20,406)	(2,599)	—	(63,680)
Net book amount	26,948	7,185	27,990	12,704	1,361	8,121	84,309
Year ended 31 December 2006							
Opening net book amount	26,948	7,185	27,990	12,704	1,361	8,121	84,309
Additions	148	2,024	3,524	4,672	980	8,465	19,813
Acquisition of a subsidiary	—	671	—	597	339	—	1,607
Disposal of a subsidiary	—	(1)	(48)	(129)	(19)	—	(197)
Disposals	—	(571)	(704)	(230)	(80)	—	(1,585)
Transfer from construction-in-progress	10,807	62	2,978	65	—	(13,912)	—
Depreciation	(2,069)	(2,108)	(4,835)	(3,862)	(615)	—	(13,489)
Provision for impairment	—	(738)	(339)	(135)	(61)	—	(1,273)
Exchange differences	738	24	422	65	4	205	1,458
Closing net book amount	36,572	6,548	28,988	13,747	1,909	2,879	90,643
At 31 December 2006							
Cost	44,060	22,768	55,456	38,546	5,280	2,879	168,989
Accumulated depreciation and impairment	(7,488)	(16,220)	(26,468)	(24,799)	(3,371)	—	(78,346)
Net book amount	36,572	6,548	28,988	13,747	1,909	2,879	90,643

	Buildings	Leasehold improvements	Plant and machinery	Furniture, fixture and equipment	Motor vehicles	Construction-in-progress	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Year ended 31 December 2007							
Opening net book amount	36,572	6,548	28,988	13,747	1,909	2,879	90,643
Additions	142	1,463	4,729	2,926	449	3,986	13,695
Disposals	—	(82)	(667)	—	(74)	—	(823)
Transfer from construction–in–progress	1,171	1	2,917	—	—	(4,089)	—
Depreciation	(2,045)	(1,829)	(5,816)	(4,122)	(624)	—	(14,436)
Exchange differences	946	1,168	1,014	148	24	199	3,499
Closing net book amount	36,786	7,269	31,165	12,699	1,684	2,975	92,578
At 31 December 2007							
Cost	44,830	17,560	61,659	39,157	4,350	2,975	170,531
Accumulated depreciation and impairment	(8,044)	(10,291)	(30,494)	(26,458)	(2,666)	—	(77,953)
Net book amount	36,786	7,269	31,165	12,699	1,684	2,975	92,578

(a) Depreciation expense of US$5,343,000 (2006: US$6,505,000) has been expensed in cost of sales, and US$9,093,000 (2006: US$6,984,000) has been expensed in the general and administrative expenses.

(b) The construction-in-progress mainly represented factories and office buildings under construction in the PRC. Upon completion, the accumulated cost under construction-in-progress will be transferred to other property, plant and equipment.

8 INTANGIBLE ASSETS — THE GROUP

	Goodwill	Others	Total
	US$'000	*US$'000*	*US$'000*
At 1 January 2006			
Cost	12,063	10,279	22,342
Accumulated amortization and impairment	—	(490)	(490)
Net book value	12,063	9,789	21,852
Year ended 31 December 2006			
Opening net book amount	12,063	9,789	21,852
Adjustment on contingent consideration	2,765	—	2,765
Acquisition of a subsidiary	10,991	19,140	30,131
Amortization *(Note 23)*	—	(1,064)	(1,064)
Provision for impairment *(Note 23)*	(827)	—	(827)
Closing net book amount	24,992	27,865	52,857
At 31 December 2006			
Cost	25,819	29,419	55,238
Accumulated amortization and impairment	(827)	(1,554)	(2,381)
Net book value	24,992	27,865	52,857
Year ended 31 December 2007			
Opening net book amount	24,992	27,865	52,857
Acquisition of additional interests in subsidiaries from minority shareholders *(Note i)*	5,820	—	5,820
Adjustment on contingent consideration *(Note ii)*	9,139	—	9,139
Amortization *(Note 23)*	—	(2,054)	(2,054)
Provision for impairment *(Note 23)*	(758)	—	(758)
Closing net book amount	39,193	25,811	65,004
At 31 December 2007			
Cost	40,778	29,419	70,197
Accumulated amortization and impairment	(1,585)	(3,608)	(5,193)
Net book value	39,193	25,811	65,004

Amortization of US$2,054,000 (2006: US$1,064,000) is expensed in the general and administrative expenses.

The carrying amount of the goodwill has been reduced to its recoverable amount through recognition of an impairment loss against goodwill of US$758,000 (2006: US$827,000). This loss has been included in the general and administrative expenses in the consolidated income statement.

Notes:

(i) In April 2007, the Group exercised the call option to acquire an additional 10% interest in On Time International Limited, a subsidiary from the minority shareholders at an estimated consideration of approximately US$4,553,000 and consequently a goodwill of approximately US$2,308,000 has been recognized.

In August 2007, one of the minority shareholders of Partner Joy Limited, a subsidiary, has exercised the put option to sell his 19% interest of Partner Joy Limited to the Group at a consideration of approximately US$5,967,000 and consequently a goodwill of approximately US$3,512,000 has been recognized.

(ii) The total purchase consideration for the acquisition of certain subsidiaries is determined with reference to the average of the consolidated net profit of those subsidiaries over certain specific periods. During the year, the goodwill in relation to the interests acquired increased by US$9,139,000 as a result of a change of such contingent consideration.

Impairment tests for goodwill

Goodwill is allocated to the Group's cash-generating units ("CGUs") identified according to business division. A summary of the goodwill allocation to different CGUs is presented below:

	2007	**2006**
	US$'000	*US$'000*
Sweater division	15,473	10,863
Sleepwear division	2,380	2,380
Trading and sourcing division	21,340	10,991
Ladies' career wear division	—	758
	39,193	24,992

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering the two to four-year periods. Cash flows beyond the two to four-year periods are extrapolated using the estimated growth rates stated below.

The impairment charge arose in the CGU of ladies' career wear division following a decision to scale down the business to this operation.

The key assumptions other than the financial budgets covering the two to four-year periods used for value-in-use calculations are as follows:

	Sweater division	**Sleepwear division**	**Trading and sourcing division**
Growth rate (a)	2%	0%	4%
Discount rate (b)	14%	14%	17%

Notes:

(a) Weighted average growth rate used to extrapolate cash flows beyond the budget period

(b) Discount rate applied to the cash flow projections

These assumptions have been used for the analysis of each CGU.

Management determined the financial budgets based on past performance and its expectations for the market development. The weighted average growth rates used are consistent with the forecasts included in industry reports. The discount rates used are pre-tax and reflect specific risks relating to the relevant divisions.

9 INVESTMENTS IN SUBSIDIARIES — THE COMPANY

	2007	**2006**
	US$'000	*US$'000*
Unlisted shares, at cost	71,564	71,564
Amounts due from subsidiaries	128,062	128,062
	199,626	199,626

Particulars of the principal subsidiaries as at 31 December 2007:

Name	**Place of incorporation/ establishment**	**Principal activities and place of operations**	**Particulars of issued share capital**	**Interest held**
Best Uni Limited	Hong Kong	Garment trading and sourcing overseas/in Hong Kong	10,000 ordinary share of HK$1 each	60%
Chelton Force Limited	British Virgin Islands ("BVI")	Investment holding in Hong Kong	1 ordinary share of US$1 each	100%
Concorde Garment Manufacturing Corporation	Commonwealth of Northern Mariana Islands ("CNMI")	Garment manufacturing in CNMI	1,510,000 ordinary shares of US$1 each	100%
Consolidated Transportation Services, Inc.	CNMI	Provision of freight forwarding and logistics services in CNMI	1,000,000 ordinary shares of US$1 each	100%
Consolidated Transportation Services (FSM), Inc	Pohnpei	Provision of freight forwarding and logistics services in Pohnpei	100,000 ordinary shares of US$1 each	90%

Name	Place of incorporation/ establishment	Principal activities and place of operations	Particulars of issued share capital	Interest held
Consolidated Transportation Services, Incorporated (Guam)	Guam	Provision of freight forwarding and logistics services in Guam	400,000 ordinary shares of US$1 each	100%
Consolidated Transportation Services, Inc. (Palau)	Palau	Provision of freight forwarding and logistics services in Palau	100,000 ordinary shares of US$1 each	80%
CTSI Holdings Limited	BVI	Investment holding in the Philippines	1 ordinary share of US$1 each	100%
CTSI Logistics, Inc.	U.S.A.	Provision of freight forwarding and logistics services in the U.S.A.	10,000 ordinary shares with total paid-in capital of US$100,000	100%
CTSI Logistics Inc.	Cambodia	Provision of freight forwarding and logistics services in Cambodia	100 ordinary shares of Riels 380,000 each	100%
CTSI Logistics (Korea), Inc.	Korea	Provision of freight forwarding and logistics services in Korea	60,000 ordinary shares of Won 5,000 each	60%
CTSI Logistics Limited	Hong Kong	Provision of freight forwarding and logistics services in Hong Kong	100,000 ordinary shares of HK$10 each	100%
CTSI Logistics Phils., Inc.	The Philippines	Provision of freight forwarding and logistics services in the Philippines	100,000 ordinary shares of Peso 100 each	100%
Dongguan Luen Thai Garment Co., Ltd.	The PRC	Garment manufacturing in the PRC	Registered capital of HK$225,350,000 with total paid-in capital of HK$225,350,000	100%

Name	Place of incorporation/ establishment	Principal activities and place of operations	Particulars of issued share capital	Interest held
Dongguan Quan Thai Garment Co., Ltd.	The PRC	Sourcing and trading of garment products in the PRC	HK$8,000,000	100%
Fortune Investment Overseas Limited	BVI	Investment holding in Hong Kong	1 ordinary share of US$1 each	100%
GJM (HK) Limited	Hong Kong	Sourcing and trading of garment products in Hong Kong	2 ordinary shares of HK$1 each	100%
G.J.M. (H.K.) Manufacturing Limited	Hong Kong	Investment holding in Hong Kong	2 ordinary shares of HK$100 each	100%
GJM (Qingyuan) Light Industrial Development Limited	The PRC	Garment manufacturing in the PRC	Registered capital of HK$120,500,000 with total paid-in capital of HK$106,147,661	100%
GJM (UK) Limited	United Kingdom ("UK")	Garment distributor in the UK	1 ordinary share of GBP 1 each	100%
Golden Dragon Apparel, Inc.	The Philippines	Garment manufacturing in the Philippines	62,000 ordinary shares of Peso 100 each	100%
Guangzhou G.J.M. Garment Manufacturing Factory	The PRC	Garment manufacturing in the PRC	Registered capital of US$7,200,000 with total paid-in capital of US$7,200,000	100%
Hongquan Consulting Services (Shenzhen) Co., Ltd.	The PRC	Provision of consultancy services in the PRC	HK$1,000,000	100%
Kingsmere, Inc.	U.S.A.	Investment holding in the U.S.A.	100 ordinary shares with total paid-in capital of US$310,000	100%

Name	Place of incorporation/ establishment	Principal activities and place of operations	Particulars of issued share capital	Interest held
L & T International Group Phils., Inc.	The Philippines	Garment manufacturing in the Philippines	20,000 ordinary shares of Peso 100 each	100%
L & T Macao Garment Manufacturing Company Limited	Macau	Garment manufacturing in Macau	MOP$25,000	100%
Luen Thai International Group Limited	Hong Kong	Sourcing, manufacturing and trading of textile and garment products in Hong Kong	2 ordinary shares of HK$1 each	100%
Luen Thai Macao Commercial Offshore Company Limited	Macau	Sourcing, manufacturing and trading of textile and garment products in Macau	MOP$25,000	100%
Luen Thai Overseas Limited	Bahamas	Investment holding in Hong Kong	16,685,804 ordinary shares of US$1 each	100%
Manhattan Limited	Hong Kong	Garment trading and sourcing overseas/in Hong Kong	10,000 ordinary shares of HK$1 each	60%
On Time International Limited	BVI	Investment holding in Hong Kong	500 ordinary share of US$1 each	60%
Philippine Luen Thai Holdings Corporation	The Philippines	Investment holding in the Philippines	260,000 ordinary shares of Peso 100 each	100%
Partner Joy Group Limited	BVI	Investment holding in Hong Kong	1,000 ordinary shares of US$1 each	90%
Power Might Limited	BVI	Investment holding in Hong Kong	12,207,164 ordinary shares of US$1 each	100%

Name	Place of incorporation/ establishment	Principal activities and place of operations	Particulars of issued share capital	Interest held
Sino Venus Limited	Hong Kong	Investment holding in Hong Kong	2 ordinary shares of HK$1 each	100%
Sunny Force Limited	BVI	Investment holding in Hong Kong	1 ordinary share of US$1 each	100%
TellaS Ltd.	U.S.A.	Import and distribution of garments in the U.S.A.	100 ordinary shares with total paid-in capital of US$100,000	100%
Tien-Hu Knitters Limited	Hong Kong	Trading of garment products in Hong Kong	1,000,000 ordinary shares of HK$1 each	90%
Tien-Hu Trading (Hong Kong) Limited	Hong Kong	Trading of garment products in Hong Kong	1,000,000 ordinary shares of HK$1 each	90%
Tien-Hu Knitting Factory (Hong Kong) Limited	Hong Kong	Trading of garment products in Hong Kong	1,000,000 ordinary shares of HK$1 each	90%
TMS Fashion (H.K.) Limited	Hong Kong	Garment trading and investment holding in Hong Kong	3,000,000 shares of HK$1 each	60%
TMS International Limited	Hong Kong	Garment trading in Hong Kong	2,000 ordinary shares of HK$500 each	60%
Winley Industries Limited	Hong Kong	Investment holding in Hong Kong	2 ordinary shares of HK$1 each	100%

All subsidiaries of the Company are indirectly held except for Luen Thai Overseas Limited.

The outstanding balances with subsidiaries except for the amount of US$2,500,000 (2006: Nil), are interest-free and not repayable in the coming twelve months.

10 INTERESTS IN ASSOCIATED COMPANIES — THE GROUP

	2007	2006
	US$'000	*US$'000*
Share of net assets	382	287
Unlisted investments, at cost	156	156

Particulars of the principal associated companies as at 31 December 2007:

Name	Place of issued shares held	Principal activities and place of operations	Particulars of issued share capital	Interest held
CTSI Logistics (Taiwan), Inc.	Taiwan	Provision of freight forwarding and logistics services in Taiwan	1,420,000 ordinary shares of TWD 10 each	49%
LT Investment Co. Ltd.	Cambodia	Property holding in Cambodia	25 ordinary shares of US$8,000 each	49%

11 INTERESTS IN JOINTLY CONTROLLED ENTITIES — THE GROUP

	2007	2006
	US$'000	*US$'000*
Share of net asset/(liabilities)	1,642	(599)
Loans to jointly controlled entities	5,103	2,644
	6,745	2,045
Unlisted investments, at cost	3,205	2,556

The loans to jointly controlled entities are unsecured, non-interest bearing and not repayable within the next twelve months.

Particulars of the principal jointly controlled entities as at 31 December 2007:

Name	Place of issued shares held	Principal activities and place of operations	Particulars of issued share capital	Assets	Liabilities	Revenues	Profit/ (loss)	Interest held
				US$'000	*US$'000*	*US$'000*	*US$'000*	
Shenzhen Guangthai International Co. Ltd.	The PRC	Garment trading in PRC	HK$20,000,000	1,485	88	323	21	50%
Shenzhen Li Da Silk Garment Company Limited	The PRC	Garment manufacturing in the PRC	RMB2,400,000	363	251	1,409	2	25%
Wuxi Liantai Garments Co., Ltd.	The PRC	Garment manufacturing in the PRC	Registered capital of US$2,050,000 with total paid-in capital of US$1,241,400	1,568	309	2,032	51	50%
Yuen Thai Industrial Company Limited	Hong Kong	Sourcing, manufacturing and trading of sports and active wear in the PRC	2 ordinary shares of HK$1 each	16,711	15,888	28,847	2,391	50%
Yuen Thai Holdings Limited	BVI	Investment holding in Hong Kong and in the Philippines	2 ordinary shares of US$1 each	2,820	2,822	—	(1)	50%
Yuenthai Philippines, Inc.	The Philippines	Garment manufacturing in the Philippines	Peso 4,000,000	2,219	3,890	—	(821)	50%
Hong Kong Guangthai International Company Limited	Hong Kong	Investment holding in Hong Kong	2 ordinary shares of HK$1 each	2,749	2,984	2,632	(101)	50%

12 DEFERRED INCOME TAX — THE GROUP

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts are as follows:

	2007	2006
	US$'000	*US$'000*
Deferred tax assets:		
— Deferred tax asset to be recovered after more than 12 months	(759)	(311)
Deferred tax liabilities		
— Deferred tax liabilities to be settled after more than 12 months	3,769	3,849
Deferred tax liabilities, net	3,010	3,538

The net movement on the deferred income tax account is as follows:

	2007	2006
	US$'000	*US$'000*
Beginning of the year	3,538	(391)
Recognized in the income statement *(Note 26)*	(504)	525
Acquisition of a subsidiary	—	3,350
Disposal of subsidiary	—	38
Exchange differences	(24)	16
End of the year	3,010	3,538

The movement in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Provision	Accelerated tax depreciation	Intangible assets	Others	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
At 1 January 2006	262	(355)	—	484	391
Charged to the income statement	(224)	(171)	—	(130)	(525)
Acquisition of a subsidiary	—	—	(3,350)	—	(3,350)
Disposal of a subsidiary	—	(38)	—	—	(38)
Exchange difference	—	(1)	—	(15)	(16)
At 31 December 2006	38	(565)	(3,350)	339	(3,538)
(Charged)/credited to the income statement	(8)	307	289	(84)	504
Exchange difference	—	—	—	24	24
At 31 December 2007	30	(258)	(3,061)	279	(3,010)

Deferred income tax assets are recognized for tax loss carry-forwards to the extent that the realization of the related tax benefit through the future taxable profits is probable. The Group did not recognize deferred income tax assets of US$7,814,000 (2006: US$7,091,000) in respect of losses amounting to US$23,752,000 (2006: US$17,246,000) that can be carried forward against future taxable income. These tax losses have an expiry date from 2008 to 2016.

13 INVENTORIES — THE GROUP

	2007	2006
	US$'000	*US$'000*
Raw materials	30,564	30,986
Work-in-progress	17,491	20,378
Finished goods	17,190	13,968
	65,245	65,332

The cost of inventories recognized as expense and included in cost of sales amounted to US$568,500,000 (2006: US$444,219,000).

As at 31 December 2007, certain inventories were held under trust receipts bank loan arrangement.

14 TRADE AND BILLS RECEIVABLES — THE GROUP

	2007	2006
	US$'000	*US$'000*
Trade and bills receivables	101,712	95,102
Less: provision for impairment of receivables	(1,647)	(1,250)
Trade and bills receivables — net	100,065	93,852

The carrying amount of trade and bills receivables approximates its fair value.

The Group normally grants credit terms to its customers ranging from 30 to 60 days. The ageing analysis of the trade receivables is as follows:

	2007	2006
	US$'000	*US$'000*
0 to 30 days	87,383	80,974
31 to 60 days	5,600	6,442
61 to 90 days	2,663	1,768
Over 91 days	6,066	5,918
	101,712	95,102

Trade receivables that are less than two months past due are not considered impaired. As of 31 December 2007, trade receivables of US$7,082,000 (2006: US$6,436,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

The impairment provision was US$1,647,000 as of 31 December 2007 (2006: US$1,250,000). The provision made during the year has been included in the general and administrative expenses in the consolidated income statement.

Movement in the provision for impairment of trade receivables are as follows:

	2007	2006
	US$'000	*US$'000*
At 1 January	1,250	1,899
Provision for receivable impairment	397	368
Unused amounts reversed	—	(1,017)
At 31 December	1,647	1,250

The carrying amounts of the Group's trade and bills receivables are denominated in the following currencies:

	2007	2006
	US$'000	*US$'000*
US$	62,914	65,305
HK$	7,229	13,648
Euro	18,472	11,863
RMB	8,437	813
Philippines Peso	2,559	1,844
Other currencies	454	379
	100,065	93,852

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Group does not hold any collateral as security.

15 CASH AND CASH EQUIVALENTS

	Group		Company	
	2007	2006	2007	2006
	US$'000	*US$'000*	*US$'000*	*US$'000*
Cash at bank and in hand	52,398	42,951	167	430
Short-term bank deposits	44,270	64,125	—	—
Cash and cash equivalents in the balance sheets	96,668	107,076	167	430
Bank overdrafts *(Note 18)*	(5,863)	(10,099)		
Cash and cash equivalents in the consolidated cash flow statement	90,805	96,977		
Maximum exposure to credit risk	96,668	107,076	167	430

The Group's cash and cash equivalents and bank deposit are denominated in the following currencies:

The Group

	2007	**2006**
	US$'000	*US$'000*
US$	77,193	94,830
HK$	3,604	3,328
Euro	6,220	1,307
RMB	5,439	2,638
Other currencies	4,212	4,973
	96,668	107,076

The Company

	2007	**2006**
	US$'000	*US$'000*
US$	164	407
Other currencies	3	23
	167	430

The effective interest rate on short-term bank deposits was 4.47% (2006: 4.33%) per annum; these deposits have an average maturity of 50 days (2006: 62 days).

As at 31 December 2007, pledged bank deposits have a maturity period of 90 days. Certain of the Group's banking facilities were pledged by such bank deposits of US$1,519,000 (2006: US$681,000).

16 SHARE CAPITAL

	Number of shares	**Nominal value**
		US$'000
Authorized — ordinary shares of US$0.01 each		
At 31 December 2006 and 2007	1,500,000,000	15,000
Issued and fully paid — ordinary shares of US$0.01 each		
At 31 December 2006 and 2007	992,500,000	9,925

Share option

The Company has adopted a share option scheme (the "Scheme") which is effective for a period of 10 years commencing 27 June 2004 pursuant to a written resolution of the then sole shareholder of the Company on 27 June 2004.

Under the Scheme, the Company may grant options to selected full-time employees and directors of the Company and its subsidiaries to subscribe for shares in the Company. Additionally, the Company may, from time to time, grant share options to eligible advisors and consultants to the Company and its subsidiaries at the discretion of the Board of Directors.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue as at the date of the listing of the shares without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at the date of such grant, without prior approval from the Company's shareholders.

Options may be exercised at any time within the relevant exercise period. The exercise price is determined by the highest of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares.

