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, together with the enclosed form of proxy, 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 TRANSACTION
CONSTRUCTION CONTRACT

16 September 2009

CONTENTS

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

"Adjoining Land"	a parcel of land located in Qingyuan City with a site area of approximately 79,703.36 sq.m., which is adjoining the Converted Land and is owned by the Group through the acquisition of Victory Land Properties Limited, as disclosed in the announcement of the Company dated 17 February 2009;
"Capital Glory"	Capital Glory Limited, a company incorporated in the British Virgin Islands;
"Company"	Luen Thai Holdings Limited, the shares of which are listed on the Stock Exchange;
"Completion Certificate"	the certificate issued by the relevant government authority upon the satisfaction of the practical completion of all the works under the Construction Contract;
"Connected Person"	shall have the meaning as ascribed to it under the Listing Rules;
"Construction Contract"	the construction contract entered into between the Contractor and QYRE on 14 August 2009 for the construction work of the Project;
"Contractor"	廣東中城建設集團有限公司, a company incorporated in the PRC;
"Contract Sum"	the sum of RMB240,700,000 (or approximately HK$272,977,870);
"Converted Land"	a parcel of land located at Pi Keng, Luen Thai Industrial City, Long Tang Town, Qing Shing District, Qingyuan City, Guangdong Province, the PRC with a site area of approximately 423,814 sq. m., which is currently owned by the Group;
"Directors"	directors of the Company for the time being;
"Group"	the Company and its subsidiaries;
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong;
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China;
"Latest Practicable Date"	14 September 2009, being the latest practicable date for ascertaining certain information contained in this circular;

"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange;
"PRC"	the People's Republic of China (excluding, for the purposes of this circular, Hong Kong, Macau and Taiwan);
"Project"	the project known as "The LUXRIVER" for the redevelopment of the Converted Land and the Adjoining Land into residential/commercial development;
"QYRE"	Luen Thai (Qingyuan) Real Estate Limited (聯泰(清遠)房地產有限公司), a company incorporated in the PRC and an indirect wholly-owned subsidiary of the Company;
"RMB"	Renminbi, the lawful currency of the PRC;
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
"Share(s)"	ordinary share(s) in the share capital of the Company, with a par value of US$0.01 each;
"Shareholder(s)"	the shareholder(s) of the Company;
"sq. m."	square metre(s);
"Stock Exchange"	The Stock Exchange of Hong Kong Limited.

For illustration purpose, in this circular, amounts in RMB have been translated into HK$ at the exchange rate of RMB1.00 to HK$1.1341. Such translation does not constitute a representation that any amount has been, could have been or may be exchanged at such rate.

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 Directors:
Mr. Tan Willie
Lu Chin Chu

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

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

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

Hong Kong, 16 September 2009

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION
CONSTRUCTION CONTRACT

INTRODUCTION

As stated in the announcement of the Company dated 14 August 2009, the Group currently plans to redevelop the site on the Converted Land and the Adjoining Land in phases as residential/commercial development. To implement the Project, QYRE has entered into the Construction Contract with the Contractor.

The purpose of this circular is to provide you with further details regarding the Construction Contract and the transactions contemplated thereunder and to provide other information in accordance with the Listing Rules.

PRINCIPAL TERMS OF THE CONSTRUCTION CONTRACT

To implement the Project, QYRE has entered into the Construction Contract with the Contractor for the construction work of the Project by the Contractor. The principal terms of the Construction Contract are as follows:

Date	:	14 August 2009.
Parties	:	(a) QYRE, an indirect wholly-owned subsidiary of the Company; and (b) the Contractor.
Scope of the construction	:	Phase 1 of the construction work for the Project, including (a) site formation works, (b) foundation works, (c) structural works, external wall finishes works and rough internal finishes works for villas, low-rise apartment towers and associated shops and club house, (d) external landscaping works including swimming pools, lake, entrance gate, fountains, roads, footpaths and soft landscaping works, and (e) external underground electrical and mechanical works.
Tentative timetable	:	The construction work is expected to be completed within 300 days after its commencement.
Contract Sum	:	RMB240,700,000 (or approximately HK$272,977,870), payable by QYRE to the Contractor pursuant to the terms of the Construction Contract.
Payment terms	:	The Contract Sum will be paid by QYRE in cash by instalments in accordance with the progress of the construction: (a) 8% of the Contract Sum (i.e. RMB19,256,000 (or approximately HK$21,838,230)), for the first instalment representing a payment in advance, will be payable within 7 days after signing of the Construction Contract, and will be used as deduction from payment of the sixth (6th) to eleventh (11th) interim progress payments in the manner as described below;