Movements in the number of share options are as follows:

			Number of shares			
Date of grant	**Exercisable period**	**Subscription price per share**	**Beginning of year**	**Granted**	**Cancelled/ Lapsed**	**End of year**
			'000	*'000*	*'000*	*'000*
28 December 2004	From 28 December 2004 to 27 December 2007	HK$4.1	7,620	—	(7,620)	—
26 January 2006	From 26 January 2007 to 25 January 2011	HK$2.52	8,420	—	(1,135)	7,285
10 November 2006	From 10 November 2007 to 9 November 2011	HK$1.28	9,031	—	(1,115)	7,916
			25,071	—	(9,870)	15,201

Share options outstanding at the end of the year have the following expiry dates and exercise prices:

		Number of share options	
Expiry date	**Exercise price**	**2007**	**2006**
		'000	*'000*
27 December 2007	HK$4.1	—	7,620
25 January 2011	HK$2.52	7,285	8,420
9 November 2011	HK$1.28	7,916	9,031
		15,201	25,071

17 OTHER RESERVES

(a) Group

	Share premium *US$'000*	Capital reserve *(Note (i))* *US$'000*	Other reserves *US$'000*	Share based compensation expense *US$'000*	Exchange reserve *US$'000*	Total *US$'000*
At 1 January 2006	116,998	11,722	(6,928)	—	(4,066)	117,726
Recognition of financial liability arisen from acquisition of a subsidiary	—	—	(20,383)	—	—	(20,383)
Acquisition of a subsidiary	—	—	(1,450)	—	—	(1,450)
Share based compensation expense	—	—	—	539	—	539
Exchange differences arising on translation of foreign subsidiaries	—	—	—	—	2,196	2,196
As at 31 December 2006	116,998	11,722	(28,761)	539	(1,870)	98,628
At 1 January 2007	116,998	11,722	(28,761)	539	(1,870)	98,628
Derecognition of financial liabilities upon acquisition of minority interest *(Note 20)*	—	—	4,311	—	—	4,311
Share based compensation expense	—	—	—	563	—	563
Exchange differences arising on translation of foreign subsidiaries	—	—	—	—	4,550	4,550
As at 31 December 2007	116,998	11,722	(24,450)	1,102	2,680	108,052

(b) Company

	Share premium *US$'000*	Capital reserve *(Note (ii))* *US$'000*	Share based compensation reserve *US$'000*	Total *US$'000*
At 1 January 2006	116,998	71,564	—	188,562
Share based compensation expense	—	—	539	539
At 31 December 2006	116,998	71,564	539	189,101
At 1 January 2007	116,998	71,564	539	189,101
Share based compensation expense	—	—	563	563
At 31 December 2007	116,998	71,564	1,102	189,664

Notes:

(i) The capital reserve of the Group represents the difference between the nominal value of the shares of the subsidiaries acquired pursuant to the Initial Public Offerings ("IPO") reorganization and the nominal value of the Company's shares issued in exchange thereof.

(ii) The Company's capital reserve represents the difference between the aggregate net asset values of the subsidiaries acquired and the nominal value of the Company's shares issued for the acquisition of the subsidiaries through the share exchange under the Group's IPO reorganization.

18 BORROWINGS — THE GROUP

	2007 *US$'000*	2006 *US$'000*
Non-current		
Bank loans	33,750	38,250
Current		
Bank overdrafts	5,863	10,099
Collateralized borrowings	—	327
Current portion of non-current bank loans	4,500	4,900
Trust receipt bank loans	8,045	15,858
	18,408	31,184
Total borrowings	52,158	69,434

At 31 December 2007, the Group's borrowings were repayable as follows:

	Bank overdrafts		Trust receipt bank loans		Bank loans		Total	
	2007	2006	2007	2006	2007	2006	2007	2006
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Within 1 year	5,863	10,099	8,045	15,858	4,500	5,227	18,408	31,184
Between 1 and 2 years	—	—	—	—	4,500	4,500	4,500	4,500
Between 2 and 5 years	—	—	—	—	13,500	13,500	13,500	13,500
Wholly repayable within 5 years	5,863	10,099	8,045	15,858	22,500	23,227	36,408	49,184
Over 5 years	—	—	—	—	15,750	20,250	15,750	20,250
	5,863	10,099	8,045	15,858	38,250	43,477	52,158	69,434

The carrying amounts of the borrowings are denominated in the following currencies:

	2007	2006
	US$'000	*US$'000*
HK$	12,075	7,301
US$	40,083	62,133
	52,158	69,434

The effective interest rates at the balance sheet date were as follows:

	2007		2006	
	US$	*HK$*	*US$*	*HK$*
Bank loans	4.89%	—	4.62%	—
Trust receipt bank loans	5.33%	3.62%	5.23%	4.07%
Bank overdrafts	8.00%	8.00%	8.00%	8.00%

Bank borrowings are secured by the corporate guarantee provided by the Company. As at 31 December 2007, the Group had aggregate banking facilities of approximately US$227,274,000 (2006: US$234,533,000) for overdrafts, loans, trade financing and bank guarantees. Unused facilities as at the same date amounted to approximately US$163,978,000 (2006: US$151,396,000).

The carrying amounts of the borrowings approximately equal their fair values.

19 RETIREMENT BENEFIT OBLIGATIONS — THE GROUP

	2007	2006
	US$'000	*US$'000*
Balance sheet obligation for:		
— Defined benefits plans	2,746	1,813
— Provision for long service payments	389	482
	3,135	2,295
Income statement charge for *(Note 24)*:		
— Defined benefits plan	793	838
— Provision for long service payment	73	80
	866	918

The assets of the defined benefit plans are held independently of the Group's assets in separate trustee administered funds. The Group's major plans are valued by qualified actuaries annually using the projected unit credit method. Defined benefit plans in the Philippines are valued by Real Actuarial Consulting Limited, an independent qualified actuary valuer.

(a) Defined contribution plans

During the year, the Group maintained various defined contribution retirement schemes for its employees, which are managed by independent trustees. Employees' and employer's contributions are based on various percentages of employees' gross salaries and length of service. The total contributions to the defined contribution retirement schemes were approximately US$847,000 for the year ended 31 December 2007 (2006: US$636,000).

(b) Defined benefit plans

The amounts recognized in the consolidated balance sheet are determined as follows:

	2007	2006
	US$'000	*US$'000*
Present value of unfunded obligations	2,757	1,791
Unrecognized actuarial (losses)/gains	(11)	22
Liability in the consolidated balance sheet	2,746	1,813

The amounts recognized in the consolidated income statement are as follows:

	2007	2006
	US$'000	*US$'000*
Current service cost	636	372
Interest cost	157	137
Actuarial gain recognized during the year	—	(35)
Curtailment/settlement loss	—	364
Total, included in employee benefit expense *(Note 24)*	793	838

The movements of the liability recognized in the consolidated balance sheet are as follows:

	2007	2006
	US$'000	*US$'000*
At 1 January	1,813	1,667
Total expense — included in employee benefit expense as shown above	793	838
Contributions paid	(26)	(809)
Exchange difference	166	117
At 31 December	2,746	1,813

The principal actuarial assumptions used are as follows:

	2007	2006
Discount rate	8.5%	9.0%
Future salary increases rate	7.5%	7.5%

(c) Long service payments

Provision for long service payments represents the Group's obligations for long service payments to its employees in Hong Kong on cessation of employment in certain circumstances under the Hong Kong Employment Ordinance.

The obligation is calculated using the projected unit credit method, discounted to its present value and reduced by entitlements accrued under the Group's retirement plans that are attributable to contributions made by the Group. Such long service payment obligations are valued by Real Actuarial Consulting Limited, an independent qualified actuary valuer.

The amounts recognized in the consolidated balance sheet are determined as follows:

	2007	2006
	US$'000	*US$'000*
Present value of unfunded obligations	427	605
Unrecognized actuarial losses	(38)	(123)
Liability in the consolidated balance sheet	389	482

The amounts recognized in the consolidated income statement are as follows:

	2007	2006
	US$'000	*US$'000*
Current service cost	28	19
Interest cost	20	24
Net actuarial losses recognized	25	37
Total, included in employee benefit expense *(Note 24)*	73	80

The above charges were included in the general and administrative expenses.

Movements of the provision for long service payments of the Group are as follows:

	2007	2006
	US$'000	*US$'000*
At 1 January	482	374
Total expenses — included in employee benefit expense as shown above	73	80
Contributions paid	(286)	(106)
MPF refund received	120	134
At 31 December	389	482

The principal actuarial assumptions used are as follows:

	2007	2006
Discount rate	3.1%	3.7%
Future salary increases rate	3.0%	3.0%

20 OTHER LONG-TERM LIABILITIES — THE GROUP

Other long-term liabilities comprised:

	2007	2006
	US$'000	*US$'000*
Consideration payable for acquisition of subsidiaries	5,316	1,690
Financial liabilities in connection with the put options granted for the acquisition of subsidiaries	21,357	20,383
	26,673	22,073

The consideration payable represented the balance of consideration payable for the acquisition of 60% equity interest in On Time International Limited ("On Time") and 90% equity interest in Partner Joy Group Limited ("Partner Joy"). Financial liabilities represented the amounts payable for the put options granted to the vendors of On Time and Partner Joy to sell their 40% and 10% interest in On Time and Partner Joy, respectively to the Group.

The repayment schedule of the consideration payable and financial liabilities is as follows:

	2007	2006
	US$'000	*US$'000*
Consideration payable:		
— Within 1 year	5,433	6,302
— Between 1 and 2 years	5,758	1,905
Financial liabilities:		
— Within 1 year	2,843	9,097
— Between 2 and 5 years	12,519	—
— Later than 5 years	13,596	26,004
	40,149	43,308
Less: Amount representing interest element	(5,200)	(5,836)
Present value of consideration payable and financial liabilities	34,949	37,472
Less: Current portion included in other payables and accruals	(8,276)	(15,399)
	26,673	22,073

During the year, the Group derecognized financial liabilities of approximately US$5,962,000 (2006: Nil) when a minority shareholder of Partner Joy exercised the put option to sell his 19% interest in Partner Joy to the Group.

21 TRADE AND BILLS PAYABLES

At 31 December 2007, the ageing analysis of trade and bills payables was as follows:

	2007	2006
	US$'000	*US$'000*
0 to 30 days	43,387	34,525
31 to 60 days	8,224	4,059
61 to 90 days	706	819
Over 91 days	3,438	4,503
	55,755	43,906

The carrying amounts of the Group's trade and bills payables are denominated in the following currencies:

	2007	2006
	US$'000	*US$'000*
US$	18,059	19,209
HK$	24,213	14,363
Euro	11,864	8,131
RMB	279	1,447
Philippines Peso	987	625
Other currencies	353	131
	55,755	43,906

22 REVENUE

	2007	2006
	US$'000	*US$'000*
Sales of garment and textile products	777,227	644,416
Freight forwarding and logistics service fee	17,261	13,791
Management income from related companies and a jointly controlled entity	410	427
Rental income from a related company	210	198
Commission income from		
— a related company	1,728	1,749
— third parties	646	89
Sales of quota	767	—
Others	2,628	1,166
Revenue	800,877	661,836

23 EXPENSES BY NATURE

	2007	2006
	US$'000	*US$'000*
Cost of inventories	568,500	444,219
Exchange difference, net	(2,259)	727
(Gain)/loss on disposal of property, plant and equipment	(16)	115
Auditor's remuneration	774	733
Amortization of leasehold land and land use rights *(Note 6)*	91	102
Amortization of intangible assets *(Note 8)*	2,054	1,064
Provision for impairment of intangible assets *(Note 8)*	758	827
Depreciation of property, plant and equipment *(Note 7)*	14,436	13,489
Provision for impairment of property, plant and equipment	—	1,273
Provision for claims	4,540	2,082
Provision for impairment of receivables	397	368
Write-off of non-current assets	2,204	—
(Write-back of)/provision for inventory obsolescence	(1,567)	1,047
Operating leases		
— office premises and warehouses	6,661	5,539
— plant and machinery	1,476	1,717
Quota expenses	5,975	2,343
Employee benefit expense *(Note 24)*	116,088	118,033
Transportation	4,747	3,886
Commission	3,567	1,527
Legal and professional fee	4,617	2,904
Communication, supplies and utilities	24,845	21,737
Write-back of other payables	(2,681)	(778)
Other expenses	21,675	25,349
	776,882	648,303
Representing:		
Cost of sales	645,982	537,565
Selling and distribution expenses	26,158	19,168
General and administrative expenses	104,742	91,570
	776,882	648,303

24 EMPLOYEE BENEFIT EXPENSE — INCLUDING DIRECTORS' EMOLUMENTS

(a) Employee benefit expense during the year is as follows:

	2007	2006
	US$'000	*US$'000*
Wages, salaries and allowances	112,937	113,195
Termination benefits	566	2,207
Share options granted to directors and employees	563	539
Pension costs		
— Defined contribution plans *(Note 19(a))*	847	636
— Defined benefit plans *(Note 19(b))*	793	838
— Long service payments *(Note 19(c))*	73	80
Others	309	538
	116,088	118,033

(b) Directors and senior management

The remuneration of every director for the year ended 31 December 2007 is set out below:

Name of director	Fees	Salary	Discretionary bonuses	Other benefits[1]	Employer's contribution to pension scheme	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Executive directors						
Mr. Tan Siu Lin	—	122	—	—	—	122
Mr. Tan Henry	—	332	—	17	2	351
Mr. Tan Cho Lung, Raymond	—	242	19	47	2	310
Ms. Mok Siu Wan, Anne	—	377	391	44	107	919
Mr. Tan Sunny	—	112	17	26	2	157
Non-executive directors						
Mr. Tan Willie	150	—	—	11	—	161
Mr. Lu Chin Chu[2]	5	—	—	—	—	5
Independent non-executive directors						
Mr. Chan Henry	15	—	—	—	—	15
Mr. Cheung Siu Kee	15	—	—	—	—	15
Mr. Seing Nea Yie	15	—	—	—	—	15

The remuneration of every Director for the year ended 31 December 2006 is set out below:

Name of Director	**Fees**	**Salary**	**Discretionary bonuses**	**Other benefits**[1]	**Employer's contribution to pension scheme**	**Total**
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Executive directors						
Mr. Tan Siu Lin	—	128	—	—	—	128
Mr. Tan Henry	—	332	—	13	2	347
Mr. Tan Cho Lung, Raymond	—	289	—	9	2	300
Ms. Mok Siu Wan Anne	—	414	—	32	18	464
Mr. Tan Sunny	—	112	—	19	2	133
Non-executive directors						
Mr. Tan Willie	88	149	—	17	—	254
Independent non-executive directors						
Mr. Chan Henry	13	—	—	—	—	13
Mr. Cheung Siu Kee	13	—	—	—	—	13
Mr. Seing Nea Yie	13	—	—	—	—	13

1 Other benefits mainly include share option.

2 Mr. Lu Chin Chu was appointed as non-executive director on 17 September 2007.

None of the directors of the Company waived any emoluments paid by the group companies during the year (2006: Nil).

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included two (2006: two) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three individuals during the year (2006: three) are as follows:

	2007	**2006**
	US$'000	*US$'000*
Basic salaries, other allowances and benefit in kind	755	733
Discretionary bonuses	704	480
Pension scheme contributions	13	12
Others	—	28
	1,472	1,253

The emoluments fell within the following bands:

	Number of individuals 2007	2006
Emolument bands		
US$323,001 to US$387,000		
(equivalent to HK$2,500,001 to HK$3,000,000)	—	1
US$387,001 to US$452,000		
(equivalent to HK$3,000,001 to HK$3,500,000)	2	—
US$452,001 to US$516,000		
(equivalent to HK$3,500,001 to HK$4,000,000)	—	2
US$580,645 to US$645,161		
(equivalent to HK$4,500,001 to HK$5,000,000)	1	—
	3	3

During the year, no emoluments have been paid to the directors of the Company or the five highest paid individuals as an inducement to join or as compensation for loss of office.

25 FINANCE INCOME AND COSTS

	2007 *US$'000*	2006 *US$'000*
Interest expense on bank loans and overdrafts	3,684	4,091
Change in estimates of financial liabilities	(195)	1,589
Interest expense on financial liabilities carried at amortized costs	1,181	928
Finance costs	4,670	6,608
Finance income — Interest income	(3,601)	(3,500)
Net finance costs	1,069	3,108

26 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

	2007 *US$'000*	2006 *US$'000*
Current income tax:		
— Hong Kong profits tax	2,015	1,774
— Overseas taxation	9,168	3,213
Over-provision in prior years	(6,471)	(512)
Deferred income tax *(Note 12)*	(504)	525
	4,208	5,000

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	2007	2006
	US$'000	*US$'000*
Profit before income tax	24,613	10,044
Tax calculated at domestic tax rates applicable to profits in the respective countries	11,086	1,668
Income not subject to tax	(2,927)	(790)
Expenses not deductible for taxation purposes	1,569	1,818
Tax losses for which no deferred income tax asset was recognized	880	3,356
Utilization of previously unrecognized tax losses	50	(22)
Tax effect of share of results of associated companies and jointly controlled entities	21	(518)
Over-provision in prior years	(6,471)	(512)
Tax charge	4,208	5,000

The weighted average applicable tax rate was 45.0% (2006: 16.6%). The increase is caused by a change of profitability of the Group's subsidiaries in the respective countries.

A Hong Kong subsidiary has received notices of additional assessments/assessments from the Hong Kong Inland Revenue Department ("IRD") for the years of assessment 2000/01 to 2006/07 demanding for tax totalling US$3,567,000 in respect of certain income, which the management has regarded as not subject to Hong Kong Profits Tax. The management has thoroughly revisited the situations, and has concluded that the subsidiary company has good grounds to defend that the relevant income are not subject to Hong Kong Profits Tax. In the circumstances, the management has filed objections to these additional assessments/assessments and has concluded that no provision for these assessments is necessary. The subsidiary company has paid the amount of US$3,567,000 in the form of Tax Reserve Certificates, of which an amount of US$1,080,000 was paid prior to 31 December 2007 and is included in the prepayments in the consolidated balance sheet as at 31 December 2007.

27 PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of US$3,662,000 (2006: US$1,368,000).

28 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2007	2006
	US$'000	*US$'000*
Profit attributable to equity holders of the Company	12,515	2,509
Weighted average number of ordinary shares in issue	992,500,000	992,500,000
Basic earnings per share (US cents per share)	1.3	0.3

There was no dilutive effect on earnings per share since all outstanding share options were anti-dilutive.

29 DIVIDENDS

	2007	2006
	US$'000	*US$'000*
Interim dividend paid of US0.205 cent (2006: US0.186 cent) per ordinary share	2,035	1,846
Proposed final dividend of US0.174 cent (2006: Nil) per ordinary share	1,727	—
	3,762	1,846

The directors recommend the payment of a final dividend of US cent of 0.174 per share, totalling US$1,727,000 (2006: Nil). Such dividend is to be approved by the shareholders at the forthcoming Annual General Meeting. These financial statements do not reflect this dividend payable.

30 CONSOLIDATED CASH FLOW STATEMENT

	2007	2006
	US$'000	*US$'000*
Profit before income tax	24,613	10,044
Adjustment for:		
Share of profits of associated companies	(95)	(54)
Share of (profits)/losses of jointly controlled entities	(1,592)	435
Finance income *(Note 25)*	(3,601)	(3,500)
Finance expense *(Note 25)*	4,670	6,608
Amortization of intangible assets *(Note 8)*	2,054	1,064
Amortization of leasehold land and land use rights *(Note 6)*	91	102
Depreciation of property, plant and equipment *(Note 7)*	14,436	13,489
Provision for impairment of property, plant and equipment	—	1,273
Impairment of intangible assets	758	827
(Gain)/loss on disposal of property, plant and equipment, net	(16)	115
Gain on disposal of a subsidiary	—	(35)
Share based compensation expense	563	539
Operating profit before working capital changes	41,881	30,907
Changes in working capital:		
Inventories	87	(554)
Trade and bills receivables	(6,213)	(5,709)
Amounts due from related companies	(778)	458
Amounts due from associated companies and jointly controlled entities	1,651	(4,733)
Deposits, prepayments and other receivables	4,514	(5,032)
Trade and bills payables	11,849	(2,456)
Amounts due to related companies	1,338	(479)
Amounts due to associated companies and jointly controlled entities	1,563	84
Other payables and accruals	414	4,818
Retirement benefit obligation	840	254
Cash generated from operations	57,146	17,558

In the cash flow statement, proceeds from sale of property, plant and equipment comprise:

	2007 *US$'000*	2006 *US$'000*
Net book amount *(Note 7)*	823	1,585
Gain/(loss) on disposal of property, plant and equipment	16	(115)
Proceeds from disposal of property, plant and equipment	839	1,470

31 COMMITMENTS

(a) Capital commitments

Capital expenditure at the balance sheet date but not yet incurred is as follows:

	2007 *US$'000*	2006 *US$'000*
Property, plant and equipment		
— contracted but not provided for	1,012	3,545

(b) Operating lease commitments

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2007 *US$'000*	2006 *US$'000*
Land and buildings		
— No later than 1 year	3,770	2,066
— Later than 1 year and no later than 5 years	5,736	2,024
— Later than 5 years	4,163	3,877
	13,669	7,967
Plant and equipment		
— No later than 1 year	173	73
— Later than 1 year and no later than 5 years	170	89
	343	162

32 SIGNIFICANT RELATED PARTY TRANSACTIONS

Capital Glory Limited, a company incorporated in the British Virgin Islands, owns 61.89% in the Company's shares. The directors regard the ultimate holding company of the Company to be Helmsley Enterprises Limited, a company incorporated in Bahamas. The ultimate controlling party of the Group is Mr. Tan Siu Lin.

(a) Transactions with related parties

During the year, the Group had the following significant transactions with related companies, associated companies and jointly controlled entities. Related companies are companies which are beneficially owned, or controlled, by Mr. Tan Siu Lin, Mr. Tan Henry, Mr. Tan Cho Lung, Raymond and Mr. Tan Sunny, Executive Directors of the Company, individually, jointly or collectively, or together with their close family members (collectively referred to as the "Tan's Family").

(i) Provisions of goods and services

	2007	**2006**
	US$'000	*US$'000*
Management fee income from		
— related companies	16	146
— a jointly controlled entity	394	281
	410	427
Commission income from a related company	1,728	1,749
Freight forwarding and logistics service income from		
— related companies	348	426
— an associated company	—	27
— a jointly controlled entity	336	66
	684	519
Sales to a jointly controlled entity	15,458	8,074
Rental income from a related company	210	198
Recharge of administrative expenses from related companies	110	308
Recharge of material costs and other expenses from		
— related companies	287	—
— jointly controlled entities	3,734	2,657
	4,021	2,657
Transfer of leasehold land and land use rights to a related company	41	—

(ii) Purchases of goods and services

	2007	2006
	US$'000	*US$'000*
Management fee charged by related companies	—	1
Rental expenses for occupying office premises, warehouses and staff quarters charged by related companies	1,439	1,546
Office supplies charged by related companies	8	95
Packaging expenses charged by related companies	—	658
Insurance expenses charged by related companies	27	504
Travelling related service fees charged by related companies	629	567
Professional and technological support service fees to related companies	1,980	2,018
Repair and maintenance expenses charged by related companies	—	107
Freight forwarding and logistics services charged by related companies	6	634
Property, plant and machinery acquired from a related company	—	777
Administrative and support service fees charged by related companies	542	2,530
Subcontracting fee charged by		
— a related company	1,405	—
— jointly controlled entities	2,328	1,416
	3,733	1,416
Commission expense charged by a jointly controlled entity	2,833	—
Recharge of material costs and other expenses to related companies	6,553	—
Handling service fee paid/payable to PT. Best Indo*	1,030	918
Property, plant and machinery acquired from PT. Best Indo* and PT. Bestex*	—	412

* *PT. Best Indo and PT. Bestex are companies incorporated in Indonesia and owned by Mr. Frank Hermmann Fleischer, a minority shareholder of On Time and his family member.*

The above related party transactions were carried out in accordance with the terms mutually agreed by the respective parties.

(b) Key management compensation

	2007	2006
	US$'000	*US$'000*
Basic salaries and allowance	2,650	3,492
Bonus	1,178	511
Pension scheme contributions	126	38
Others	—	191
	3,954	4,232

(c) Banking facilities

As at 31 December 2007, certain banking facilities of certain subsidiaries of the Group were secured by the corporate guarantees given by the Company.

The Company also provided corporate guarantees to the extent of HK$90,000,000 to Yuen Thai Industrial Co. Ltd., a jointly controlled entity of the Group.

(d) Amounts due from/(to) related companies, associated companies and jointly controlled entities

As at 31 December 2007, the outstanding balances with the related companies, associated companies and jointly controlled entities are unsecured, interest-free and repayable on demand.

The credit quality of these balances that are neither past due nor impaired can be assessed by reference to historical information about counter party default rates. None of them have defaults and been renegotiated in the past.

33 CONTINGENT LIABILITIES AND LITIGATION

The Group is involved in various labour lawsuits and claims arising from the normal course of business. The Directors believe that the Group has substantial legal and factual bases for their position and are of the opinion that losses arising from these lawsuits, if any, will not have a material adverse impact on the results of the operations or the financial position of the Group. Accordingly, no provision for such liabilities has been made in the financial statements.

34 EVENTS AFTER THE BALANCE SHEET DATE

In March 2008, the Group has effected the conversion of a piece of land held by the Group in Qingyuan, the PRC, from industrial use to commercial/residential use. In this connection, the total land premium payable by the Group for such conversion is approximately US$7,600,000.

3. INDEBTEDNESS OF THE ENLARGED GROUP

Borrowings

As at the close of business on 30 April 2008, being the latest practicable date for the purpose of this indebtedness statement, the Enlarged Group had outstanding secured borrowings of US$76.6 million, comprising long-term bank loans of US$37.3 million, current portion of long-term bank loans of US$6.7 million, bank overdrafts of US$3.3 million, short-term bank loans of US$15.2 million, trust receipt bank loans of US$14.1 million, and the remaining consideration payable for the acquisitions of subsidiaries (the "Consideration Payable") of approximately US$34.9 million (of which approximately US$8.2 million will be due within one year, approximately US$5.5 million will be due between one and two years, approximately US$10.7 million will be due between two years and five years and approximately US$10.5 million will be due later than five years).

The Consideration Payable comprises the remaining consideration payable for the acquisition of certain subsidiaries, namely, On Time International Limited and Partner Joy Group Limited, and the amounts payable upon the exercise of the put options granted to the vendors of those subsidiaries acquired.

Collateral

As at the close of business on 30 April 2008, being the latest practicable date for the purpose of this indebtedness statement, certain outstanding bank loans of the Enlarged Group were secured by the corporate guarantee of Luen Thai Holdings Limited and Trinew Group, and certain pledged bank deposits of Trinew Group with an amount of approximately US$899,000.

Contingent liabilities and litigation

a) At the close of business on 30 April 2008, the Group was involved in various labour lawsuits and claims arising from the normal course of business. The Directors believe that the Group has substantial legal and factual bases for their position and are of the opinion that losses arising from these lawsuits, if any, will not have a material adverse impact on the results of the operations or the financial position of the Group. Accordingly, no provision for such contingent liabilities has been made in the Group's consolidated financial statements.

b) The Group provided corporate guarantees to the extent of HK$90,000,000 to Yuen Thai Industrial Co. Ltd. ("Yuen Thai"), a jointly controlled entity of the Group for the banking facilities available to Yuen Thai.

c) As mentioned in the Financial Information of the Target Group, set out in Appendix II, Desk Top and Desk Top BVI received notification from the HKIRD that a tax investigation would be conducted. At the date of the Circular, the investigation is still in the preliminary process and the outcome is yet to be finalised in the foreseeable future; and therefore the effect on the Financial

Information of the Target Group, if any, cannot be ascertained with reasonable certainty at the date of this Circular. Total provision for the tax which may have been undercharged amounting to HKD14,300,000 has been made and included in the Financial Information of the Target Group. Such provision is based on directors' estimation with reference to the relevant tax rules and regulations.

d) During the three years ended 30 June 2005, 2006 and 2007 and the six months ended 31 December 2007, Desk Top BVI, a subsidiary of Trinew Group with a factory in PRC, sub-contracted certain labour processes of a portion of their manufacturing to third parties. Such practice is commonplace and widely accepted practice in the industry in which Trinew Group operates and restrictions on sub-contracting are not strictly enforced. Trinew Group has never had any issues with any authorities with its sub-contracting process.

The directors are of the opinion that, based on legal opinion obtained on this probable non-compliance issues, the risk of action against Trinew Group by the PRC Customs authority for non-compliance with applicable laws and regulations in relation to the above-mentioned sub-contracting activities in the PRC, is remote.

No provision for the charges, fines and penalties has been made in the Financial Information of the Target Group in relation to the above sub-contracting activities.

Subsequent change of indebtedness

The Directors confirmed that there has been no material change in the indebtedness, commitments and contingent liabilities of the Enlarged Group since 31 December 2007.

Disclaimers

Save as aforesaid and apart from intra-group liabilities, as at the close of business on 30 April 2008, the Enlarged Group did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans, debt securities, loans or other borrowings, liabilities under acceptance (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance lease or hire purchase commitments, guarantees or other material contingent liabilities.

For the purpose of the above statement of indebtedness, foreign currency amounts have been translated into US Dollars at the rates of exchange prevailing at the close of business on 30 April 2008.

4. WORKING CAPITAL

The Directors are of the opinion that, following the Completion, after taking into account the financial resources available to the Enlarged Group, including internally generated funds and the available banking facilities, the Enlarged Group has sufficient working capital for its present requirements for at least the next 12 months from the date of this Circular, in the absence of any unforeseen circumstances.

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2007, the date to which the latest published audited financial statements of the Group were made up.

1. FINANCIAL SUMMARY OF THE TARGET GROUP

Set out below is an extract of the audited combined financial statements of the Target Group for the three financial years ended 30 June 2005, 2006, 2007 and six months ended 31 December 2007 respectively.

Combined Income Statement Items
(Unit: HKD'000)

	For the year ended 30th June			For the six months period ended 31st December
	2005	**2006**	**2007**	**2007**
	Audited	*Audited*	*Audited*	*Audited*
Turnover	764,955	940,406	965,575	591,267
Gross Profit	128,486	142,641	167,314	92,859
Operation Profit	40,641	34,363	49,411	32,251
Finance Costs	3,503	5,283	12,888	7,502
Profit before income tax	37,137	29,080	36,524	24,750
Profit for the year	26,060	21,014	26,945	15,971

Combined Balance Sheet Items
(Unit: HKD'000)

	As at 30th June			As at 31st December
	2005	**2006**	**2007**	**2007**
	Audited	*Audited*	*Audited*	*Audited*
Non-current assets	140,646	160,563	191,184	204,083
Cash and cash equivalents	24,254	26,467	36,542	41,780
Pledged bank deposits	1,000	2,000	4,500	7,000
Current Assets	327,460	478,041	462,793	595,087
Total assets	468,106	638,604	653,977	799,170
Current Liabilities	220,224	370,812	337,682	540,641
Net Current Assets	107,236	107,229	125,111	54,446
Non-Current Liabilities	10,069	6,580	32,898	43,472
Total Liabilities	230,293	377,392	370,580	584,113
Total Equity	237,813	261,212	283,397	215,057

2. FINANCIAL AND BUSINESS REVIEW

Year ended 30 June 2005

During the year, business of the Target Group continued to develop in a positive manner. Sales for the year amounted to approximately HK$765 million, an increase of 13% over the previous year. This was attributed mainly to increased sales within the Target Group's key product set and amongst its core clients supported by increased plant capacity. There were no significant changes in its business segments, which remained primarily focused on the manufacture and sale of handbags. Geographical distribution remained about the same. The Target Group's Gross profit as a percentage of sales was approximately 16.8% and an after tax profit of approximately HK$26 million was achieved. At year end, the Target Group's order book for core products remained sound.

Net current assets at year end amounted to approximately HK$107 million including cash and bank balances of approximately HK$ 24 million. The Target Group's total bank borrowings at the end of the year were approximately HK$67 million supporting both working capital and fixed assets. As at 30 June 2005, the maturity profile of the Target Group's bank borrowings spread over five years with approximately HK$57 million repayable within one year or on demand, approximately HK$4.8 million from the second to fifth years and approximately HK$5.3 million in more than five years. Gearing ratio (defined as total borrowing over total assets) was approximately 14.32% at 30 June 2005.

The Target Group's total banking facilities 30 June 2005 amounted to approximately HK$150 million. Bank facilities were supported in part by shareholder guarantees and charges on cash deposits of HK$1 million and charges on properties, plant and equipment as described in page 125 of this circular and charges on lease premium for land as described in page 128 of this circular, and were sufficient to provide for all financing needs. Interest rates on the Target Group's bank facilities were structured on floating rate basis subject to the discretion of the banks. The rates charged by the Target Group's banks for borrowings ranged from 5.75% to 6%. There were no material acquisitions or disposals of subsidiaries and associated companies during the year. The Target Group had a net increase of fixed assets of approximately HK$ 22 million during the year.

Details of the contingent liabilities of the Target Group are provided on page 135 of this circular

During the year, the Target Group did not engage in any transactions to hedge its exposure to foreign currency movements.

At year end, there were approximately 6,420 employees. Remuneration packages and benefits offered to employees were considered to be fair and reasonable. Details of the staff employment costs and the 5 highest paid individuals are given on pages 120–123 of this circular. These include performance based incentive bonuses.

Year ended 30 June 2006

During the year, business of the Target Group continued to develop in a positive manner. Sales for the year amounted to approximately HK$940 million, an increase of 23% over the previous year. This was attributed mainly to increased sales within the Target Group's key product set and amongst its core clients supported by increased plant capacity. The Target Group successfully added new clients in new regions, such as Italy, which is reflected in page 116 of this circular. The Target Group's business segments remained primarily focused on the manufacture and sale of handbags. The Target Group's Gross profit as a percentage of sales was approximately 15.2% and an after tax profit of approximately HK$21 million was achieved. At year end, the Target Group's order book for core products remained sound.

Net current assets at year end amounted to approximately HK$107 million including cash and bank balances of approximately HK$26 million. The Target Group's total bank borrowings at the end of the year were approximately HK$133 million supporting both working capital and fixed assets. As at 30 June 2006, the maturity profile of the Target Group's bank borrowings spread over five years with approximately HK$127 million repayable within one year or on demand, approximately HK$1.6 million repayable from the second year to fifth year and approximately HK$4.9 million in more than five years. Gearing ratio was 20.9% at 30 June 2006.

The Target Group's total banking facilities at the end of the year amounted to approximately HK$195 million. Bank facilities were supported by shareholder guarantees and charges on cash deposits of HK$2 million and charges on properties, plant and equipment as described on page 125 of this circular and charges on lease premium for land as described on page 128 of this circular and were sufficient to provide for all financing needs. Interest rates on the Target Group's bank facilities were structured on floating rate basis subject to the discretion of the banks. The rates charged by the Target Group's banks for borrowings ranged from 6.75% to 8.25%. There were no material acquisitions or disposals of subsidiaries and associated companies during the year. The Target Group's net increase of fixed assets was approximately HK$20 million during the year.

Details of the contingent liabilities of the Target Group are provided on page 135 of this circular.

During the year, the Target Group did not engage in any transactions to hedge its exposure to foreign currency movements.

At year end, there were approximately 7,627 employees. Remuneration packages and benefits offered to employees were considered to be fair and reasonable. Details of the staff employment costs and the 5 highest paid individuals are given on pages 120–123 of this circular. These include performance based incentive bonuses.

Year ended 30 June 2007

During the year, business of the Target Group continued to develop in a stable manner. Sales for the year amounted to approximately HK$966 million, an increase of approximately 3% over the previous year. This was attributed mainly to increased sales within the Target Group's key product set and amongst its core clients. The Target Group's business segments remained primarily focused on the manufacture and sale of handbags, and the geographic distribution remained approximately in line with prior years, as illustrated in page 116 of this circular.. The Target Group's gross profit as a percentage of sales climbed to approximately 17.3% owing to improved efficiencies at new and existing plants, and an after tax profit of approximately HK$27 million was achieved. At year end, the Target Group's order book for core products remained sound.

Net current assets at year end amounted to approximately HK$125 million including cash and bank balances of approximately HK$37 million. The Target Group's total bank borrowings at the end of the year were approximately HK$169.8 million supporting both working capital and fixed assets. As at 30 June 2007, the maturity profile of the Target Group's bank borrowings spread mainly over five years with approximately HK$136.9 repayable within one year or on demand, approximately HK$28 million repayable from the second year to the fifth year and approximately HK$4.8 million repayable in more than five years. Gearing ratio was 25.97% at 30 June 2007

The Target Group's total bank facilities at the end of the year amounted to approximately HK$311 million. Bank facilities were supported by shareholder guarantees and charges on cash deposits of approximately HK$5 million and charges on properties, plant and equipment as described on page 125 of this circular and charge on lease premium for land as described on page 128 of this circular, and were sufficient to provide for all financing needs. Interest rates on the Target Group's bank facilities were structured on floating rate basis subject to the discretion of the banks. The rates charged by the Target Group's banks for borrowings ranged from 5.75% to 7%. There were no material acquisitions or disposals of subsidiaries and associated companies during the year. The Target Group had a net increase of fixed assets of approximately HK$31 million during the year.

Details of the contingent liabilities of the Target Group are provided on page 135 of this circular.

During the year, the Target Group engaged in hedging transactions by way of forward foreign currency transactions with its Banks to protect against foreign exchange exposure as shown in page 136 of this circular.

At year end, there were approximately 7,619 employees. Remuneration packages and benefits offered to employees were considered to be fair and reasonable. Details of the staff employment costs and the 5 highest paid individuals are given on pages 120–123 of this circular. These include performance based incentive bonuses.

6 Months ended 31 December 2007

During the six months period ended December 31, 2007, sales for the period amounted to approximately HK$591 million, an increase of approximately 14% over the same period ended December 31, 2006. This was attributed mainly to increased sales within the Target Group's key product set and amongst its core clients. The Target Group's business segments remained primarily focused on the manufacture and sale of handbags, and the geographic distribution remained approximately in line with prior years. The Target Group's Gross profit as a percentage of sales was approximately 15.7% and an after tax profit of approximately HK$16 million was achieved. At period end, the Target Group's order book for core products remained sound.

Net current assets at period end amounted to approximately HK$54 million including cash and bank balances of approximately HK$ 42 million. The Target Group's total bank borrowings at the end of the year were approximately HK$215.7 million supporting both working capital and fixed assets. As at 31 December 2007, the maturity profile of the Target Group's bank borrowings spread mainly over five years with approximately HK$172 million repayable within one year or on demand, approximately HK$40 million repayable from the second year to the fifth year and approximately HK$3.2 million in more than five years. Gearing ratio was 27% at 31 December 2007.

The Target Group's bank facilities at the end of the year amounted to approximately HK$390 million. Bank facilities were supported by shareholder guarantees and charges on cash deposits of HK$7 million and charges on properties, plant and equipment as detailed on page 125 of this circular and charges on lease premium for land as detailed on page 128 of this circular, and were sufficient to provide for all financing needs. Interest rates on the Target Group's bank facilities were structured on floating rate basis subject to the discretion of the banks. The rates charged by the Target Group's banks for borrowings ranged from 5.75% to 7%. There were no material acquisitions or disposals of subsidiaries and associated companies during the year. The Target Group had a net increase of non-current assets of approximately HK$13 million during the period.

Details of the contingent liabilities of the Target Group are provided on page135 of this circular.

During the period, the Target Group engaged in hedging transactions by way of forward foreign currency transactions with its Banks to protect against foreign exchange exposure as shown in page 136 of this circular.

At period end, there were approximately 7,752 employees. Remuneration packages and benefits offered to employees were considered to be fair and reasonable. Details of the staff employment costs and the 5 highest paid individuals are given on pages 120–123 of this circular. These include performance based incentive bonuses.

3. BUSINESS PROSPECT AND FUTURE PLANS

The business outlook for the Target Group remains positive. For the year 2008, the Target Group targets for continued and sustained growth in turnover as it reaps the benefits of capital investments made during 2005-2007 and continued efficiency improvements. The Target Group is committed to focus on its strength of providing value added services to its customers by contributing valuable resources in the design and research stages and performing to the expectations of its customers in terms of both the quality of its products and timely deliveries. Sales growth is being driven by increasing business with relatively new customers within the Target Group's luxury product set, as well as growth from its core computer case product customers, both new and existing.

Following expansion of its fixed assets during the periods from 2005–2007, the Target Group has no plans for significant capital expenditures over the next two years.

The Target Group will continue to adopt a prudent financial approach to support its business by way of using its own internal resources for funding of future investments instead of seeking financial support from external sources e.g. banks. Further to recent discussions between the management of the Target Group and the Target Group's principal bankers, the Target Group's existing credit facilities have been maintained and are seen as adequate to finance the Target Group's operations and expansion.

Human resources will continue to play a key role for purposes of assisting the Target Group in achieving its targets and meeting its expectations. Additional management capabilities together with continuous training and development for the Target Group's existing employees will remain a top priority for the management of the Target Group.

4. LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As of 31 December 2007, the value of the non-current assets of the Target Group included the value of the property, plant and equipment in the sum of HK$204.1 million.

The value of the total assets of the Target Group has increased from HK$468.1 million as at 30 June 2005 to HK$799.2 million as at 31 December 2007.

As at 30 June for each of the financial years ended 2005, 2006 and 2007 and 31 Dec 2007, the current ratios (i.e. total current assets divided by total current liabilities) of the Target Group were 148.69%, 128.91%, 137.04% and 110.07% respectively, whilst the cash and cash equivalents balances amounted to approximately HK$24.3 million, HK$26.5 million, HK$36.5 million and HK$41.8 million respectively. In addition, there were non-current liabilities in the amounts of approximately HK$10.1 million, HK$6.6 million, HK$32.9 million and HK$43.5 million respectively as at the end of each of the financial years and period.

5. FOREIGN CURRENCY EXPOSURE

The majority of the business transactions of the Target Group are denominated in US dollar, Hong Kong Dollar, and Chinese Yuan. Currently, the Target Group is managing a portion of its Chinese Yuan exposure by entering into forward foreign exchange contracts with its banks to hedge against the effect of potential appreciation of the Yuan. These contracts are linked directly to anticipated sales and expenditures, and the Target Group does not trade in forward contracts for speculative purposes.

ACCOUNTANTS' REPORT ON THE FINANCIAL INFORMATION OF THE TARGET GROUP

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To the Directors,
Luen Thai Holdings Limited
Desk Top Limited
Desk Top Bags (Mfg) Limited

We set out below our report on the financial information (the "Financial Information") relating to Trinew Limited ("Trinew") and its subsidiaries (hereinafter collectively referred to as the "Trinew Group") for each of the three years ended 30th June 2005, 2006 and 2007 and the six months ended 31st December 2007 (the "Relevant Periods") for inclusion in the circular of Luen Thai Holdings Limited ("Luen Thai") dated 30th June 2008 (the "Circular") in connection with the proposed acquisition of 60% of the existing issued shares of Trinew by Fortune Investment Overseas Limited ("Fortune"), a wholly-owned subsidiary of Luen Thai.

Trinew was incorporated in the British Virgin Islands (the "BVI") on 15th April 2008 with limited liability under the BVI Business Companies Act 2004 of the British Virgin Islands. Pursuant to a group reorganisation (the "Reorganisation"), as described in Note 2 of Section I of this report, which was completed on 10th June 2008, Trinew became the holding company of the subsidiaries now comprising the Trinew Group as set out in Note 1 of Section I. All of these companies are private companies or, if incorporated or established outside Hong Kong, have substantially the same characteristics as a Hong Kong incorporated private company.

All companies comprising the Trinew Group, except those companies which were established in the People's Republic of China (the "PRC"), have adopted 30th June as their financial year end date. The companies established in the PRC have adopted 31st December as their financial year end date according to the relevant statutory requirements.

No audited financial statements have been prepared by Trinew since its date of incorporation as it is newly incorporated and has not carried out any significant business transaction other than the Reorganisation. Same for Desk Top Bags (Mfg) Limited ("Desk Top Macau"), a company incorporated in Macau, as it remains inactive since its incorporation and has not carried out any significant business transaction. We have, however, reviewed all significant transactions of these companies from their respective dates of establishment/incorporation to 31st December 2007 for the purpose of this report.

The financial statements of Desk Top Limited, Desk Top Bags (Mfg) Limited, Dongguan Xingxi Handbags Factory Company Limited, Dongguan Xing Hao Handbags Factory Company Limited, DLuxe Bags Limited and SW Recreation (H.K.) Limited, which were prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") (hereinafter collectively referred to as the "HKFRS Financial Statements"), were audited during the Relevant Periods by the respective auditors as indicated below:

Name of company	Place of incorporation	*Note*	Financial period	Auditors
Desk Top Limited ("Desk Top")	Hong Kong	1	Year ended 30th June 2005	Baker Tilly Hong Kong Limited
			Year ended 30th June 2006	Ted Ho CPA Limited*
			Year ended 30th June 2007	World Link CPA Limited
Desk Top Bags (Mfg) Limited ("Desk Top BVI")	BVI	2	Year ended 30th June 2005	Baker Tilly Hong Kong Limited
			Year ended 30th June 2006	Ted Ho CPA Limited*
			Year ended 30th June 2007	World Link CPA Limited
Dongguan Xingxi Handbags Factory Company Limited ("Xingxi")	PRC	3	Year ended 30th June 2005	Baker Tilly Hong Kong Limited
			Year ended 30th June 2006	Ted Ho CPA Limited*
			Year ended 30th June 2007	World Link CPA Limited
Dongguan Xing Hao Handbags Factory Company Limited ("Xing Hao")	PRC	4	Year ended 30th June 2005	Baker Tilly Hong Kong Limited
			Year ended 30th June 2006	Ted Ho CPA Limited*
			Year ended 30th June 2007	World Link CPA Limited
DLuxe Bags Limited ("DLuxe")	Hong Kong	1	Year ended 30th June 2005, 2006 and 2007	World Link CPA Limited
SW Recreation (H.K.) Limited ("SW Recreation")	Hong Kong	1	Year ended 30th June 2005, 2006 and 2007	World Link CPA Limited

* "Ted Ho CPA Limited" was renamed as "World Link CPA Limited" in April 2007.