(b) the interim progress payments will be paid on a monthly basis. For the second (2nd) to the eleventh (11th) interim progress payments, an amount representing 85% of the value of the work done for that month will be paid. Payment amounting to 90% of the value of the work done for a milestone (as described in paragraph (d) below) will be made when such milestone is completed. Each of such interim progress payments will be paid when the quantity surveyor for the Project delivers to QYRE a certificate assessing the value of the work completed for the month in issue;

(c) payment in advance made for the first instalment representing a total of 8% of the Contract Sum will be used as deduction from payment for the sixth (6th) to eleventh (11th) interim progress payments respectively by RMB1,930,000 (or approximately HK$2,188,813) in respect of the sixth (6th) interim progress payment, RMB3,470,000 (or approximately HK$3,935,327) each in respect of the seventh (7th) to the tenth (10th) interim progress payments, and RMB3,446,000 (or approximately HK$3,908,109) in respect of the eleventh (11th) interim progress payments;

(d) there are five milestones in the construction works. When all the works for each milestone are completed, payment amounting to 90% of the Contract Sum will be made upon completion of the work for all the five milestones. The remaining 10% of the Contract Sum will be paid in the manner as described in paragraphs (e) and (f) below. The five milestones are as follows:

Milestone 1 — structural works of basement including basement top slab and associated electrical and mechanical cast-in conduit and wiring;

Milestone 2 — structural works and brickworks of all buildings including roof slab and associated electrical and mechanical cast-in conduit and wiring;

Milestone 3 — All builder's works and electrical and mechanical works of all buildings;

Milestone 4 — receiving the certificate from the relevant government authority on the satisfaction of the testing and commissioning of the fire service system; and

Milestone 5 — all external works including builder's works and electrical and mechanical works;

(e) When the Completion Certificate is received by QYRE certifying the due completion of the work for all the five milestones, payment amounting to 97% of the Contract Sum shall be paid;

(f) The remaining 3% of the Contract Sum shall be retention money. This retention money (after deducting a sum of RMB500,000 in the manner as described below) will be paid 1 year from the issuance of the Completion Certificate; and

(g) a sum of RMB500,000 (or approximately HK$567,050) will be withheld from payment of the said remaining 3% of the Contract Sum as waterproofing guarantee money to cover the costs of rectifying any quality defects. Subject to any deduction for the cost of rectifying any quality defects, the said sum of RMB500,000 will be paid 2 years after the issuance of the Completion Certificate.

The Group intends that more than 90% of the payment of the Contract Sum will be financed by a specific line of banking facilities made available to the Group with the remaining part made out of the Group's own internal resources.

The construction work under the Construction Contract has commenced on 15 August 2009.

REASONS FOR ENTERING INTO THE CONSTRUCTION CONTRACT

The Contractor was selected by the Group through a tender process, having regard to the quotations submitted, experience of the tenderers and the quality of work demonstrated in other construction projects undertaken by the tenderers. The terms of the Construction Contract were negotiated on an arm's length basis. The Directors (including the independent non-executive Directors) considered that the terms and the transactions under the Construction Contract are on normal commercial terms, fair and reasonable and are in the interests of the Group and the Company's shareholders as a whole.

The entering into of the Construction Contract with the Contractor is for implementation of the Project, which will enhance the commercial value of the Converted Land and the Adjoining Land, and will generate a new source of income for the Group, which is to the benefit of the Group.

FINANCIAL EFFECTS ON THE GROUP

As the residential/commercial buildings in respect of the Project have yet to be constructed, the following financial effects are attributable to the Construction Contract only.