Notes:

1) These audited financial statements are also the statutory financial statements as the companies were incorporated in Hong Kong.

2) Desk Top BVI was incorporated in the British Virgin Islands and is not subject to statutory audit requirements under the relevant rules and regulations in its jurisdictions of incorporation.

3) Xingxi is a wholly owned foreign enterprise incorporated in the PRC and has adopted 31st December as its financial year-end date according to the relevant statutory requirements. The statutory financial statements of Xingxi were prepared in accordance with accounting principles and relevant financial regulations of the PRC and were audited by Guangdong Zhengliang Certified Public Accountants (廣東正量會計師事務所) for the years ended 31st December 2004, 2005, 2006 and 2007.

4) Xing Hao is a wholly owned foreign enterprise incorporated in the PRC and has adopted 31st December as its financial year-end date according to the relevant statutory requirements. The statutory financial statements of Xing Hao were prepared in accordance with accounting principles and relevant financial regulations of the PRC and were audited by 東莞市華聯會計師事務所有限公司 for the years ended 31st December 2004 and 2005, and Dongguan City Shin Chung Accountants Firm (東莞市鑫成會計師事務所) for the years ended 31st December 2006 and 2007.

5) The audited financial statements of Desk Top, a company now comprising part of the Trinew Group, for the year ended 30th June 2007, were qualified for the uncertainty regarding the tax investigation being held by the Hong Kong Inland Revenue Department (the "HKIRD"). Such qualification has been removed in this report, because the management of Trinew Group has made total provision for the tax which may have been uncharged amounting to HKD14,300,000, based on their reasonable estimation with reference to the relevant tax rules and regulations.

Basis of preparation

For the purpose of this report, the directors of Trinew have prepared the combined financial statements of the Trinew Group for the Relevant Periods ("Combined Financial Statements") in accordance with the HKFRS issued by the HKICPA, based on the audited HKFRS Financial Statements or, where appropriate, unaudited management accounts of the companies now comprising the Trinew Group, on the basis set out in Section I below, after making such adjustments as are appropriate.

Respective responsibilities of directors and reporting accountants

The directors of companies now comprising the Trinew Group, during the Relevant Periods, are responsible for preparing the HKFRS Financial Statements for the respective companies which give a true and fair view. In preparing the HKFRS Financial Statements which give a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently. The directors of Trinew are responsible for the preparation of the Financial Information. It is our responsibility to form an independent opinion and review conclusion, based on our examination and review, on the Financial Information and to report our opinion and review conclusion.

Basis of opinion

For the purpose of this report, for the Relevant Periods, we examined the audited financial statements or, where appropriate, the unaudited management accounts of all companies comprising the Trinew Group and carried out such additional procedures as we considered necessary in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

We have not audited or examined any financial statements of the companies now comprising the Trinew Group in respect of any period subsequent to 31st December 2007.

For the purpose of this report, we have also reviewed the unaudited financial information of the Trinew Group including the combined income statement, combined statement of changes in equity and combined cash flows statement for the six months period ended 31st December 2006, together with the notes thereon ("31st December 2006 Comparative Financial Information"), for which the directors of Trinew are responsible, in accordance with Statement of Auditing Standard 700 "Engagements to review interim financial reports" issued by the HKICPA. A review consists principally of making inquiries of directors and management, applying analytical procedures to the 31st December 2006 Comparative Financial Information and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the 31st December 2006 Comparative Financial Information.

Opinion and review conclusion

In our opinion, the Financial Information, for the purposes of this report, gives a true and fair view of the state of the Trinew Group's affairs as at 30th June 2005, 2006, 2007 and 31st December 2007 and of the combined results and combined cash flows of the group for the Relevant Periods.

On the basis of our review of the 31st December 2006 Comparative Financial Information which does not constitute an audit, for the purpose of this report, we are not aware of any material modifications that should be made to the unaudited financial information presented for the six months period ended 31st December 2006.

I. FINANCIAL INFORMATION

a) Combined Income Statements

(Expressed in Hong Kong dollars)

		For the year ended 30th June			For the six months period ended 31st December	
		2005	2006	2007	2006	2007
	Note				*(unaudited)*	
Turnover	7	764,954,639	940,405,742	965,574,826	518,163,768	591,267,238
Cost of sales		(636,468,528)	(797,764,578)	(798,261,222)	(433,007,180)	(498,408,191)
Gross profit		128,486,111	142,641,164	167,313,604	85,156,588	92,859,047
Other revenue	8	2,090,680	3,359,009	9,414,494	1,381,136	3,453,742
Distribution costs		(24,391,627)	(30,055,090)	(32,168,221)	(17,453,677)	(18,053,582)
Administrative expenses		(45,147,381)	(53,044,546)	(58,553,132)	(27,634,044)	(26,886,451)
Other operating expenses		(20,397,243)	(28,537,559)	(36,595,389)	(17,670,935)	(19,121,549)
Operating profit	9	40,640,540	34,362,978	49,411,356	23,779,068	32,251,207
Finance costs	10	(3,503,153)	(5,283,432)	(12,887,626)	(6,044,451)	(7,501,668)
Profit before taxation		37,137,387	29,079,546	36,523,730	17,734,617	24,749,539
Income tax expense	11	(11,077,406)	(8,065,380)	(9,578,261)	(5,485,645)	(8,778,099)
Profit after taxation		26,059,981	21,014,166	26,945,469	12,248,972	15,971,440
Dividends	12	10,000,000	—	10,000,000	—	85,000,000

b) Combined Balance Sheets

(Expressed in Hong Kong dollars)

	Note	As at 30th June 2005	As at 30th June 2006	As at 30th June 2007	As at 31st December 2007
NON-CURRENT ASSETS					
Properties, plant and equipment	15	121,516,526	129,479,370	129,679,854	182,133,715
Construction in progress	16	148,996	9,071,337	39,344,178	—
Lease premium for land	18	16,762,852	18,849,867	18,997,123	18,787,797
Available for sales, equity	19	2,218,210	3,162,054	3,162,054	3,162,054
		140,646,584	160,562,628	191,183,209	204,083,566
CURRENT ASSETS					
Inventories	20	87,594,652	144,987,737	120,413,501	179,642,104
Trade receivables	21	171,796,603	242,640,113	246,897,180	304,830,282
Sundry debtors, deposits and prepayments		1,731,213	2,571,747	2,394,888	1,542,107
Amounts due from related companies	22	2,729,735	2,808,869	917,172	904,419
Amounts due from directors	23	39,354,104	58,565,955	55,627,906	66,388,170
Cash and bank balances	31	24,253,720	26,466,858	36,542,309	41,779,642
		327,460,027	478,041,279	462,792,956	595,086,724
CURRENT LIABILITIES					
Trade payables	24	98,600,732	162,726,921	102,578,918	154,770,766
Bills payable and trust receipt	24	11,042,411	11,652,727	16,091,633	28,709,215
Sundry creditors, accruals and advance deposits		28,372,776	45,801,883	48,082,854	59,899,089
Amount due to a director	23	—	—	1,804,759	1,821,185
Amount due to a related company	22	61,928	62,552	273,337	450,987
Bank overdrafts — secured	28	8,656,209	19,230,559	14,458,854	20,421,873
Dividends payable		3,108,364	—	—	85,000,000
Provision for taxation	25	22,067,713	23,675,636	31,899,452	37,700,497
Current portion of long-term bank loans — secured	27	6,905,965	3,527,648	11,880,864	16,944,245
Short term bank loans — secured	28	41,408,227	104,133,973	110,611,172	134,923,148
		220,224,325	370,811,899	337,681,843	540,641,005
NET CURRENT ASSETS		107,235,702	107,229,380	125,111,113	54,445,719
NON-CURRENT LIABILITIES					
Long-term bank loans — secured	27	10,069,041	6,580,461	32,897,702	43,472,237
NET ASSETS		237,813,245	261,211,547	283,396,620	215,057,048
Represented by:					
SHARE CAPITAL	29	23,206,775	23,206,775	23,206,775	23,206,775
RESERVES	30	214,606,470	238,004,772	260,189,845	191,850,273
		237,813,245	261,211,547	283,396,620	215,057,048

Note: The balance sheets of Trinew are not presented as it was incorporated on 15th April 2008 which is after the Relevant Periods.

c) Combined Statements of Changes in Equity

(Expressed in Hong Kong dollars)

	Share capital	Statutory reserve	Exchange reserve	Retained profits	Total
Balance at 30.6.2004	23,206,775	1,789,170	125,622	196,633,414	221,754,981
Changes in equity for 2005					
Exchange difference on translation	—	—	(1,717)	—	(1,717)
Net profit for the year	—	—	—	26,059,981	26,059,981
Transfer of reserve	—	8,210,830	—	(8,210,830)	—
Dividend paid	—	—	—	(10,000,000)	(10,000,000)
Balance at 30.6.2005	23,206,775	10,000,000	123,905	204,482,565	237,813,245
Changes in equity for 2006					
Exchange difference on translation	—	—	2,384,136	—	2,384,136
Net profit for the year	—	—	—	21,014,166	21,014,166
Balance at 30.6.2006	23,206,775	10,000,000	2,508,041	225,496,731	261,211,547
Changes in equity for 2007					
Exchange difference on translation	—	—	7,500,590	(2,260,986)	5,239,604
Net profit for the year	—	—	—	26,945,469	26,945,469
Dividend paid	—	—	—	(10,000,000)	(10,000,000)
Balance at 30.6.2007	23,206,775	10,000,000	10,008,631	240,181,214	283,396,620
Exchange difference on translation	—	—	688,988	—	688,988
Net profit for the period	—	—	—	15,971,440	15,971,440
Dividend	—	—	—	(85,000,000)	(85,000,000)
Balance at 31.12.2007	23,206,775	10,000,000	10,697,619	171,152,654	215,057,048
Balance at 30.6.2006	23,206,775	10,000,000	2,508,041	225,496,731	261,211,547
Exchange difference on translation (unaudited)	—	—	1,200,830	—	1,200,830
Net profit for the period (unaudited)	—	—	—	12,248,972	12,248,972
Balance at 31.12.2006 (unaudited)	23,206,775	10,000,000	3,708,871	237,745,703	274,661,349

d) Combined Cash Flow Statements

(Expressed in Hong Kong dollars)

		For the year ended 30th June			For the six months period ended 31st December	
		2005	2006	2007	2006	2007
	Note				*(unaudited)*	
CASH FLOW FROM OPERATING ACTIVITIES						
Profit before taxation		37,137,387	29,079,546	36,523,730	17,734,617	24,749,539
Adjustment for:						
Interest received		(207,779)	(550,964)	(714,934)	(314,187)	(320,595)
Interest paid		3,503,153	5,283,432	12,887,626	6,044,451	7,501,668
Amortisation on lease premium for land		359,957	407,075	412,879	204,506	209,326
Depreciation charges		18,227,009	15,821,482	18,292,088	8,623,414	11,644,022
Gain on disposal of properties, plant and equipment		—	(223,000)	—	—	—
Gain on disposal of available for sales, equity		—	(15,795)	—	—	—
Exchange difference on translation		—	1,997,981	(2,131,210)	(83,044)	688,988
Operating profit before working capital changes		59,019,727	51,799,757	65,270,179	32,209,757	44,472,948
Movements in working capital elements:						
Bank deposits secured to general banking facilities		—	(1,000,000)	(2,500,000)	(2,500,000)	(2,500,000)
Inventories		(29,145,956)	(57,393,085)	24,574,236	33,919,717	(59,228,603)
Trade receivables		16,968,340	(70,843,510)	(4,257,067)	(26,378,958)	(57,933,102)
Sundry debtors, deposits and prepayments		117,164	(840,534)	176,859	192,667	852,781
Amounts due from related companies		(2,356,766)	(79,134)	1,891,697	1,933,371	12,753
Trade payables		6,211,050	64,126,189	(60,148,003)	(50,573,052)	52,191,848
Bills payable and trust receipt		(4,170,894)	610,316	4,438,906	(5,573,861)	12,617,582
Sundry creditors, accruals and advance deposits		3,051,653	17,429,107	2,280,971	21,170,071	11,816,235
Amount due to a related company		61,928	624	210,785	—	177,650
Net cash from operation		49,756,246	3,809,730	31,938,563	4,399,712	2,480,092
Interest paid		(3,503,153)	(5,283,432)	(12,887,626)	(6,044,451)	(7,501,668)
Taxes paid		(8,105,841)	(6,457,457)	(1,354,445)	(1,362,960)	(2,977,054)
Net cash generated from/(used in) operating activities		38,147,252	(7,931,159)	17,696,492	(3,007,699)	(7,998,630)

	Note	For the year ended 30th June 2005	2006	2007	For the six months period ended 31st December 2006 (unaudited)	2007
CASH FLOW FROM INVESTING ACTIVITIES						
Purchases of properties, plant and equipment		(33,661,009)	(26,684,261)	(12,213,306)	(6,102,353)	(24,753,705)
Additions of construction in progress		(6,616,065)	(8,922,341)	(29,741,428)	(12,972,563)	—
Purchases of available for sales, equity		—	(1,942,500)	—	—	—
Interest received		207,779	550,964	714,934	314,187	320,595
Proceeds from disposal of properties, plant and equipment		—	1,015,000	—	—	—
Proceeds from disposal of available for sales, equity		—	1,014,451	—	—	—
Net cash used in investing activities		(40,069,295)	(34,968,687)	(41,239,800)	(18,760,729)	(24,433,110)
CASH FLOWS FROM FINANCING ACTIVITIES						
Advances from/(to) directors		(25,617,075)	(19,211,851)	4,742,808	(1,754,228)	(10,743,838)
New short-term bank loans		20,362,650	107,200,373	91,193,696	112,085,142	124,645,655
New long-term bank loans		—	—	44,100,000	32,656,000	25,400,000
Repayments of long-term bank loans		—	(9,933,297)	(9,429,543)	(4,081,938)	(9,762,084)
Repayments of short-term bank loans		(7,188,178)	(41,408,227)	(84,716,497)	(104,133,973)	(100,333,679)
Repayments of obligations under finance lease		(182,608)	—	—	—	—
Dividends paid		(6,224,000)	(3,108,364)	(10,000,000)	—	—
Net cash generated from/(used in) financing activities		(18,849,211)	33,538,634	35,890,464	34,771,003	29,206,054
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(20,771,254)	(9,361,212)	12,347,156	13,002,575	(3,225,686)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR/PERIOD	31	35,368,765	14,597,511	5,236,299	5,236,299	17,583,455
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR/PERIOD	31	14,597,511	5,236,299	17,583,455	18,238,874	14,357,769

e) Notes to the Financial Information

(Expressed in Hong Kong dollars)

1. GENERAL INFORMATION

Trinew Limited ("Trinew") was incorporated in the British Virgin Islands on 15th April 2008 with limited liability under the BVI Business Companies Act 2004 of the British Virgin Islands. On 15th April 2008, 1,000 ordinary shares of US$1 each were allotted and issued to Ospella International Limited ("Ospella"). All issued shares are fully paid.

The address of Trinew's registered office is P.O. Box 957 Offshore Incorporations Centre, Road Town Tortola, British Virgin Islands.

The principle activity of Trinew is investment holdings.

The principle activities of Trinew Group are engaged in trading and manufacturing of bags.

At the date of this report, Trinew had direct or indirect interests in the companies as below:

Name of Company	Place of incorporation	Issued and fully paid/paid in capital	Principal activities	Effective interest in equity held
Desk Top Limited ("Desk Top")	Hong Kong	HKD23,206,000 of HKD1.00 each	Manufacturing and trading of bags	100% (direct)
Dongguan Xingxi Handbags Factory Company Limited ("Xingxi")	People's Republic of China (the "PRC")	HKD20,000,000	Manufacturing of bags	100% (indirect)
Desk Top Bags (Mfg) Limited ("Desk Top BVI")	British Virgin Islands	USD100 of USD1.00 each	Subcontracting services	100% (direct)
Dongguan Xing Hao Handbags Factory Company Limited ("Xing Hao")	People's Republic of China (the "PRC")	HKD54,000,000	Manufacturing of bags	100% (indirect)
DLuxe Bags Limited ("DLuxe")	Hong Kong	HKD1 of HKD1.00 each	Inactive	100% (indirect)
Desk Top Bags (Mfg) Limited ("Desk Top Macau")	Macau	MOP$100,000	Inactive	100% (indirect)
SW Recreation (H.K.) Limited ("SW Recreation")	Hong Kong	HKD2 of HKD1.00 each	Investment holding	100% (indirect)

2. REORGANISATION

Before the Reorganisation

Mr. Owen John Inglis ("OJI ") and his family were the beneficial owners of Desk Top BVI and they held 100% of Desk Top BVI's equity interests during the Relevant Periods. The shareholders of Desk Top were OJI and his family, Chan Cheng Fat, Lai Chin Wah and Chan Yuk Tsang, who held 97.96%, 1%, 1% and 0.033% of Desk Top's equity interests respectively during the Relevant Periods.

Significant changes

On 8th April 2008, Ospella International Limited ("Ospella") was established in the British Virgin Islands under the BVI Business Companies Act, 2004. On 10th June 2008, Ospella acquired the 100% of equity shares of Desk Top BVI from OJI and his family, and also acquired, except for the 0.033% shares held by Chan Yuk Tsang, all other shares of Desk Top. As consideration for the share acquisition, Ospella issued new shares to Desk Top's shareholders or its trustee before reorganisation, except for Chan Yuk Tsang, in the following proportion, Adco Investments Limited holding 400 ordinary shares and Ultimo Holdings Limited holding 600 ordinary shares representing 40% and 60% of the then issued ordinary shares respectively; whereas for Chan Cheong Fat and Lai Chin Wah, Ospella issued to each of them 1 class A preference share. The shares held by Chan Yuk Tsang, represented 0.033% of Desk Top's issued shares, are not affected in this reorganisation and Chan Yuk Tsang remains as a minority shareholder of Desk Top. Consequently, Ospella owns 100% equity interests of Desk Top BVI and 99.97% equity interests of Desk Top respectively. The beneficial owners of Adco Investments Limited and Ultimo Holdings Limited are OJI and his family which effectively owns 100% of Ospella.

On 15th April 2008, Trinew was established in the British Virgin Islands under the BVI Business Companies Act, 2004. At the same date, it issued 1,000 ordinary shares of USD1.00 each to Ospella. On 10th June 2008, Ospella transferred all the shares of Desk Top BVI and Desk Top to Trinew for US$100 and US$1,000 respectively.

After the aforesaid Reorganisation

Trinew is a wholly owned subsidiary of Ospella and Trinew holds 100% and 99.97% equity interests of Desk Top BVI and Desk Top respectively. Desk Top and Desk Top BVI together with their subsidiaries (Xingxi, SW Recreation, DLuxe, Xing Hao and Desk Top Macau) now comprising the Trinew Group.

In this transaction, 60% of equity interests of Trinew held by Ospella is now selling to Fortune Investment Overseas Limited, a wholly owned subsidiary of Luen Thai Holdings Limited.

3. APPLICATION OF MERGER ACCOUNTING

As Trinew, Desk Top and Desk Top BVI were under the common control of OJI and his family both before and after the Reorganisation, the acquisition of Desk Top and Desk Top BVI by Trinew has been reflected in the Financial Information as a combination of entities under common control. Accordingly, Trinew was treated as the holding company of Desk Top and Desk Top BVI and their subsidiaries for the Relevant Periods presented rather than from the date of acquisition of Desk Top and Desk Top BVI on 10th June 2008. A business combination involving entities under common control is outside the scope of HKFRS3 "Business Combinations". Therefore, the principles of merger accounting have been applied. Desk Top and Desk Top BVI were treated as subsidiaries of Trinew during the Relevant Periods and also its results are then combined in the Financial Information during the Relevant Periods.

For the purpose of this report, the Financial Information has been prepared to reflect the Reorganisation under common control as OJI and his family had collective power to govern the financial and operational policies of Trinew, Desk Top and Desk Top BVI throughout the Relevant Periods. The Financial Information as set out in this report has been prepared on a combined basis by applying the principles of merger accounting.

The combined income statements, combined cash flow statements and combined statements of changes in equity of Trinew Group for the Relevant Periods, have been prepared on a combined basis, which are based on the audited financial statements and unaudited management accounts of the companies now comprising the Trinew Group, included the results, cash flow and net assets of the companies now comprising the Trinew Group as if the current group structure had been in existence throughout the Relevant Periods or from their respective dates of incorporation/establishment whichever is shorter. All material transactions and balances between the companies now comprising the group have been eliminated on combination.

The combined balance sheets of Trinew Group as at 30th June 2005, 2006, 2007 and 31st December 2007 have been prepared to present the assets and liabilities of the Trinew Group as at those dates as if the current group structure had been in existence at those dates or since respective dates of incorporation/establishment where they did not exist at those dates or acquisition.

4. BASIS OF PREPARATION

a) Basis of preparation of the accounts

The Financial Information has been prepared under the historical cost convention and in accordance with generally accounting principles in Hong Kong and with accounting standards issued by HKICPA.

The HKICPA has issued a number of new and revised HKFRS and Hong Kong Accounting Standards ("HKAS") (collectively referred to as new HKFRSs). In the Relevant Periods, the Trinew Group adopted all new/revised HKFRSs which are effective and relevant to the operations. Such adoption did not result in substantial changes to the Trinew Group's accounting policies.

The preparation of Financial Information in conformity with the HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgments in the process of applying the group's accounting policies. The estimates and the underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed in note 6.

There was no early adoption of the following new Standard, Revised Standards and Amendments that have been issued but are not yet effective. The adoption of such Standards and Amendments will not result in substantial changes to the Trinew Group's accounting policies.

		Effective for the annual accounting period beginning from or after
HKAS 1 (Revised)	Presentation of Financial Statements	1st January 2009
HKAS 23 (Revised)	Borrowing costs	1st January 2009
HKAS 27 (Revised)	Consolidated and Separate Financial Statements	1st July 2009
HKFRS 2 (Amendment)	Share-based Payment — Vesting Conditions and cancellation	1st January 2009
HKFRS 3 (Revised)	Business Combinations	1st July 2009
HKFRS 8	Operating Segments	1st January 2009
HK(IFRIC) — Int 11	HKFRS 2 — Group and Treasury Share Transactions	1st March 2007
HK(IFRIC) — Int 12	Service Concession Arrangements	1st January 2008
HK(IFRIC) — Int 13	Customer Loyalty Programmes	1st July 2008
HK(IFRIC) — Int 14	HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1st January 2008

The directors of the Trinew Group anticipate that the applications of the above new or revised or amended Standards or interpretations will have no material impact on the results and the financial positions of the Trinew Group.

b) Merger accounting for common control combination

The Financial Information incorporates the financial statements of the combining entities or business in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling parties' perspective. No amount is recognised in the consideration for goodwill or excess of acquirers' interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The combined income statements include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where there is a short period, regardless of the date of the common control combination.

The Financial Information is presented as if the entities or businesses had been combined at the previous balance sheet date or when they first came under common control, whichever is shorter.

A uniform set of accounting policies is adopted by those entities. All intra-group transactions, balances and unrealised gains on transaction between combining entities or businesses are eliminated on combination.

Transaction costs, including professional fees, registration fees, costs of furnishing information to shareholders, costs or losses incurred in combining operations of the previously separate businesses, etc. incurred in relation to the common control combination that is to be accounted for by using merger accounting is recognised as an expense in the period in which it is incurred.

c) Consolidation

The Financial Information includes the financial statements of Trinew and all its subsidiaries made up to 30th June 2005, 2006, 2007 and the six months period ended 31st December 2007.

Subsidiaries are all entities over which Trinew has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether Trinew controls another entity.

Except for the Reorganisation, subsidiaries are fully consolidated from the date on which control is transferred to Trinew.

The acquisition of subsidiaries within the group not involving entities under common control during the Relevant Periods has been accounted for using the purchase method of accounting. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly, attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of Trinew Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the combined income statement.

Trinew Group applies a policy of treating transactions with minority interests as transactions with parties external to Trinew Group. Disposals to minority interests result in gains and losses for Trinew Group are recorded in the combined income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiaries.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

d) Reporting currency

The Financial Information are presented in Hong Kong dollars for the purpose of this report and the currency in which the majority of material transactions are denominated. Items included in the financial statements of each of Trinew Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency").

5. PRINCIPAL ACCOUNTING POLICIES

a) Revenue recognition

Sales revenue is recognised when the goods are shipped and the customers assume the risks and rewards of ownership of the goods.

Interest income is recognised on a time apportionment basis.

Dividend income is recognised when the right to receive payment is established.

b) Leases

Finance leases

Leases that substantially transfer to the companies all the risks and rewards of ownership of assets, other than legal title, are accounted for as finance leases. Assets held under finance leases are capitalised at their fair values at the dates of acquisition or, if lower, at the present values of the minimum lease payments. The corresponding liabilities to the lessor are included in the balance sheet as finance lease obligations. Finance charges, representing the difference between the total lease obligations and the total recorded value of the relevant assets acquired, are charged to the income statement over the terms of the relevant leases to provide a constant periodic rate of charges on the remaining balance of the obligations.

Operating leases

Leases that substantially retained by the lessor all the risks and rewards of ownerships of assets are accounted for as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on the straight-line basis over the relevant lease terms.

c) Retirement benefit costs

Trinew Group operates a defined contribution retirement scheme. The assets of the scheme are held separately from those of the companies in an independently administered fund. Contributions are charged to the income statement as they become payable in accordance with the rules of the scheme.

d) Translation of foreign currencies

Transactions in foreign currencies during the Relevant Periods are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Gains or losses arising on exchange are dealt with in the income statement.

Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at the rates of exchange ruling at the dates the fair value was determined.

For the purpose of presenting the Financial Information, the assets and liabilities of Xingxi and Xing Hao are translated into Hong Kong dollars using exchange rates prevailing at the balance sheet date. Income and expense items are translated at the average exchange rates for the Relevant Periods, unless exchange rates fluctuated significantly during the Relevant Periods, in which case the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as equity and transferred to the exchange reserve.

e) Income tax

Income tax for the Relevant Periods comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in the income statement except to the extent that they relate to items recognised directly in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates in force at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred taxation is provided in full, where material, using the liability method, on temporary differences. Deferred tax assets arise from unused tax losses and tax credits.

The amount of deferred tax recognised is measured based upon the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates in force at the balance sheet date.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which material temporary differences can be utilised. The carrying amount of a deferred tax asset is reviewed at the balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available in future to allow the related tax benefit to be utilised. Such reductions are reversed to the extent that it becomes probable that sufficient taxable profit will be available.

f) Properties, plant and equipment

Properties, plant and equipment are stated at cost less accumulated depreciation and any provision for impairment losses. Cost represents the purchase price and any directly attributable costs of bringing the asset to working condition for its intended use. Subsequent expenditure is capitalised when it is probable that future economic benefits will flow to the enterprise and the cost of the item can be measured reliably. All other subsequent expenditure, such as repairs and maintenance and overhaul costs, is recognised as an expense in the period in which it is incurred.

Depreciation is calculated to write off the cost of properties, plant and equipment over their estimated useful lives, on the straight line basis, at the following annual rates:

Buildings	2%
Plant and machinery	20%
Furniture and office equipment	20%
Motor vehicles	30%
Leasehold improvements	20%
Vessels	10%
Electricity installation system	20%

The gain or loss arising from the retirement or disposal of properties, plant and equipment, representing the difference between the net disposal proceeds and the carrying amount of the asset, is recognised in the income statement.

g) Lease premium for land

Leases of land under which the lessor has not transferred all the risks and benefits of ownership are classified as operating leases. Lease prepayments for land use rights are stated as cost less accumulated amortisation and impairment losses. Amortisation is charged to the income statement on a straight-line basis over the terms of the relevant leases.

h) Construction in progress

Construction in progress represents properties, plant and equipment under construction and pending installation and is stated at cost less impairment losses, if any. Cost includes the costs of construction of buildings, the cost of plant and machinery and interest charges arising from borrowings used to finance these assets during the year of construction or installation and testing, if any. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and are available for intended use. When the assets concerned are brought into use, the costs are transferred to properties, plant and equipment and depreciated in accordance with the policy as stated in the preceding paragraphs 5(f).

i) Impairment of assets

Goodwill arising on an acquisition of a subsidiary, property, plant and equipment, interests in subsidiaries and associates are subject to impairment testing.

Goodwill is tested for impairment at least annually, irrespective of whether there is any indication that it is impaired. All other assets are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill in particular is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the group at which the goodwill is monitored for internal management purpose.

Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro-rata to the other assets in the cash-generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less cost to sell, or value in use, if determinable.

An impairment loss on goodwill is not reversed in subsequent periods. In respect of other assets, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

j) Subsidiaries

Subsidiaries are those entities in which the company holds more than 50 % of the issued share capital; controls more than 50% of the voting power or the composition of the board of directors, or has the power to govern the financial and operating policies.

Investments in subsidiaries are stated at cost less provision for any impairment loss. Results of the subsidiaries are accounted for on the basis of dividends received and receivable.

k) Available for sales, equity

Available-for-sale, equity are stated at fair value plus transaction costs, except for those securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, when they are stated at cost less impairment losses. The changes in fair value are recognised in equity, except for impairment losses and, in the case of monetary items such as debt securities, foreign exchange gains and losses which are recognised directly in the income statement. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in the income statement.

l) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, calculated on the first-in, first-out basis, comprises materials, direct labour and an appropriate proportion of all production overhead expenditure. Net realisable value is determined on the basis of anticipated sales proceeds less estimated cost of completion and selling expenses.

m) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in the income statement over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

n) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less impairment losses for bad and doubtful debts, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less impairment losses for bad and doubtful debts.

o) Trade and other payables

Trade and other payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

p) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Trinew Group cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement.

q) Related parties

Two parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

r) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. The amount of borrowing costs eligible for capitalisation includes the actual borrowing costs incurred on that borrowing less any investment income on the temporary investment of funds pending their expenditure on the qualified assets. Capitalisation of such borrowing costs ceased when the assets are substantially ready for their intended use or sale.

All other borrowing costs are charged to the income statement in the year in which they are incurred.

s) Other provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the companies have legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

t) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

6. CRITICAL ACCOUNTING ESTIMATES

Trinew Group make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

a) Estimated impairment of properties, plant and equipment

Trinew Group assesses annually whether properties, plant and equipment has any indication of impairment, in accordance with the accounting policy stated in Note 5(i). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations or market valuations. These calculations require the use of judgments and estimates.

b) Useful lives of properties, plant and equipment

Trinew Group's management determine the estimated useful lives, and related depreciation and amortisation charges for its properties, plant and equipment. The estimates are based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will increase the depreciation and amortisation charges where useful lives are less than previously estimated lives. It will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in depreciable and amortisable lives and therefore depreciation and amortisation expense in future periods.

c) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business less estimates costs of completion and variable selling expenses. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of changes in customer taste and competitor actions in response to severe industry cycle. Management reassesses these estimates at each balance sheet date.

d) Estimated impairment of trade and other receivables

Trinew Group's management determine the provision for impairment of trade and other receivables based on an assessment of the recoverability of trade receivables. Provisions for impairment are applied to trade receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgment and estimates based on the credit history of its customers and the current market condition. Where the expectation is different from the original estimate, such different will impact carrying value of trade receivables and provision for impairment of trade and other receivables is recognised in the years in which such estimate has been changed.

e) Income taxes and deferred tax

Trinew Group's Companies are subject to income taxes in several jurisdictions. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Trinew Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provision in the years in which such determination is made.

7. TURNOVER AND SEGMENTAL INFORMATION

Turnover represents the net invoiced value of bags sold to third parties.

Business segment information is chosen as the primary reporting format because this is more relevant to Trinew Group in making operating and financial decisions.

No segment information by business segment is presented as Trinew Group primarily operates in a single business segment which is the manufacturing and distribution of bags throughout the Relevant Periods.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets and capital expenditures are based on the geographical location of the assets.

Trinew Group operations are located in Hong Kong, Macau and other parts of the PRC whereas the principal markets for Trinew Group products are located in various regions as follows:

	For the year ended 30th June			For the six months period ended 31st December	
	2005	2006	2007	2006	2007
				(unaudited)	
Segment turnover/revenue by location of customers					
— USA	353,894,836	498,919,757	452,784,483	247,173,217	237,516,203
— United Kingdom	222,881,412	248,428,186	286,435,552	151,032,718	175,110,535
— Hong Kong	82,462,738	97,958,207	76,923,375	37,930,695	89,618,585
— Italy	—	11,706,810	40,618,500	22,726,507	19,322,420
— Canada	39,293,942	36,567,857	36,957,103	21,588,349	24,258,024
— Australia	26,078,939	28,771,226	26,176,033	15,205,801	16,471,352
— China	29,850,953	6,960,511	16,445,377	4,730,562	13,098,993
— South Africa	8,085,168	5,901,273	10,826,256	5,453,530	6,824,014
— Switzerland	1,653,764	2,027,061	2,208,165	1,707,990	2,534,724
— France	623,844	1,031,834	6,051,219	3,090,964	6,493,259
— Spain	—	2,050,641	9,923,005	7,391,747	—
— Other regions	129,043	82,379	225,758	131,688	19,129
	764,954,639	940,405,742	965,574,826	518,163,768	591,267,238

	As at 30th June			As at 31st December
	2005	2006	2007	2007
Segment assets by location of assets				
— PRC, excluding Hong Kong	133,895,394	150,680,084	187,810,000	202,037,916
— Hong Kong	334,211,217	487,923,823	466,166,165	597,132,374
	468,106,611	638,603,907	653,976,165	799,170,290

Assets are allocated based on where the assets are located.

	For the year ended 30th June			For the six months period ended 31st December	
	2005	2006	2007	2006	2007
				(unaudited)	
Capital expenditures by location of assets					
— PRC, excluding Hong Kong	38,935,002	35,328,212	41,872,297	19,045,378	22,517,510
— Hong Kong	1,342,072	278,390	82,437	29,538	2,236,195
	40,277,074	35,606,602	41,954,734	19,074,916	24,753,705

Capital expenditures are allocated based on where the assets are located.

8. OTHER REVENUE

The aggregate amounts of each significant category of revenue, other than turnover, recognised during the Relevant periods are as follows:

	For the year ended 30th June			For the six months period ended 31st December	
	2005	2006	2007	2006	2007
				(unaudited)	
Exchange gains	—	—	3,788,217	27,900	1,640,904
Gain on disposal of properties, plant and equipment	—	223,000	—	—	—
Gain on disposal of available for sales, equity	—	15,795	—	—	—
Interest income	207,779	550,964	714,934	314,187	320,595
Rental income	—	167,767	—	—	—
Sundry income	1,844,853	1,037,259	1,193,517	740,424	612,647

9. OPERATING PROFIT

The aggregate operating profit is stated after charging the following:

	For the year ended 30th June			For the six months period ended 31st December	
	2005	2006	2007	2006	2007
				(unaudited)	
Amortisation of lease premium for land	359,957	407,075	412,879	204,506	209,326
Auditors' remuneration	343,400	343,000	367,006	104,000	467,780
Bad debts	—	—	456,745	—	—
Cost of inventories sold	636,468,528	797,764,578	798,261,222	433,007,180	498,408,191
Depreciation					
— Owned assets	18,227,009	15,821,482	18,292,088	8,623,414	11,644,022
Exchange losses	497,991	1,992,023	—	—	109,096
Inventories written off	3,486,892	—	12,451,189	7,232,832	10,952,353
Rental charges under operating leases					
— Land and buildings	3,036,369	3,206,193	3,341,915	895,529	170,792
Staff costs (including directors' remuneration)					
— Salaries and wages	114,279,579	138,428,769	168,754,244	85,804,830	97,972,227
— Retirement benefit costs	1,429,341	1,324,109	807,555	429,850	6,455,584
— Others	12,701,910	15,010,701	13,342,411	5,824,665	2,747,383
	128,410,830	154,763,579	182,904,210	92,059,345	107,175,194

10. FINANCE COSTS

	For the year ended 30th June			For the six months period ended 31st December	
	2005	2006	2007	2006	2007
				(unaudited)	
The finance costs comprise:					
Interest on bank overdrafts, bills payables and trust receipt					
— Repayable within one year	992,046	1,879,893	5,022,139	1,170,810	2,750,350
Interest on bank loans					
— Repayable within five years	2,263,938	3,017,967	7,489,469	4,663,778	4,598,488
— Not repayable within five years	229,807	385,572	376,018	209,863	152,830
Interest element on finance lease	17,362	—	—	—	—
	3,503,153	5,283,432	12,887,626	6,044,451	7,501,668

11. INCOME TAX EXPENSE

a) Trinew was incorporated in the British Virgin Islands and is exempted from corporate income tax because no assessable profit was generated that was subjected to profits tax in this jurisdiction. It is not subject to any tax in other jurisdictions.

b) Hong Kong profits tax for Desk Top has been provided at the rate of 17.5% (2005 & 2006: 17.5%) on its estimated assessable profits arising in Hong Kong during the Relevant Periods.

c) Pursuant to relevant PRC tax rules and regulations, Desk Top BVI is identified by relevant PRC tax bureau as verification collection method where tax payers are subject to PRC income tax based on 33% of the deemed profit (7% of turnover) of the respective entity verification collection method was requested by various local tax bureaus based on the size of operation of the factories. In addition, Desk Top BVI is under investigation by the Hong Kong Inland Revenue Department ("HKIRD") (note 11g).

d) PRC corporate income tax for Xingxi is provided at the rate of 27% on the estimated assessable profits earned in PRC during the Relevant Periods.

e) Pursuant to the relevant laws and regulations in the PRC, no provision for taxation has been made for Xing Hao for the years ended 30th June 2005 and 2006, as Xing Hao was exempted from PRC income tax for its first two profitable years of operations, followed by a 50% reduction in income tax rate for the following three years. The year 2005 is the first profit-making year of Xing Hao and accordingly, income tax has been exempted for 2005 and 2006. The subsidiary entitles 50% reduction in income tax rate in 2007 and the applicable income tax rate is 12%.

f) No provision for taxation has been made for Desk Top Macau as it was inactive since incorporation. No provision for taxation has been made for DLuxe and SW Recreation as the companies have losses during the Relevant Periods.

g) In December 2007, Desk Top and Desk Top BVI received notification from the HKIRD that a tax investigation would be conducted. At the date of this report, the investigation is still in the preliminary process and the outcome is yet to be finalised in the foreseeable future; and therefore the effect on the financial information, if any, cannot be ascertained with reasonable certainty at the date of this report. Total provision for the tax which may have been undercharged amounting to HKD14,300,000 has been made in the HKFRS Financial Statements. Such provision is based on directors' estimation with reference to the relevant tax rules and regulations (note 34(a)).

	For the year ended 30th June			For the six months period ended 31st December	
	2005	2006	2007	2006	2007
				(unaudited)	
The taxation charge comprises:					
Hong Kong	4,418,036	4,070,942	4,040,249	2,356,638	4,200,000
Overseas	6,659,370	3,994,438	5,538,012	3,129,007	4,578,099
	11,077,406	8,065,380	9,578,261	5,485,645	8,778,099

A reconciliation between Trinew Group's tax expense and accounting profit, at applicable tax rates/ the current tax rate, is set out below:

	For the year ended 30th June			For the six months period ended 31st December	
	2005	2006	2007	2006	2007
				(unaudited)	
Combined profit before taxation	37,137,387	29,079,546	36,523,730	17,734,617	24,749,539
Notional tax on profit before taxation, calculated at the relevant tax rate	9,262,978	6,647,884	8,484,828	4,236,121	4,559,934
Tax effect of non-deductible expenses	2,056	4,463	4,984	—	318,179
Tax effect of non-taxable revenue	(26,119)	(24,088)	(100,993)	(51,838)	(50,899)
Tax effect of non-provision for Hong Kong profits tax for the year	(6,107)	47,947	(369,033)	—	—
Tax effect of non-provision for deferred tax for the year	296,562	18,232	218,226	25,527	(56,370)
Under-provision	1,548,036	1,370,942	1,340,249	1,275,835	4,007,255
Combined actual tax expense	11,077,406	8,065,380	9,578,261	5,485,645	8,778,099

On 16th March 2007, the National People's Congress approved the Corporate Income Tax Law of People's Republic of China (the "New CIT Law"), which will be effective from 1st January 2008. Under the New CIT Law, the corporate income tax rate applicable to the domestic companies from 1st January 2008 will be decreased from 33% to 25% or progressively increased from 15% to 25% within five years. This unification in enterprise income tax rate will directly reduce or increase the group's effective tax rate prospectively from 2008.

Deferred tax has not been provided as Trinew Group did not have any significant temporary differences during the Relevant Periods, which give rise to a deferred tax liability at the balance sheet date.

12. DIVIDENDS

No dividend has been paid or declared by Trinew since its date of incorporation. The dividend paid by Desk Top to its then shareholders during the Relevant Periods prior to the completion of the Reorganisation is as follows:

	For the year ended 30th June			For the six months period ended 31st December	
	2005	**2006**	**2007**	**2006**	**2007**
				(unaudited)	
Interim dividend declared	10,000,000	—	10,000,000	—	85,000,000
Interim dividend paid	6,891,636	—	10,000,000	—	—

The rates of dividend of the number of shares ranking for dividends are not presented as such information is not meaningful having regards to the purpose of this report.

13. EARNINGS PER SHARE

No earnings per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation and the preparation of the results for the Relevant Periods on a combined basis as disclosed in Note 2 above.

14. EMOLUMENTS FOR DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

a) Directors' emoluments

Directors' remuneration disclosed pursuant to Section 161 of the Companies Ordinance is as follows:

	For the year ended 30th June			For the six months period ended 31st December	
	2005	**2006**	**2007**	**2006**	**2007**
				(unaudited)	
Fees	—	—	—	—	—
Other emoluments and benefits in kind	18,986,279	19,782,364	21,878,710	10,768,472	5,207,926
	18,986,279	19,782,364	21,878,710	10,768,472	5,207,926

The remuneration of each director of the Trinew Group for the year ended 30th June 2005 is below:

	Fees	Salary	Contribution to pension scheme	Total
Owen John Inglis	—	8,752,179	12,000	8,764,179
Desmond Prosser Inglis	—	1,239,308	—	1,239,308
Chan Cheong Fat, Rico	—	3,624,432	11,247	3,635,679
Lai Chin Wah, Jim	—	2,076,210	10,687	2,086,897
Lau Tat Keung, Terry	—	2,179,716	12,000	2,191,716
Wong Siu Hung	—	1,056,500	12,000	1,068,500
	—	18,928,345	57,934	18,986,279

The remuneration of each director of the Trinew Group for the year ended 30th June 2006 is below:

	Fees	Salary	Contribution to pension scheme	Total
Owen John Inglis	—	9,628,279	12,000	9,640,279
Desmond Prosser Inglis	—	982,592	—	982,592
Chan Cheong Fat, Rico	—	3,910,752	11,340	3,922,092
Lai Chin Wah, Jim	—	1,498,362	10,700	1,509,062
Lau Tat Keung, Terry	—	2,366,839	12,000	2,378,839
Wong Siu Hung	—	1,337,500	12,000	1,349,500
	—	19,724,324	58,040	19,782,364

The remuneration of each director of the Trinew Group for the year ended 30th June 2007 is below:

	Fees	Salary	Contribution to pension scheme	Total
Owen John Inglis	—	13,871,291	12,000	13,883,291
Desmond Prosser Inglis	—	784,386	—	784,386
Chan Cheong Fat, Rico	—	3,050,873	11,357	3,062,230
Lai Chin Wah, Jim	—	1,274,514	10,688	1,285,202
Lau Tat Keung, Terry	—	1,515,601	7,000	1,522,601
Wong Siu Hung	—	1,329,000	12,000	1,341,000
	—	21,825,665	53,045	21,878,710

The remuneration of each director of the Trinew Group for the six months period ended 31st December 2006 (unaudited) is below:

	Fees	Salary	Contribution to pension scheme	Total
Owen John Inglis	—	6,295,386	6,000	6,301,386
Desmond Prosser Inglis	—	470,527	—	470,527
Chan Cheong Fat, Rico	—	1,924,822	5,587	1,930,409
Lai Chin Wah, Jim	—	1,021,564	5,188	1,026,752
Lau Tat Keung, Terry	—	763,398	6,000	769,398
Wong Siu Hung	—	264,000	6,000	270,000
	—	10,739,697	28,775	10,768,472

The remuneration of each director of the Trinew Group for the six months period ended 31st December 2007 is below:

	Fees	Salary	Contribution to pension scheme	Total
Owen John Inglis	—	1,470,557	6,000	1,476,557
Desmond Prosser Inglis	—	525,471	—	525,471
Chan Cheong Fat, Rico	—	1,537,128	5,770	1,542,898
Lai Chin Wah, Jim	—	515,750	5,250	521,000
Wong Siu Hung	—	1,136,000	6,000	1,142,000
	—	5,184,906	23,020	5,207,926

b) Five highest paid individuals

The aggregate amounts of emoluments of the five highest paid individuals for the years ended 30th June 2005, 2006, 2007 and the six months periods ended 31st December 2006 and 2007 are as below:

	For the year ended 30th June			For the six months period ended 31st December	
	2005	**2006**	**2007**	**2006**	**2007**
				(unaudited)	
Salaries and other benefits	17,871,845	18,741,732	21,041,279	10,475,697	5,437,685
Retirement scheme contribution	45,934	58,040	53,045	22,775	23,770
	17,917,779	18,799,772	21,094,324	10,498,472	5,461,455

The numbers of individuals fell within the following bands:

	For the year ended 30th June			For the six months period ended 31st December	
	2005	**2006**	**2007**	**2006**	**2007**
				(unaudited)	
Nil to HKD1,000,000	—	—	—	2	2
HKD1,000,000 to HKD2,000,000	1	2	3	2	3
HKD2,000,000 to HKD5,000,000	3	2	1	—	—
HKD5,000,000 to HKD15,000,000	1	1	1	1	—

Note: Pensions — defined contribution plans

Employees in the PRC subsidiaries are required to participate in a defined contribution retirement scheme administrated and operated by the local municipal government. The PRC subsidiaries contribute funds which are calculated on certain percentage of the average employee salary as agreed by local municipal government to the scheme to fund the retirement benefits of the employees.

15. PROPERTIES, PLANT AND EQUIPMENT

	Buildings in H.K.	Buildings in PRC	Furniture and office equipment	Motor vehicles	Leasehold improvements	Vessels	Plant and machinery	Electricity installation system	Total
Cost									
As at 1.7.2004	7,441,350	50,772,705	15,324,614	3,964,244	11,874,873	10,441,235	32,111,128	5,956,434	137,886,583
Additions	—	8,975,208	2,896,035	71,349	4,269,135	—	13,120,090	4,329,192	33,661,009
Transferred from construction in progress	—	15,422,094	—	—	—	—	—	—	15,422,094
Reclassification	—	(12,549)	12,549	—	—	—	—	—	—
Exchange difference on translation	—	(118)	562	1,521	—	—	11,793	—	13,758
As at 30.6.2005	7,441,350	75,157,340	18,233,760	4,037,114	16,144,008	10,441,235	45,243,011	10,285,626	186,983,444
Additions	—	2,447,358	3,089,593	160,553	7,173,269	—	10,665,115	—	23,535,888
Disposals	(131,850)	—	—	—	—	—	—	—	(131,850)
Exchange difference on translation	—	332,121	167,196	18,883	12,391	—	256,037	—	786,628
As at 30.6.2006	7,309,500	77,936,819	21,490,549	4,216,550	23,329,668	10,441,235	56,164,163	10,285,626	211,174,110
Additions	—	414,332	3,752,293	539,342	2,598,775	—	4,908,564	—	12,213,306
Exchange difference on translation	—	4,393,478	599,884	59,699	1,150,940	—	2,088,807	—	8,292,808
As at 30.6.2007	7,309,500	82,744,629	25,842,726	4,815,591	27,079,383	10,441,235	63,161,534	10,285,626	231,680,224
Additions	—	5,659,862	2,387,692	499,462	8,992,442	—	7,214,247	—	24,753,705
Transferred from construction in progress	—	32,216,050	—	—	7,128,128	—	—	—	39,344,178
Exchange difference on translation	—	—	—	—	—	—	—	—	—
As at 31.12.2007	7,309,500	120,620,541	28,230,418	5,315,053	43,199,953	10,441,235	70,375,781	10,285,626	295,778,107

	Buildings in H.K. *(note 1)*	Buildings in PRC *(note 2)*	Furniture and office equipment	Motor vehicles	Leasehold improvements	Vessels	Plant and machinery	Electricity installation system	Total
Accumulated depreciation									
As at 1.7.2004	502,603	2,628,573	11,118,481	3,205,185	6,851,910	3,446,654	17,052,670	2,298,949	47,105,025
Charge for the year	143,727	1,504,109	2,620,471	354,724	2,752,899	1,044,120	7,749,834	2,057,125	18,227,009
Exchange difference on translation	—	13,543	52,315	698	4,288	—	64,040	—	134,884
As at 30.6.2005	646,330	4,146,225	13,791,267	3,560,607	9,609,097	4,490,774	24,866,544	4,356,074	65,466,918
Charge for the year	188,670	1,504,643	2,097,373	140,227	1,929,854	1,044,120	6,859,470	2,057,125	15,821,482
Disposals	(13,050)	—	—	—	—	—	—	—	(13,050)
Exchange difference on translation	—	42,205	163,039	10,574	12,391	—	191,181	—	419,390
As at 30.6.2006	821,950	5,693,073	16,051,679	3,711,408	11,551,342	5,534,894	31,917,195	6,413,199	81,694,740
Charge for the year	188,670	1,557,005	2,737,081	234,271	2,542,556	1,044,120	7,931,260	2,057,125	18,292,088
Exchange difference on translation	—	219,575	433,923	34,078	384,023	—	941,943	—	2,013,542
As at 30.6.2007	1,010,620	7,469,653	19,222,683	3,979,757	14,477,921	6,579,014	40,790,398	8,470,324	102,000,370
Charge for the period	94,335	1,175,374	1,534,778	196,120	2,643,906	522,060	4,448,887	1,028,562	11,644,022
As at 31.12.2007	1,104,955	8,645,027	20,757,461	4,175,877	17,121,827	7,101,074	45,239,285	9,498,886	113,644,392
Net book value									
As at 31.12.2007	6,204,545	111,975,514	7,472,957	1,139,176	26,078,126	3,340,161	25,136,496	786,740	182,133,715
As at 30.6.2007	6,298,880	75,274,976	6,620,043	835,834	12,601,462	3,862,221	22,371,136	1,815,302	129,679,854
As at 30.6.2006	6,487,550	72,243,746	5,438,870	505,142	11,778,326	4,906,341	24,246,968	3,872,427	129,479,370
As at 30.6.2005	6,795,020	71,011,115	4,442,493	476,507	6,534,911	5,950,461	20,376,467	5,929,552	121,516,526

Note 1: The buildings in Hong Kong are held under medium-term leases. Net book value of HKD6,795,020 as at 30.6.2005, HKD6,487,550 as at 30.06.2006, HKD6,298,880 as at 30.06.2007 and HKD6,204,545 as at 31.12.2007 have been pledged to bank to secure general banking facilities granted to Desk Top (note 27 and 28).

Note 2: The buildings in PRC are held under medium-term lease. The net book value of HKD Nil as at 30.6.2005, HKD38,713,625 as at 30.06.2006, HKD40,531,675 as at 30.06.2007 and HKD46,887,637 as at 31.12.2007 have been pledged to bank to secure the general banking facilities granted to Xing Hao (note 28).

Included in the year/period end balance is an amount of HKD Nil as at 30.6.2005, HKD Nil as at 30.6.2006, HKD Nil as at 30.6.2007 and HKD30,712,975 as at 31.12.2007, which represents the cost incurred for the construction of factory premises over a piece of land in PRC. As Trinew Group is still in the process of applying to the respective PRC Land offices for the registration, Trinew Group has not yet obtained the relevant title certificate for this land. Trinew Group's legal advisors have confirmed that the Group is the rightful and equitable owner of this land.

16. CONSTRUCTION IN PROGRESS

	As at 30th June 2005	2006	2007	As at 31st December 2007
At cost				
Balance at the beginning of the year/period	8,955,025	148,996	9,071,337	39,344,178
Additions	6,616,065	8,922,341	29,741,428	—
Exchange difference on translation	—	—	531,413	—
Transferred to building	(15,422,094)	—	—	(39,344,178)
Balance at the end of the year/period	148,996	9,071,337	39,344,178	—

Included in the year/period end balance is amount of HKD Nil as at 30.6.2005, HKD4,742,013 as at 30.6.2006, HKD29,280,657 as at 30.6.2007 and HKD Nil as at 31.12.2007, which represents the cost incurred for the construction of factory premises over a piece of land in PRC. As Trinew Group is still in the process of applying to the respective PRC Land offices for registration, Trinew Group has not yet obtained the relevant title certificate of this land. Trinew Group's legal advisors have confirmed that the Group is the rightful and equitable owner of this land.

17. INVESTMENTS IN SUBSIDIARIES

Details of the subsidiaries of Trinew as if the current group structure had in existence as at 31st December 2007 are as follows:

Name of Company	Place of incorporation	Issued and fully paid/paid in capital	Principal activities	Effective interest in equity held
Desk Top	Hong Kong	HKD23,206,000 of HKD1.00 each	Manufacturing and trading of bags	100% (direct)*
Xingxi	PRC	HKD20,000,000	Manufacturing of bags	100% (indirect)*
Desk Top BVI	British Virgin Islands	USD100 of USD1.00 each	Subcontracting services	100% (direct)
Xing Hao	PRC	HKD54,000,000	Manufacturing of bags	100% (indirect)
DLuxe	Hong Kong	HKD1 of HKD1.00 each	Inactive	100% (indirect)
Desk Top Macau	Macau	MOP$100,000	Inactive	100% (indirect)
SW Recreation	Hong Kong	HKD2 of HKD1.00 each	Investment holding	100% (indirect)*

* In the report, these companies are treated as wholly owned subsidiaries of Trinew even though 0.03% of the equity is held by third party as if the current group structure had in existence during the Relevant Periods.

	For the year ended 30th June			For the six months period ended 31st December	
	2005	2006	2007	2006	2007
				(unaudited)	
Profit attributable to minority shareholder for	6,722	4,299	5,737	2,774	4,739

	As at 30th June			As at 31st December
	2005	2006	2007	2007
Net assets shared to minority shareholder	57,347	61,683	63,668	42,907

18. LEASE PREMIUM FOR LAND

Trinew Group's interest in land use rights represents net book value of prepaid operating lease payments for land use rights held outside Hong Kong on leases of 50 years.

The net book value of prepaid operating lease payments for land use rights is analysed as follows:

	As at 30th June			As at 31st December
	2005	2006	2007	2007
Cost				
Balance bought forward	17,932,914	17,932,914	20,353,746	20,932,665
Additions	—	3,148,373	—	—
Disposal	—	(747,150)	—	—
Exchange difference on translation	—	19,609	578,919	—
Balance carried forward	17,932,914	20,353,746	20,932,665	20,932,665
Accumulated amortisation				
Balance bought forward	809,979	1,170,062	1,503,879	1,935,542
Charge for the year/period	359,957	407,075	412,879	209,326
Eliminated on disposal	—	(73,950)	—	—
Exchange difference on translation	126	692	18,784	—
Balance carried forward	1,170,062	1,503,879	1,935,542	2,144,868
Net carrying amount	16,762,852	18,849,867	18,997,123	18,787,797

The interest in leasehold land represents prepaid operating lease payments and the net book value is analysed as follows:

	As at 30th June			As at 31st December
	2005	**2006**	**2007**	**2007**
Held in Hong Kong under medium term leases	10,314,560	9,431,930	9,222,500	9,117,785
Held outsider Hong Kong under medium-term leases	6,448,292	9,417,937	9,774,623	9,670,012
	16,762,852	18,849,867	18,997,123	18,787,797

The leasehold land with a carrying amount of HKD10,314,560 as at 30.6.2005, HKD9,431,930 as at 30.6.2006, HKD9,222,500 as at 30.6.2007 and HKD9,117,785 as at 31.12.2007 has been pledged to banks as security for general banking facilities extended to Trinew Group. (note 28)

The leasehold lands are situated in the PRC, held on leases with expiring terms of 50 years.

Included in the year/period end balance is amount of net book value of HKD Nil as at 30.6.2005, HKD2,593,693 as at 30.6.2006, HKD2,688,802 as at 30.6.2007, HKD2,660,786 as at 31.12.2007, which represents the lease premium paid for a piece of land in PRC. As Trinew Group is still in the process of applying to the respective PRC Land offices for the registration, Trinew Group has not yet obtained the relevant title certificate for this land. Trinew Group's legal advisors have confirmed that the Group is the rightful and equitable owner of this land.

19. AVAILABLE FOR SALES, EQUITY

	As at 30th June			As at 31st December
	2005	**2006**	**2007**	**2007**
Investment in club debenture in Hong Kong	900,000	900,000	900,000	900,000
Unlisted shares outside Hong Kong, at cost	319,554	2,262,054	2,262,054	2,262,054
Guaranteed funds, at cost	998,656	—	—	—
	2,218,210	3,162,054	3,162,054	3,162,054

The above investments are stated at cost less any impairment losses.

20. INVENTORIES

All inventories are owned by Trinew Group as at 30th June 2005, 2006, 2007 and 31st December 2007 and comprise of:

	As at 30th June			As at 31st December
	2005	2006	2007	2007
Raw materials	38,365,494	84,586,762	68,537,557	73,402,778
Work in progress	16,274,645	23,401,743	30,580,756	31,778,217
Finished goods	32,954,513	36,999,232	21,295,188	74,461,109
	87,594,652	144,987,737	120,413,501	179,642,104

21. TRADE RECEIVABLES

	As at 30th June			As at 31st December
	2005	2006	2007	2007
Trade receivables	171,796,603	242,640,113	246,897,180	304,830,282
Less: Provision for impairment	—	—	—	—
Trade receivables — net	171,796,603	242,640,113	246,897,180	304,830,282

The carrying amounts of the trade receivables as at 30th June 2005, 2006, 2007 and 31st December 2007 approximated their fair values.

Trinew Group grants to its customers credit terms of maximum 90 days. The ageing analysis of the trade receivable was as follows:

	As at 30th June			As at 31st December
	2005	2006	2007	2007
0–30 days	54,979,707	70,588,989	78,871,427	83,533,052
31 to 60 days	60,995,029	105,020,142	76,342,535	95,398,481
61 to 90 days	53,261,897	65,042,399	59,475,516	91,228,679
Over 90 days	2,559,970	1,988,583	32,207,702	34,670,070
	171,796,603	242,640,113	246,897,180	304,830,282

Trade receivable was denominated in the following currencies:

	As at 30th June			As at 31st December
	2005	2006	2007	2007
United States dollars	164,615,217	241,287,507	241,135,128	296,592,015
Renminbi	7,074,835	245,228	5,341,043	6,959,617
Others	106,551	1,107,378	421,009	1,278,650
	171,796,603	242,640,113	246,897,180	304,830,282

22. AMOUNTS DUE FROM/TO RELATED COMPANIES

i) The amounts due from/to related companies are unsecured, interest free and have no fixed terms of repayment. Further details of amounts due from related companies are as follows:

	As at 30th June			As at 31st December
	2005	2006	2007	2007
Manifold International Limited	2,716,982	2,796,116	904,419	904,419
Indora Holdings Limited	12,753	12,753	12,753	—
	2,729,735	2,808,869	917,172	904,419

ii) Maximum balances outstanding for amounts due from related companies during the Relevant Periods are as follows:

	As at 30th June			As at 31st December
	2005	2006	2007	2007
Manifold International Limited	2,716,981	2,796,116	2,796,116	904,419
Indora Holdings Limited	12,753	12,753	12,753	12,753

Manifold International Limited and Indora Holdings Limited are companies incorporated in Hong Kong and Mr. Owen John Inglis and Mr. Desmond Prossor Inglis are the common directors of the companies.

23. ACCOUNTS WITH DIRECTORS

i) The amounts due from/to directors are in the nature of current accounts, unsecured, interest free and are repayable on demands. Amounts due from directors disclosed pursuant to Section 161B of the Companies Ordinance are as follows:

	As at 30th June			As at 31st December
Director	2005	2006	2007	2007
Mr. Owen John Inglis	39,207,112	57,607,034	55,627,906	66,388,170
Mr. Desmond Prosser Inglis	146,992	958,921	—	—
	39,354,104	58,565,955	55,627,906	66,388,170

ii) Maximum balances outstanding for amounts due from directors during the Relevant Periods are as follows:

	As at 30th June			As at 31st December
	2005	2006	2007	2007
Mr. Owen John Inglis	39,097,089	57,609,635	58,956,735	66,390,771
Mr. Desmond Prosser Inglis	210,716	958,921	1,016,632	—

24. TRADE, BILLS PAYABLE AND TRUST RECEIPT

The ageing analysis of the trade, bills payables and trust receipt was as follows:

	As at 30th June			As at 31st December
	2005	2006	2007	2007
0 30 days	75,412,781	115,302,932	89,116,326	50,358,641
31 to 60 days	4,523,669	9,312,204	7,732,575	63,451,215
61 to 90 days	21,909,698	39,600,153	20,902,240	56,758,709
Over 90 days	7,796,995	10,164,359	919,410	12,911,416
	109,643,143	174,379,648	118,670,551	183,479,981

Trade, bills payable and trust receipt were denominated in the following currencies:

	As at 30th June			As at 31st December
	2005	2006	2007	2007
Hong Kong dollars	94,261,891	161,626,503	101,585,620	154,327,083
United States dollars	8,068,021	12,506,831	16,758,529	29,144,177
Renminbi	6,743,756	243,219	321,749	—
Others	569,475	3,095	4,653	8,721
	109,643,143	174,379,648	118,670,551	183,479,981

25. PROVISION FOR TAXATION

	As at 30th June			As at 31st December
	2005	2006	2007	2007
Hong Kong profits tax	14,463,836	13,923,584	16,800,000	16,938,419
Overseas corporate income tax	7,320,547	9,752,052	14,586,110	20,680,962
PRC value added tax	283,330	—	513,342	81,116
	22,067,713	23,675,636	31,899,452	37,700,497

26. DEFFERED INCOME TAX LIABILITIES

	As at 30th June			As at 31st December
	2005	2006	2007	2007
Amount of unprovided deferred taxation:				
Depreciation allowances in excess of related depreciation	557,533	442,330	255,657	313,840

27. LONG TERM BANK LOANS

	As at 30th June			As at 31st December
	2005	2006	2007	2007
Secured bank loans				
— Wholly repayable within five years	11,676,816	5,171,891	39,958,046	57,254,404
— Not wholly repayable within five years	5,298,190	4,936,218	4,820,520	3,162,078
	16,975,006	10,108,109	44,778,566	60,416,482
Less: Amounts repayable within one year included under current liabilities	(6,905,965)	(3,527,648)	(11,880,864)	(16,944,245)
	10,069,041	6,580,461	32,897,702	43,472,237

All loans not wholly repayable within five years are obtained from the banks by Trinew Group and are repayable in various annual instalments up to June 2024. Interest is charged on the outstanding balances at rates ranging between prime lending rate less 2.25% per annum and prime leading rate plus 0.75% per annum. The loans are secured by charge over Trinew Group's buildings (note 15), by a charge over guaranteed funds, by a legal charge over one of the director's property and by a personal guarantee from a director.

28. BANKING FACILITIES

	As at 30th June			As at 31st December
	2005	2006	2007	2007
Banking facilities granted:	149,975,006	195,059,185	310,918,910	390,511,466
Banking facilities utilised:	78,081,853	145,125,368	185,940,225	244,470,722

The above facilities included bills payables, bank overdrafts, short term bank loans and long term bank loans, which are secured by charges over the Trinew Group's leasehold land and buildings (note 15 and 18), by charges over fixed deposits (note 31), by a legal charge over one of the director's property, by a personal guarantee from a director and by corporate guarantee between the companies of Trinew Group.

In addition, the above facilities granted included a foreign currency exchange contract/treasury facility amounted HKD89,540,000 and HKD48,700,000 at 31st December 2007 and 30th June 2007 respectively.

29. SHARE CAPITAL

Trinew was incorporated in the British Virgin Islands on 15th April 2008, with an authorised share capital of USD50,000 divided into 50,000 share of USD1.00 each. On 15th April 2008, Trinew issued 1,000 shares and fully paid at par.

The share capital balances as presented in the combined balance sheets as at 30th June 2005, 2006, 2007 and 31st December 2007 represent the share capital of Desk Top and Desk Top BVI, subsidiaries which were the holding companies of all the other subsidiaries of Trinew Group at the respective balance sheet dates, as shown in note 1 of this Section.

30. RESERVES

	Statutory reserve	Exchange reserve	Retained profits	Total
Balance at 30.6.2004	1,789,170	125,622	196,633,414	198,548,206
Exchange difference on translation	—	(1,717)	—	(1,717)
Net profit for the year	—	—	26,059,981	26,059,981
Transfer of reserve	8,210,830	—	(8,210,830)	—
Dividend paid	—	—	(10,000,000)	(10,000,000)
Balance at 30.6.2005	10,000,000	123,905	204,482,565	214,606,470
Exchange difference on translation	—	2,384,136	—	2,384,136
Net profit for the year	—	—	21,014,166	21,014,166
Balance at 30.6.2006	10,000,000	2,508,041	225,496,731	238,004,772
Exchange difference on translation	—	7,500,590	(2,260,986)	5,239,604
Net profit for the year	—	—	26,945,469	26,945,469
Dividend paid	—	—	(10,000,000)	(10,000,000)
Balance at 30.6.2007	10,000,000	10,008,631	240,181,214	260,189,845
Exchange difference on translation	—	688,988	—	688,988
Net profit for the period	—	—	15,971,440	15,971,440
Dividend	—	—	(85,000,000)	(85,000,000)
Balance at 31.12.2007	10,000,000	10,697,619	171,152,654	191,850,273
Balance at 30.6.2006	10,000,000	2,508,041	225,496,731	238,004,772
Exchange difference on translation (unaudited)	—	1,200,830	—	1,200,830
Net profit for the period (unaudited)	—	—	12,248,972	12,248,972
Balance at 31.12.2006 (unaudited)	10,000,000	3,708,871	237,745,703	251,454,574

Note: Statutory reserve

Pursuant to the relevant PRC laws and regulations, wholly-foreign-owned enterprises ("WFOEs") registered in PRC are required to transfer not less than 10% of their profit after tax, as determined in accordance with PRC GAAP, to the reserve funds, until the balance of the funds reaches 50% of the registered capital of that company. WFOEs registered in PRC are also required to transfer a certain percentage, as approved by the board of Directors, of their profit after tax to the employee bonus and welfare fund. These funds are restricted as to use.

31. CASH AND CASH EQUIVALENTS

The aggregate amounts of cash and cash equivalents of the Trinew Group are as follows:

	As at 30th June			As at 31st December
	2005	2006	2007	2007
Cash and bank balances	24,253,720	26,466,858	36,542,309	41,779,642
Bank deposits secured to general banking facilities *(note 28)*	(1,000,000)	(2,000,000)	(4,500,000)	(7,000,000)
Bank overdrafts	(8,656,209)	(19,230,559)	(14,458,854)	(20,421,873)
Cash and cash equivalents as restated	14,597,511	5,236,299	17,583,455	14,357,769

Including in cash and cash equivalents in the combined balance sheets are the following amounts in a currency other than the functional currency of the entity to which they relate:

	As at 30th June			As at 31st December
	2005	2006	2007	2007
United States dollars	12,358,543	6,563,372	17,380,446	23,510,810
Renminbi	5,824,263	6,171,703	6,547,251	4,617,704
	18,182,806	12,735,075	23,927,697	28,128,514

32. OPERATING LEASE COMMITMENT

At the balance sheet date, Trinew Group had the outstanding commitments under non-cancellable operating leases, which fall due as follows:

	As at 30th June			As at 31st December
	2005	2006	2007	2007
— Within one year	2,441,796	822,000	1,734,000	3,538,088
— In the second to fifth years inclusive	600,000	42,600	697,500	1,153,000
	3,041,796	864,600	2,431,500	4,691,088

Operating lease payments request rentals payable by for office and factory respectively. Leases are negotiated for two years and rentals are fixed for the whole period.

No arrangements have been entered into for contingent rental income.

33. CAPITAL COMMITMENT

	As at 30th June			As at 31st December
	2005	2006	2007	2007
Investment in a subsidiary by Desk Top BVI				
— Contracted but not provided for	29,000,000	20,700,000	—	24,200,000

Capital commitment of investment in a subsidiary represents the unpaid capital contribution by Desk Top BVI to its subsidiary Xing Hao.

Construction in progress				
— Contracted but not provided for	—	23,043,087	7,414,749	—

Capital commitment of construction in progress represents the construction contract amount committed by the Group for the construction of factory premises in the PRC.

	As at 30th June			As at 31st December
	2005	2006	2007	2007
Forward contracts				
— Contracted but not provided for	—	—	USD54,640,000	USD31,480,000

Desk Top has entered into forward foreign exchange contracts with bank to hedge the exchange rate risk arising from sales and purchases transactions.

34. CONTINGENT LIABILITIES

a) As mentioned in note 11(g) to the Financial Information, Desk Top and Desk Top BVI received notification from the HKIRD that a tax investigation would be conducted. At the date of this report, the investigation is still in the preliminary process and the outcome is yet to be finalised in the foreseeable future; and therefore the effect on the Financial Information, if any, cannot be ascertained with reasonable certainty at the date of this report. Total provision for the tax which may have been undercharged amounting to HKD14,300,000 has been made in the HKFRS Financial Statements. Such provision is based on directors' estimation with reference to the relevant tax rules and regulations.

b) During the Relevant Periods, Desk Top BVI, a subsidiary of Trinew Group with a factory in PRC, sub-contracted certain labour processes of a portion of their manufacturing to third parties. Such practice is commonplace and widely accepted practice in the industry in which Trinew Group operates and restrictions on sub-contracting are not strictly enforced. Trinew Group has never had any issues with any authorities with its sub-contracting process.

   The directors are of the opinion that, based on legal opinion obtained on this probable non-compliance issues, the risk of action against Trinew Group by the PRC Customs authority for non-compliance with applicable laws and regulations in relation to the above-mentioned sub-contracting activities in the PRC, is remote.

   No provision for the charges, fines and penalties has been made in the Financial Information in relation to the above sub-contracting activities.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Exposure to market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk arises in the normal course of Trinew Groups' business. Trinew Group does not has written risk management policies and guidelines. However, the directors meet periodically to analyse and formulate strategies to manage Trinew Group's exposure to these financial risks. Trinew Group exposure to market risk is kept to a minimum.

a) Market risk

i) Foreign currency risk

Trinew Group exposure to market risk for changes to foreign currency exchange rates relates primarily to certain trade receivable, trade payable, bills payable, trust receipt and short term bank loans certain cash and cash equivalents in currencies other than the functional currency of Hong Kong Dollars.

Most of Trinew Group income from foreign countries is carried in United States Dollars and Renminbi. Exposures to currency exchange rates arise from Trinew Group's income, which are primarily denominated in United States Dollars and Renminbi. Some of direct costs are carried in United States Dollars and Renminbi and also expose to currency exchange rate risk.

— *Exposure to foreign currency risk*

The following table details Trinew Group exposure at the balance sheet date to currency risk foreign arising from recognised assets and/or liabilities denominated in a currency other than functional currency of Trinew Group. It is the policy of Trinew Group to enter into forward exchange contracts to cover specific foreign currency payments and receipts starting from as at 30th June 2007. Trinew Group also had entered into forward foreign exchange contracts to manage the risk associated with anticipated sales and purchase transactions. It also does not engage in the trading of financial risks for speculative purposes.

	As at 30th June						As at 31st December	
	2005		2006		2007		2007	
	USD	*RMB*	*USD*	*RMB*	*USD*	*RMB*	*USD*	*RMB*
Trade receivables	21,120,761	7,499,325	31,053,733	252,585	30,866,812	5,196,836	38,171,430	6,771,707
Cash and bank balances	1,589,034	6,066,891	844,503	7,141,919	1,980,161	8,227,941	3,025,622	6,328,850
Trade payables	(238,711)	(8,214,094)	(216,545)	(8,168,957)	(476,513)	(9,501,317)	(130,088)	(21,357,605)
Bills payable and trust receipt	(886,244)	—	(1,408,976)	—	(2,070,995)	—	(3,694,880)	—
Short term bank loans	(2,502,360)	—	(3,455,407)	(20,000,000)	(6,525,124)	(20,000,000)	(4,384,577)	(20,000,000)
Net exposure to foreign currency risk	19,082,480	5,352,122	26,817,308	(20,774,453)	23,774,341	(16,076,540)	32,987,507	(28,257,048)

— *Sensitivity analysis*

The following table indicates at the approximate changes in Trinew Group's profit after tax (and retained profits) in response to reasonably possible changes in the foreign exchange rates to which Trinew Group has significant exposure at the balance sheet date. Other components of equity would not be affected by changes in the foreign exchange rates.

	For the year ended 30th June						For the six monthly period ended 31st December	
	2005		2006		2007		2007	
	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits
United States Dollars	0.03	572,474	0.03	804,519	0.03	713,230	(0.02)	(659,750)
Renminbi	0.03	160,564	0.03	(1,038,723)	0.05	(803,827)	0.083	(2,345,335)

ii) Interest rate risk

As Trinew Group has no significant interest bearing assets apart from cash and bank deposits. Trinew Group currently has bank borrowings with floating interest rate as disclosed in note 27.

Interest rate sensitivity analysis

Trinew Group was exposed to changes in the market interest rates through its bank borrowings with floating interest rates, which subject to variable interest rates. The following table illustrates the sensitivity of the net result for the Relevant Periods and equity to a reasonably possible change in interest rate of +1% and -1%, with effect from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on the bank borrowings held at each of the balance sheet date. All other variables are held constant.

	For the year ended 30th June			For the six months period ended 31st December	
	2005	2006	2007	2006	2007
				(unaudited)	
Interest rate +1% Effect on profit before taxation	(781,000)	(1,451,000)	(1,859,000)	(1,656,000)	(2,445,000)
Interest rate -1% Effect on profit before taxation	781,000	1,451,000	1,859,000	1,656,000	2,445,000

iii) Other price risk

Trinew Group is not exposed to any significant financial instrument price risk.

b) Credit risk

The carrying amounts of trade receivables and other receivables represent Trinew Group maximum exposure to credit risk in relation to its financial assets. It is Trinew Group policy that receivable balances are monitored on an ongoing basis and the Trinew Group's credit policy changed from 3 months to 1 month for normal customers. The recoverability of trade receivable improved. The allowance for impairment has been made to reduce the exposure to the credit risk in relation to the receivables. There are no significant concentrations of credit risk within the companies in relation to other financial assets.

Further quantitative disclosures in respect of Trinew Group exposure to credit risk arising from trade receivable are set in note 21 of this Section.

c) Liquidity risk

Trinew Group exercised liquidity risk management policy by maintaining sufficient cash level and continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Trinew Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at the balance sheet dates of Trinew Group financial liabilities, which are based on the earliest date to Trinew Group can be required to pay. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year	**Between 1 and 2 years**	**Between 2 and 5 years**	**Total**
At 30.6.2005				
Borrowings	56,970,401	3,560,965	1,209,886	61,741,252
Trade and other payables	138,015,919	—	—	138,015,919
Total	194,986,320	3,560,965	1,209,886	199,757,171
At 30.6.2006				
Borrowings	126,892,180	328,848	986,544	128,207,572
Trade and other payables	220,181,531	—	—	220,181,531
Total	347,073,711	328,848	986,544	348,389,103
At 30.6.2007				
Borrowings	136,950,890	11,880,864	16,220,822	165,052,576
Trade and other payables	166,753,405	—	—	166,753,405
Total	303,704,295	11,880,864	16,220,822	331,805,981
At 31.12.2007				
Borrowings	172,289,266	16,845,245	23,464,914	212,599,425
Trade and other payables	243,379,070	—	—	243,379,070
Total	415,668,336	16,845,245	23,464,914	455,978,495

d) Fair values

All financial instruments of Trinew Group are carried at amounts not materially different from their fair values as at 30th June 2005, 2006, 2007 and 31st December 2007.

The amounts due from/to related companies/directors/subsidiaries/shareholders are unsecured, interest-free and have no fixed terms of repayment. Given these terms, it is not meaningful to disclose their fair values.

36. CAPITAL RISK MANAGEMENT

Trinew Group's objectives when managing capital are to safeguard Trinew Groups' ability to continue as a going concern in order to provide returns for equity owners and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, Trinew Group may adjust the amount of dividends paid to equity owners, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, Trinew Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowings divided by total assets, as shown in the combined balance sheets.

During the Relevant Periods, Trinew Group's strategy was to maintain a gearing ratio within 14.32% to 27.00%. The gearing ratios at 30th June 2005, 2006 and 2007 and at 31st December 2007 were as follows:

	As at 30th June			As at 31st December
	2005	**2006**	**2007**	**2007**
Total borrowings	67,039,442	133,472,641	169,848,592	215,761,503
Total assets	468,106,611	638,603,907	653,976,165	799,170,290
Gearing ratio	14.32%	20.90%	25.97%	27.00%

37. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in the Financial Information, the Trinew Group had the following material related party transactions among themselves during the Revenant Periods:

	For the year ended 30th June			For the six months period ended 31st December	
	2005	**2006**	**2007**	**2006**	**2007**
				(unaudited)	
Desk Top paid subcontracting fee to					
— Subsidiary (Xingxi)	48,993,556	50,112,311	55,384,697	28,872,248	27,871,570
— Related company (Desk Top BVI)	157,787,311	144,853,420	157,717,017	93,404,588	125,761,695
— Related company (Xing Hao)	—	46,187,660	74,746,921	36,942,006	46,155,129
Desk Top sold of raw materials to					
— Subsidiary (Xingxi)	14,076,078	3,147,156	5,500,347	—	6,797,712
Desk Top BVI received leasing income from					
— Subsidiary (Xing Hao)	—	2,911,330	2,721,603	1,171,782	1,410,045
Directors' emoluments					
— Owen John Inglis	8,764,179	9,640,279	13,883,291	6,301,386	1,476,557
— Desmond Prosser Inglis	1,239,308	982,592	784,386	470,527	525,471
— Chan Cheong Fat, Rico	3,635,679	3,922,092	3,062,230	1,930,409	1,542,898
— Lai Chiu Wah, Jim	2,086,897	1,509,062	1,285,202	1,026,752	521,000
— Lau Tat Keung, Terry	2,191,716	2,378,839	1,522,601	769,398	—
— Wong Siu Hung	1,068,500	1,349,500	1,341,000	270,000	1,142,000
	18,986,279	19,782,364	21,878,710	10,768,472	5,207,926

38. NET ASSETS AND DISTRIBUTABLE RESERVE OF THE COMPANY

Trinew was incorporated in 15th April 2008 and hence it had no assets or liabilities as at 31st December 2007, and also there was no reserve available for distribution to the shareholders of Trinew at that date.

39. ULTIMATE HOLDING COMPANY

Upon the completion of Reorganisation, the directors of Trinew consider the immediate holding company to be Ospella International Limited, a private limited company incorporated in the British Virgin Islands and the ultimate holding company is Ultimo Holdings Limited, a private limited company incorporated in the British Virgin Islands. These entities do not produce financial statements available for public use.

40. POST BALANCE SHEET EVENTS

On 15th April 2008, Trinew was incorporated in the British Virgin Islands and subsequently has become the holding company of Trinew Group. The authorised share capital of Trinew as at the date of its incorporation was USD50,000 divided into 50,000 share of USD1 each.

On 15th April 2008, Ospella subscribed for 1,000 shares of Trinew in cash at USD1,000.

Immediately following the completion of this transaction, 60% of shares held by Ospella are transferred to Fortune, a wholly-owned subsidiary of Luen Thai.

II. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by Trinew Group or any of the companies of Trinew Group in respect of any period subsequent to 31st December 2007 and save as disclosed in this report, no dividend or distribution has been declared, made or paid by Trinew or any of companies of Trinew Group in respect of any period subsequent to 31st December 2007.

WORLD LINK CPA LIMITED
Certified Public Accountants
Hong Kong, 30th June 2008
Fung Tze Wa
Practising Certificate number P01138

UNAUDITED PRO FORMA FINANCIAL INFORMATION ON THE ENLARGED GROUP

The following is an illustrative and unaudited pro forma statement of assets and liabilities of the Enlarged Group which has been prepared for the purpose of illustrating the effects of the Transaction, as if it had taken place on 31 December 2007. It has been prepared based on the audited consolidated balance sheet of the Group as at 31 December 2007 as set out in the published annual report of the Group for the year ended 31 December 2007, after making certain pro forma adjustments as set out in the notes below.

This unaudited pro forma statement of assets and liabilities of the Enlarged Group has been prepared based on the following scenarios:

(a) the consideration for the acquisition of 60% equity interest in the Target Group under the Sale and Purchase Agreement equals an amount equivalent to 60% of the aggregate value of the net asset value of Target Group as at 31 December 2007 and the appreciated value of the PRC Land as at 31 December 2007, currently estimated to be approximately HK$146,343,000 (equivalent to approximately US$18,883,000) (the "Minimum Consideration");

(b) the consideration for the acquisition of 60% equity interest in the Target Group under the Sale and Purchase Agreement equals the maximum amount of HK$488,160,000 (equivalent to approximately US$62,988,000) (the "Maximum Consideration"); and

(c) the consideration for the acquisition of 100% equity interest in the Target Group under the Sale and Purchase Agreement equals the maximum amount of HK$900,000,000 (equivalent to approximately US$116,129,000) (the "Cap Consideration").

This unaudited pro forma statement of assets and liabilities of the Enlarged Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the financial position of the Enlarged Group had the Transaction completed as at 31 December 2007 or at any future date.

a) Assuming the Minimum Consideration

		Pro forma adjustments					
	The Group	Target Group	Other pro forma adjustments				Enlarged Group
	USD'000	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*
	Note 1	*Note 2*	*Note 3*	*Note 4*	*Note 5*	*Note 6*	
ASSETS							
Non-current assets							
Leasehold land and land use rights	4,476	2,424	(1,177)	3,722			9,445
Property, plant and equipment	92,578	23,501	(1,286)	6,770			121,563
Intangible assets	65,004	—		22,692			87,696
Available for sales financial assets	—	408	(408)				—
Interest in associated companies	382	—					382
Interest in jointly controlled entities	6,745	—					6,745
Deferred tax assets	759	—					759
Other non-current assets	4,295	—					4,295
	174,239	26,333	(2,871)	33,184			230,885
Current assets							
Inventories	65,245	23,180					88,425
Trade and bills receivables	100,065	39,333					139,398
Due from related companies	3,175	117	(117)				3,175
Due from directors	—	8,566	(8,566)				—
Due from jointly controlled entities and associated companies	5,127	—					5,127
Deposits, prepayments and other current assets	11,086	199					11,285
Pledged bank deposits	1,519	903					2,422
Cash and bank balance	96,668	4,488	293		(16,650)		84,799
	282,885	76,786	(8,390)		(16,650)		334,631
Total assets	457,124	103,119	(11,261)	33,184	(16,650)		565,516

	The Group	Target Group	Pro forma adjustments: Other pro forma adjustments				Enlarged Group
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
	Note 1	Note 2	Note 3	Note 4	Note 5	Note 6	
LIABILITIES							
Non-current liabilities							
Borrowings	33,750	5,609					39,359
Retirement benefit obligations	3,135	—					3,135
Deferred tax liabilities	3,769	—		3,631			7,400
Other long term liabilities	26,673	—				31,634	58,307
	67,327	5,609		3,631		31,634	108,201
Current liabilities							
Trade and bills payables	55,755	23,675					79,430
Borrowings, including bank overdrafts	18,408	22,231					40,639
Current income tax liabilities	11,747	4,865					16,612
Due to related companies	2,837	58	(58)				2,837
Due to directors	—	235	(235)				—
Dividends payable	—	10,968	(10,968)				—
Due to jointly controlled entities and associated companies	1,647	—					1,647
Other payables and accruals	69,323	7,729			2,233		79,285
	159,717	69,761	(11,261)		2,233		220,450
Total liabilities	227,044	75,370	(11,261)	3,631	2,233	31,634	328,651
Net assets	230,080	27,749	—	29,553	(18,883)	(31,634)	236,865

b) Assuming the Maximum Consideration

		Pro forma adjustments					
	The Group	Target Group	Other pro forma adjustments				Enlarged Group
	USD'000	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*
	Note 1	*Note 2*	*Note 3*	*Note 4*	*Note 5*	*Note 6*	
ASSETS							
Non-current assets							
Leasehold land and land use rights	4,476	2,424	(1,177)	3,722			9,445
Property, plant and equipment	92,578	23,501	(1,286)	6,770			121,563
Intangible assets	65,004	—		22,692	23,834		111,530
Available for sales financial assets	—	408	(408)				—
Interest in associated companies	382	—					382
Interest in jointly controlled entities	6,745	—					6,745
Deferred tax assets	759	—					759
Other non-current assets	4,295	—					4,295
	174,239	26,333	(2,871)	33,184	23,834		254,719
Current assets							
Inventories	65,245	23,180					88,425
Trade and bills receivables	100,065	39,333					139,398
Due from related companies	3,175	117	(117)				3,175
Due from directors	—	8,566	(8,566)				—
Due from jointly controlled entities and associated companies	5,127	—					5,127
Deposits, prepayments and other current assets	11,086	199					11,285
Pledged bank deposits	1,519	903					2,422
Cash and bank balance	96,668	4,488	293		(16,650)		84,799
	282,885	76,786	(8,390)		(16,650)		334,631
Total assets	457,124	103,119	(11,261)	33,184	7,184		589,350

			Pro forma adjustments				
		Target					Enlarged
	The Group	Group	Other pro forma adjustments				Group
	USD'000	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*
	Note 1	*Note 2*	*Note 3*	*Note 4*	*Note 5*	*Note 6*	
LIABILITIES							
Non-current liabilities							
Borrowings	33,750	5,609					39,359
Retirement benefit obligations	3,135	—					3,135
Deferred tax liabilities	3,769	—		3,631			7,400
Other long term liabilities	26,673	—			39,332	31,634	97,639
	67,327	5,609		3,631	39,332	31,634	147,533
Current liabilities							
Trade and bills payables	55,755	23,675					79,430
Borrowings, including bank overdrafts	18,408	22,231					40,639
Current income tax liabilities	11,747	4,865					16,612
Due to related companies	2,837	58	(58)				2,837
Due to directors	—	235	(235)				—
Dividends payable	—	10,968	(10,968)				—
Due to jointly controlled entities and associated companies	1,647	—					1,647
Other payables and accruals	69,323	7,729			2,233		79,285
	159,717	69,761	(11,261)		2,233		220,450
Total liabilities	227,044	75,370	(11,261)	3,631	41,565	31,634	367,983
Net assets	230,080	27,749	—	29,553	(34,381)	(31,634)	221,367

c) Assuming the Cap Consideration

		Pro forma adjustments				
	The Group	Target Group	Other pro forma adjustments			Enlarged Group
	USD'000	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*
	Note 1	*Note 2*	*Note 3*	*Note 4*	*Note 5*	
ASSETS						
Non-current assets						
Leasehold land and land use rights	4,476	2,424	(1,177)	3,722		9,445
Property, plant and equipment	92,578	23,501	(1,286)	6,770		121,563
Intangible assets	65,004	—		22,692	44,815	132,511
Available for sales financial assets	—	408	(408)			—
Interest in associated companies	382	—				382
Interest in jointly controlled entities	6,745	—				6,745
Deferred tax assets	759	—				759
Other non-current assets	4,295	—				4,295
	174,239	26,333	(2,871)	33,184	44,815	275,700
Current assets						
Inventories	65,245	23,180				88,425
Trade and bills receivables	100,065	39,333				139,398
Due from related companies	3,175	117	(117)			3,175
Due from directors	—	8,566	(8,566)			—
Due from jointly controlled entities and associated companies	5,127	—				5,127
Deposits, prepayments and other current assets	11,086	199				11,285
Pledged bank deposits	1,519	903				2,422
Cash and bank balance	96,668	4,488	293		(16,650)	84,799
	282,885	76,786	(8,390)		(16,650)	334,631
Total assets	457,124	103,119	(11,261)	33,184	28,165	610,331

		Pro forma adjustments				
	The Group	Target Group	Other pro forma adjustments			Enlarged Group
	USD'000	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*USD'000*
	Note 1	*Note 2*	*Note 3*	*Note 4*	*Note 5*	
LIABILITIES						
Non-current liabilities						
Borrowings	33,750	5,609				39,359
Retirement benefit obligations	3,135	—				3,135
Deferred tax liabilities	3,769	—		3,631		7,400
Other long term liabilities	26,673	—			83,234	109,907
	67,327	5,609		3,631	83,234	159,801
Current liabilities						
Trade and bills payables	55,755	23,675				79,430
Borrowings, including bank overdrafts	18,408	22,231				40,639
Current income tax liabilities	11,747	4,865				16,612
Due to related companies	2,837	58	(58)			2,837
Due to directors	—	235	(235)			—
Dividends payable	—	10,968	(10,968)			—
Due to jointly controlled entities and associated companies	1,647	—				1,647
Other payables and accruals	69,323	7,729			2,233	79,285
	159,717	69,761	(11,261)		2,233	220,450
Total liabilities	227,044	75,370	(11,261)	3,631	85,467	380,251
Net assets	230,080	27,749	—	29,553	(57,302)	230,080

NOTES TO THE UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES:

1 The balances for the assets and liabilities of the Group are extracted from the published annual report of the Group for the year ended 31 December 2007 as set out in Appendix I to this circular.

2 The adjustment represents the inclusion of the balances for the assets and liabilities of the Target Group as at 31 December 2007 as extracted from the accountant's report of the Target Group as set out in Appendix II to this circular using the exchange rate of USD/HKD 1: 7.75 for conversion.

3 The adjustment represents the exclusion of the carrying values of the Excluded Assets and Liabilities as at 31 December 2007 which will be transferred to Mr. Inglis or his affliliates in accordance with the Sale and Purchase Agreement.

4 Upon completion of the Transaction, the identifiable assets and liabilities of the Target Group will be accounted for in the consolidated financial statements of the Enlarged Group at fair value under the purchase method of accounting. The adjustments represent:

(a) the fair value adjustments on land use rights of US$3,722,000 as estimated by the Directors with reference to the Completion Appreciation Value;

(b) the fair value adjustments on property, plant and equipment of US$6,770,000 as estimated by the Directors;

(c) the recognition of intangible assets of US$22,692,000 representing the fair value of customer relationship, as estimated by the Directors, and the related deferred tax liability of US$3,631,000. The estimation of the fair value of the intangible asset is made solely for the purchase price allocation for accounting purpose in this unaudited pro forma financial information. The fair value is estimated by the Directors by reference to an independent estimation done by CB Richard Ellis Limited on 30 April 2008. The estimation was done primarily using an income approach with reference to the estimated effect of these intangible assets on the future business performance of the Target and a discount rate of 20.5%.

5 For the purpose of the unaudited pro forma financial information, the available cash and bank balance is utilised in the settlement of the first instalment of the purchase consideration amounting to US$16,650,000 (approximately HK$129,034,000).

For scenario a) and b), the adjustments relate to the acquisition by the Group of the 60% equity interest in the Target Group based on the Minimum Consideration or the Maximum Consideration respectively. The Minimum Consideration of US$18,883,000 is calculated based on 60% of the aggregate of the net asset value of the Target Group as at 31 December 2007 amounting to US$27,749,000 and the appreciated value of the PRC Land amounting to US$3,722,000.

If the purchase consideration is based on the Minimum Consideration, the remaining instalment of US$2,233,000 will be payable within one year according to the payment term, and the fair value of net identifiable assets of the Target Group less the Excluded Assets and Liabilities as at 31 December 2007 will be larger than the Minimum Consideration. Accordingly, the excess of the Group's interest in the net identifiable assets of the Target Group over the Minimum Consideration of approximately US$15,499,000 will be charged to the income statement.

If the purchase consideration is based on the Maximum Consideration, US$2,233,000 is payable within one year and the remaining balance of US$44,105,000, with a present value of approximately US$39,332,000 as at 31 December 2007, will be payable after one year according to the payment term. Of which, approximately US$8,310,000 will be payable between one to two years and approximately

US$31,022,000 will be payable between two to five years. Goodwill of US$23,834,000 will be recognised representing the difference between the Maximum Consideration and 60% of the fair value of the Target Group's net identifiable assets less the Excluded Assets and the liabilities as at 31 December 2007.

The net assets attributable to the 40% minority shareholder resulted under the Minimum Consideration and Maximum Consideration is approximately US$22,921,000.

For scenario c), the adjustments relate to the acquisition by the Group of the 100% equity interest in the Target Group based on the Cap Consideration. US$2,233,000 is payable within one year and the remaining balance of US$97,246,000, with a present value of approximately US$83,234,000 as at 31 December 2007, will be payable after one year according to the payment term. Goodwill of US$44,815,000 will be recognised representing the difference between the Cap Consideration and 100% of the fair value of the Target Group's net identifiable assets less Excluded Assets and Liabilities as at 31 December 2007.

Since the fair value of the net identifiable assets of the Target Group at the Completion Date may be substantially different from the fair value used in the preparation of this unaudited pro forma statement of assets and liabilities of the Enlarged Group, the final amount of goodwill to be recognised in connection with the Transaction may be different from the estimated goodwill stated herein.

6 The adjustment represents the recognition of the financial liabilities being the present value of the redemption amounts of the First Put Option and Second Put Option as at 31 December 2007.

For scenario a) and b) above, the present value of the redemption amounts amounting to US$31,634,000 is prepared solely for accounting purpose in this unaudited pro forma financial information and is calculated based on estimates made by the Directors using the effective interest method with reference to the estimated future business performance of the Target and the Group's effective interest rate of 4.89% and in accordance with the relevant terms of the First Option Deed and Second Option Deed.

7 No adjustment has been made to reflect any trading results or other transactions of the Group and the Target Group entered into subsequent to 31 December 2007.

REPORT ON THE UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this Circular.

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ACCOUNTANT'S REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION TO THE DIRECTORS OF LUEN THAI HOLDINGS LIMITED

We report on the unaudited pro forma financial information set out on pages 142 to 150 under the heading of "Unaudited Pro Forma Financial Information of the Enlarged Group" (the "Unaudited Pro Forma Financial Information") in Appendix III of the circular dated 30 June 2008 (the "Circular") of Luen Thai Holdings Limited (the "Company"), in connection with the proposed acquisition of Trinew Limited and its subsidiaries (the "Transaction") by the Company. The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company, for illustrative purposes only, to provide information about how the Transaction might have affected the relevant financial information of the Company and its subsidiaries (hereinafter collectively referred to as the "Group"). The basis of preparation of the Unaudited Pro Forma Financial Information is set out on pages 142 to 150 of the Circular.

Respective Responsibilities of Directors of the Company and the Reporting Accountant

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with rule 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by rule 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of Opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted consolidated statement of assets and liabilities of the Group as at 31 December 2007 with the audited consolidated balance sheet of the Group as at 31 December 2007, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to rule 4.29(1) of the Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Group as at 31 December 2007 or any future date.

Opinion

In our opinion:

a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

b) such basis is consistent with the accounting policies of the Group; and

c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to rule 4.29(1) of the Listing Rules.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 30 June 2008

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

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

(a) As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations which were required to be notified to the Company and the Stock Exchange (a) pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Stock Exchange, were as follows. Save as set out below, none of the directors and the chief executive of any member of the Enlarged Group held any interest in the Company's shares which were required to be notified under the SFO or pursuant to the said Model Code as described above.

Long positions in the shares:

Name of Director	Capacity	Number of Shares	Approximate percentage of interest in Company
Tan Siu Lin	Trustee *(Note 1)*	679,644,000	68.48%
Tan Henry	Beneficiary of trust *(Notes 2 and 3)*	614,250,000	61.89%
	Beneficial owner *(Notes 7 and 8)*	450,000	0.05%
Tan Cho Lung, Raymond	Beneficiary of trust *(Notes 2 and 5)*	614,250,000	61.89%
	Beneficial owner *(Notes 7, 8 & 11)*	749,000	0.08%
Mok Su Wan, Anne	Beneficial owner *(Notes 7, 8 and 9)*	3,200,000	0.32%

Name of Director	Capacity	Number of Shares	Approximate percentage of interest in Company
Tan Sunny	Beneficiary of trust *(Notes 2 & 6)*	614,250,000	61.89%
	Beneficial owner *(Notes 7, 8 & 12)*	1,022,000	0.1%
Tan Willie	Beneficiary of trust *(Notes 2 and 4)*	614,250,000	61.89%
	Beneficial owner *(Notes 7 and 10)*	900,000	0.09%

Notes:

1. Mr. Tan Siu Lin is the settlor and trustee of each of the Tan Family Trust of 2004, the Pak Kim Lam Tan Trust of 2004, the HJ Trust, the WR5C Trust, the LS Trust, the RC Trust, the JL Trust and the ST Trust (collectively referred to as the "**Trusts**"). As the settlor and trustee of the Trusts, all of which are revocable discretionary trusts, Mr. Tan Siu Lin is deemed under Part XV of the SFO to be interested in the aggregate shareholdings of Tan Holdings Corporation, Helmsley Enterprises Limited ("**Helmsley**") and Wincare Company Limited held in the Company, representing approximately 68.48% of the issued share capital of the Company as at the Latest Practicable Date.

2. Pursuant to a shareholders' agreement dated 12 June 2004, entered into between Mr. Tan Siu Lin as trustee for each of the Trusts and Helmsley, each of the Trusts has agreed to adhere to certain pre-emptive arrangements concerning the transfer of shares in Helmsley. For the purposes of Part XV of the SFO, each of the Trusts is therefore deemed to have effective voting power in respect of the interests of Helmsley in the Company.

3. Mr. Tan Henry is one of the beneficiaries of the HJ Trust, which is a revocable discretionary trust. He is therefore deemed under Part XV of the SFO to be interested in the interests of the HJ Trust in the Company.

4. Mr. Tan Willie is one of the beneficiaries of the WR5C Trust, which is a revocable discretionary trust. He is therefore deemed under Part XV of the SFO to be interested in the interests of the WR5C Trust in the Company.

5. Mr. Tan Cho Lung, Raymond is one of the beneficiaries of the RC Trust, which is a revocable discretionary trust. He is therefore deemed under Part XV of the SFO to be interested in the interests of the RC Trust in the Company.

6. Mr. Tan Sunny is one of the beneficiaries of the ST Trust, which is a revocable discretionary trust. He is therefore deemed under Part XV of the SFO to be interested in the interests of the ST Trust in the Company.

7. Each of Mr. Tan Henry, Mr. Tan Willie, Mr. Tan Cho Lung, Raymond, Ms. Mok Siu Wan, Anne and Mr. Tan Sunny is a grantee of the respective share options granted by the Company on 26 January 2006.

8. Each of Mr. Tan Henry, Mr. Tan Cho Lung, Raymond, Ms. Mok Siu Wan, Anne and Mr. Tan Sunny is a grantee of the share options granted by the Company on 10 November 2006.

9. Ms. Mok Siu Wan, Anne is a grantee of the share options granted by the Company on 21 April 2008.

10. A total of 600,000 shares of the Company were acquired by an associate of Mr. Tan Willie between 2005 and 2006. He is therefore deemed under Part XV of the SFO to be interested in all of the 600,000 shares acquired by his associate.

11. A total of 449,000 shares of the Company were acquired by an associate of Mr. Tan Cho Lung, Raymond in 2006 and 2008. He is therefore deemed under Part XV of the SFO to be interested in all of the 449,000 shares acquired by his associate.

12. Mr. Tan Sunny acquired a total of 322,000 shares of the Company in 2006.

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

Name of Director	Name of associated corporation	Capacity	Number of shares	Approximate percentage of attributable interest in corporation
Tan Siu Lin	Helmsley *(Note 1)*	Trustee *(Note 4)*	5,000	100%
	Capital Glory Limited *(Note 2)*	Trustee *(Note 4)*	1	100%
	Justintime Development Limited *(Note 3)*	Trustee *(Note 4)*	1	100%
	Tripletrio International Limited *(Note 3)*	Trustee *(Note 4)*	42,500	100%
	Newtex International Limited *(Note 3)*	Trustee *(Note 4)*	2	100%
	Torpedo Management Limited *(Note 3)*	Trustee *(Note 4)*	1	100%
	Integrated Solutions Technology Limited (a Cayman Islands Corporation) *(Note 3)*	Trustee *(Note 4)*	1	100%
	Eldex Del Golfo, SA de CV *(Note 3)*	Trustee *(Note 4)*	11,819	100%
	Servicios Textiles Mexicanos, SA *(Note 3)*	Trustee *(Note 4)*	50	100%
	Hanium Industries Limited *(Note 3)*	Trustee *(Note 4)*	1	100%
	Integrated Solutions Technology Inc. (a HK corporation) *(Note 3)*	Trustee *(Note 4)*	2	100%
	Integrated Solutions Technology Inc. (a BVI corporation) *(Note 3)*	Trustee *(Note 4)*	1	100%
	Integrated Solutions Technology Inc. (a Philippines corporation) *(Note 3)*	Trustee *(Note 4)*	1	100%

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

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

Name of Director	Name of associated corporation	Capacity	Number of shares	Approximate percentage of attributable interest in corporation
	Integrated Solutions Technology Inc. (a BVI corporation) *(Note 3)*	Beneficiary of trust *(Note 6)*	1	100%
	Integrated Solutions Technology Inc. (a Philippines corporation) *(Note 3)*	Beneficiary of trust *(Note 6)*	1	100%
Tan Sunny	Helmsley *(Note 1)*	Beneficiary of trust *(Note 8)*	5,000	100%
	Capital Glory Limited *(Note 2)*	Beneficiary of trust *(Note 8)*	1	100%
	Justintime Development Limited *(Note 3)*	Beneficiary of trust *(Note 8)*	1	100%
	Tripletrio International Limited *(Note 3)*	Beneficiary of trust *(Note 8)*	42,500	100%
	Newtex International Limited *(Note 3)*	Beneficiary of trust *(Note 8)*	2	100%
	Torpedo Management Limited *(Note 3)*	Beneficiary of trust *(Note 8)*	1	100%
	Integrated Solutions Technology Inc. (a Cayman Islands corporation) *(Note 3)*	Beneficiary of trust *(Note 8)*	1	100%
	Eldex Del Golfo, SA de CV *(Note 3)*	Beneficiary of trust *(Note 8)*	11,819	100%
	Servicios Textiles Mexicanos, SA *(Note 3)*	Beneficiary of trust *(Note 8)*	50	100%
	Hanium Industries Limited *(Note 3)*	Beneficiary of trust *(Note 8)*	1	100%
	Integrated Solutions Technology Inc. (a HK corporation) *(Note 3)*	Beneficiary of trust *(Note 8)*	2	100%
	Integrated Solutions Technology Inc. (a BVI corporation) *(Note 3)*	Beneficiary of trust *(Note 8)*	1	100%
	Integrated Solutions Technology Inc. (a Philippines corporation) *(Note 3)*	Beneficiary of trust *(Note 8)*	1	100%

Notes:

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

2. Capital Glory Limited is the holding company of the Company. It is therefore an associated corporation of the Company.

3. This is a subsidiary of Helmsley. It is therefore an associated corporation of the Company.

4. Mr. Tan Siu Lin is the settlor and trustee of each of the Trusts. As the settlor and trustee of the Trusts, all of which are revocable discretionary trusts, Mr. Tan Siu Lin is deemed under Part XV of the SFO to be interested in the aggregate interests of the Trusts in each of Helmsley and its subsidiaries respectively.

5. Mr. Tan Henry is one of the beneficiaries of the HJ Trust, which is a revocable discretionary trust. By virtue of the shareholders' agreement dated 12 June 2004 (as described above), he is therefore deemed under Part XV of the SFO to be interested in the aggregate interests of the Trusts in each of Helmsley and its subsidiaries respectively.

6. Mr. Tan Willie is one of the beneficiaries of the WR5C Trust, which is a revocable discretionary trust. By virtue of the shareholders' agreement dated 12 June 2004 (as described above), he is therefore deemed under Part XV of the SFO to be interested in the aggregate interests of the Trusts in each of Helmsley and its subsidiaries respectively.

7. Mr. Tan Cho Lung, Raymond is one of the beneficiaries of the RC Trust, which is a revocable discretionary trust. By virtue of the shareholders' agreement dated 12 June 2004 (as described above), he is therefore deemed under Part XV of the SFO to be interested in the aggregate interests of the Trusts in each of Helmsley and its subsidiaries respectively.

8. Mr. Tan Sunny is one of the beneficiaries of the ST Trust, which is a revocable discretionary trust. By virtue of the shareholders' agreement dated 12 June 2004 (as described above), he is deemed under Part XV of the SFO to be interested in the aggregate interests of the Trusts in each of Helmsley and its subsidiaries respectively.

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

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

(ii) Interests of Substantial Shareholders

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

Name	**Capacity**	**Number of shares**	**Approximate percentage of attributable interest in corporation**
Capital Glory Limited *(Notes 1 and 4)*	Beneficial owner	614,250,000	61.89%
Helmsley *(Notes 1 and 4)*	Interest of controlled corporation	614,250,000	61.89%
Tan Family Trust of 2004 *(Notes 2 and 3)*	Interest of controlled corporation	679,424,000	68.46%
Trusts (other than the Tan Family Trust of 2004) *(Note 3)*	Interest of controlled corporation	614,250,000	61.89%

Notes:

1. Capital Glory Limited is a wholly-owned subsidiary of Helmsley. Helmsley is therefore deemed to be interested in the interests of Capital Glory Limited held in the Company.

2. The Tan Family Trust of 2004 is interested in the entire issued share capital of Tan Holdings Corporation and Wincare International Company Limited. It is also interested in the 30% of the issued share capital of Helmsley. For the purposes of Part XV of the SFO, it is deemed to be interested in the shares held by Tan Holdings Corporation, Wincare International Company Limited and Helmsley.

3. Pursuant to a shareholders' agreement dated 12 June 2004 and entered into between Mr. Tan Siu Lin as trustee for each of the Trusts and Helmsley, each of the Trusts has agreed to enter into a pre-emptive arrangement concerning the transfer of shares in Helmsley. For the purposes of Part XV of the SFO, each of the Trusts is therefore deemed to have effective voting power in respect of the shareholding of Helmsley in the Company, representing 61.89% of the issued share capital of the Company as at the Latest Practicable Date.

4. Both of Mr. Tan Siu Lin and Mr. Henry Tan are directors in each of Capital Glory Limited and Helmsley Enterprises Limited.

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

3. DIRECTORS' INTERESTS IN COMPETING BUSINESSES

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

Kardon is a company incorporated in the BVI, which manufactures knitted sweaters in Indonesia.

There are no contracts or arrangements subsisting as at the Latest Practicable Date in which a Director is materially interested or which is significant in relation to the business of the Enlarged Group.

As at the Latest Practicable Date, no Director has any interest, direct or indirect, in any assets which have been, since 31 December 2007, acquired or disposed of by or leased to any member of the Enlarged Group or proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

4. MATERIAL CONTRACTS

As at the Latest Practicable Date, save and except for the Sale and Purchase Agreement and the Supplemental Letter Agreement, the following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of the Enlarged Group within two years preceding the Latest Practicable Date which are or may be material:

(a) the land disposal agreement dated 6 March 2008 entered into between GJM (Qingyuan) Light Industrial Development Limited, an indirect wholly-owned subsidiary of the Company and the Qingyuan Land Reserves Centre in relation to the conversion of a piece of land in Qingyuan from industrial use to commercial/residential use;

(b) the Sale and Purchase Agreement; and

(c) the Supplemental Letter Agreement.

5. SERVICE CONTRACT

Pursuant to the letter of appointment from the Company to each of Mr. Seing Nea Yie, Mr. Chan Henry and Mr. Cheung Siu Kee dated 27 January 2008, 4 April 2007 and 4 April 2007 respectively, the re-appointment of each of these independent non-executive Directors was for a term of three years commencing from 28 January 2008, 16 April 2007 and 16 April 2007 respectively. Each of these independent non-executive Directors shall be entitled to an annual fee of HK$120,000 with effect from 1 January 2007.

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

As a condition precedent to Completion, the Company, through Trinew, will enter into an employment agreement ("Employment Agreement") with Mr. Inglis for a term of three years commencing from the Completion Date. Under the Employment Agreement, Mr. Inglis will receive an annual remuneration of HK$4.4 million, in addition to an annual performance bonus by reference to the Target Group's net annual profit.

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

6. EXPERT QUALIFICATIONS AND CONSENTS

The followings are the qualifications of the experts who have made statements in this Circular:

Name	**Qualification**
PricewaterhouseCoopers	Certified Public Accountants
World Link CPA Limited ("World Link")	Certified Public Accountants

Both PricewaterhouseCoopers and World Link CPA Limited have given and have not withdrawn their written consents to the issue of this Circular with the inclusion of their respective reports (as the case may be) and references to their respective name in the form and context in which they are included.

7. EXPERTS' INTERESTS

As at the Latest Practicable Date,

(a) each of PricewaterhouseCoopers and World Link did not have any direct or indirect interest in any asset which had since 31 December 2007, 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 Enlarged Group, or was proposed to be acquired or disposed of by, or leased to, any member of the Enlarged Group; and

(b) each of PricewaterhouseCoopers and World Link was not beneficially interested in the share capital of any member of the Enlarged Group or did they have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Enlarged Group.

8. LITIGATION

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

The Directors currently expect that the maximum amount of claims arising from the above lawsuits, if any, will not exceed US$1,250,000.

Save as disclosed in the above, no member of the Enlarged Group is engaged in any material litigation, arbitration, claim of material importance of administrative proceedings.

9. MISCELLANEOUS

(a) The registered head office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-111 Cayman Islands.

(b) The principal share registrar and transfer office of the Company is Bank of Bermuda (Cayman) Limited at P.O. Box 513 G.T., Strathvale House, North Church Street, George Town, Grand Cayman, Cayman Islands.

(c) The share registrar and transfer office of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited at Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(d) The company secretary of the Company is Mr. Chiu Chi Cheung, Associate Member of The Hong Kong Institute of Certified Public Accountants.

(e) The qualified accountant of the Company is Mr. Chiu Chi Cheung, Associate Member of The Hong Kong Institute of Certified Public Accountants.

(f) In the event of any inconsistency, the English text of this Circular shall prevail over the Chinese text.

10. DOCUMENTS AVAILABLE FOR INSPECTION

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

(a) the letter from the Board, the text of which is set out on pages 7 to 19 of this Circular;

(b) the memorandum and articles of association of the Company;

(c) the annual reports of the Company for the years ended 31 December 2007, 31 December 2006 and 31 December 2005;

(d) the material contracts referred to in paragraph 4 above;

(e) the service contracts referred to in paragraph 5 above;

(f) the circulars issued by the Company on 27 March 2008 and 25 April 2008 respectively;

(g) the report from PricewaterhouseCoopers on the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix III to this circular;

(h) the accountant's report from World Link CPA Limited on the financial information of the Target Group, the text of which is set out in Appendix II to this circular;

(i) the written consent from PricewaterhouseCoopers and World Link CPA Limited referred to in the section headed "Expert Qualification and Consent" in this Appendix;

(j) this Circular;

(k) the re-appointment letter of Mr. Seing Nea Yie;

(l) the audited financial statements of Desk Top, Desk Top BVI, Xingxi, Xing Hao, DLuxe and SW Recreation referred to on page 97 of this circular;

(m) the combined audited financial statements for the years ended 30 June 2005, 2006, 2007 and the six months period ended 31 December 2007 of Desk Top Limited and Desk Top Bags (MFG) Limited; and

(n) the Employment Agreement with Mr. Inglis referred to on page 12 of this circular.