(i) Earnings

As the payment of the consideration under the Construction Contract together with the interest expense related to the specific bank loans for the Construction Contract will be capitalized as inventory during the construction period, there will not be any material impact to the earnings of the Group.

(ii) Cashflow

As the consideration under the Construction Contract will be substantially financed by specific bank loans, it is expected that there would be no material negative impact to the cashflow of the Group.

(iii) Assets

As the costs attributable to the Construction Contract will be capitalized as inventory and the payment under the Construction Contract will be mainly financed by specific bank loans, there will be an increase in asset value of the Group.

(iv) Liabilities

As there will be a specific bank loan for financing the Construction Contract, the liabilities of the Group will be increased.

FINANCIAL AND TRADING PROSPECTS OF THE GROUP

As mentioned above, the entering into of the Construction Contract is for implementation of the Project on the Converted Land and the Adjoining Land, which is expected to bring increased value to the Group. The Directors consider that the Project will generate a new source of income for the Group and further diversify the Group's business risks by entering into the PRC property development market, which will enhance the Group's overall competitiveness and improve its business and financial performance.

IMPLICATIONS UNDER THE LISTING RULES

To the best knowledge of the Directors and having made reasonable enquiry, the Contractor and its ultimate beneficial owner are third parties independent of the Company and the Connected Persons of the Company. According to the applicable percentage ratios, the Construction Contract constitutes a major transaction for the Company pursuant to Rule 14.06(3) of the Listing Rules and is subject to the disclosure and Shareholders' approval requirements under the Listing Rules.

As no Shareholder has a material interest in the Construction Contract and the transactions contemplated thereunder, no Shareholder is required to abstain from voting on the entering into of the Construction Contract. Capital Glory, being the controlling shareholder of the Company holding 614,250,000 ordinary shares or approximately 61.89% of the total issued shares of the Company and the Shareholders' voting rights as at the date hereof, has given an irrevocable and unconditional written confirmation dated 14 August 2009 to the Company that it approves the entering into of the Construction Contract by the Company and the transactions contemplated thereunder. Pursuant to Rule 14.44 of the Listing Rules, the Shareholders' approval requirement is deemed to have been fulfilled and hence no separate general meeting will need to be convened for approval of the entering into of the Construction Contract by the Company and the transactions contemplated thereunder.

RECOMMENDATION

The Directors consider that the Construction Contract was negotiated on an arm's length basis and its terms are fair and reasonable and in the interests of the Group and the Shareholders as a whole. If a general meeting of the Shareholders were to be held for the purpose of considering and, if thought fit, approving the Construction Contract and the transactions contemplated thereunder, the Board would recommend the Shareholders to vote in favour of the ordinary resolution in this regard.

GENERAL

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

The Contractor is principally engaged in building construction in the PRC.

QYRE is principally engaged in real estates development in the PRC.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

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

1. THREE YEAR FINANCIAL SUMMARY

The following is a summary of the audited consolidated financial information of the Company for each of the three years ended 31 December 2006, 2007 and 2008 as extracted from the relevant annual report for the respective years.

There were no qualified or modified opinions in the auditors' reports in respect of the Company's audited consolidated financial information for each of the three years ended 31 December 2006, 2007 and 2008.

Summary Consolidated Results

	For the year ended 31 December		
	2006	**2007**	**2008**
	US$'000	*US$'000*	*US$'000*
Revenue	661,836	800,877	832,002
Operating profit	13,533	23,995	23,112
Finance income	3,500	3,601	2,087
Finance costs	(6,608)	(4,670)	(4,609)
Profit before income tax	10,044	24,613	21,960
Income tax (expense)/credit	(5,000)	(4,208)	1,213
Profit for the year	5,044	20,405	23,173
Minority interest	(2,535)	(7,890)	(11,344)
Profit attributable to the equity holders of the Company	2,509	12,515	11,829

Summary Consolidated Assets, Liabilities and Equity

	As at 31 December		
	2006	**2007**	**2008**
	US$'000	*US$'000*	*US$'000*
Total assets	445,894	457,124	541,796
Total liabilities	231,661	227,044	295,336
Capital and reserves attributable to the equity holders of the Company	198,731	220,286	221,562
Minority interest	15,502	9,794	24,898
Total equity	214,233	230,080	246,460

2. AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR THE YEAR ENDED 31 DECEMBER 2008

Consolidated Balance Sheet
As at 31 December 2008

	Note	**2008** *US$'000*	**2007** *US$'000*
ASSETS			
Non-current assets			
Leasehold land and land use rights	6	10,644	4,476
Property, plant and equipment	7	117,679	92,578
Intangible assets	8	68,870	65,004
Interests in associated companies	10	377	382
Interests in jointly controlled entities	11	9,531	6,745
Deferred income tax assets	12	230	759
Other non-current assets		4,955	4,295
		212,286	174,239
Current assets			
Inventories	13	76,208	65,245
Trade and bills receivables	14	108,351	100,065
Amounts due from related companies	35	4,143	3,175
Amounts due from associated companies and jointly controlled entities	35	1,584	5,127
Deposits, prepayments and other receivables		19,876	11,086
Pledged bank deposits	15	1,509	1,519
Cash and bank balances	15	117,839	96,668
		329,510	282,885
Total assets		541,796	457,124
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	16	9,925	9,925
Other reserves	17	101,340	108,052
Retained earnings			
— Proposed final dividend		1,439	1,727
— Others		108,858	100,582
		221,562	220,286
Minority interest		24,898	9,794
Total equity		246,460	230,080

	Note	2008 US$'000	2007 US$'000
LIABILITIES			
Non-current liabilities			
Bank borrowings	18	33,259	33,750
Loan from a minority shareholder of a subsidiary	35	3,097	—
Retirement benefit obligations	19	2,431	3,135
Deferred income tax liabilities	12	5,075	3,769
Consideration payable and other long-term liabilities	20	33,959	26,673
		77,821	67,327
Current liabilities			
Trade and bills payables	21	66,196	55,755
Other payables and accruals		81,039	69,323
Amounts due to related companies	35	817	2,837
Amounts due to associated companies and jointly controlled entities	35	3,953	1,647
Borrowings	18	50,281	18,408
Derivative financial instruments	22	2,199	—
Current income tax liabilities		13,030	11,747
		217,515	159,717
Total liabilities		295,336	227,044
Total equity and liabilities		541,796	457,124
Net current assets		111,995	123,168
Total assets less current liabilities		324,281	297,407

Balance Sheet
As at 31 December 2008

	Note	**2008** *US$'000*	**2007** *US$'000*
ASSETS			
Non-current assets			
Investments in subsidiaries	9	200,326	199,626
Current assets			
Deposits, prepayments and other receivables		1	23
Cash and bank balances	15	435	167
Amount due from a subsidiary	9	2,500	2,500
		2,936	2,690
Total assets		203,262	202,316
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	16	9,925	9,925
Other reserves	17	190,089	189,664
Retained earnings			
— Proposed final dividend		1,439	1,727
— Others		1,492	741
Total equity		202,945	202,057
LIABILITIES			
Current liabilities			
Other payables and accruals		317	259
Total equity and liabilities		203,262	202,316
Net current assets		2,619	2,431
Total assets less current liabilities		202,945	202,057

Consolidated Income Statement
For the year ended 31 December 2008
(By function of expense)

	Note	2008 US$'000	2007 US$'000
Revenue	23	832,002	800,877
Cost of sales	25	(677,713)	(645,982)
Gross profit		154,289	154,895
Other gains — net	24	2,713	2,259
Selling and distribution expenses	25	(23,306)	(26,158)
General and administrative expenses	25	(110,584)	(107,001)
Operating profit		23,112	23,995
Finance income	27	2,087	3,601
Finance costs	27	(4,609)	(4,670)
Share of (losses)/profits of associated companies		(16)	95
Share of profits of jointly controlled entities		1,386	1,592
Profit before income tax		21,960	24,613
Income tax credit/(expense)	28	1,213	(4,208)
Profit for the year		23,173	20,405
Attributable to:			
Equity holders of the Company		11,829	12,515
Minority interest		11,344	7,890
		23,173	20,405
Earnings per share for profit attributable to the equity holders of the Company, expressed in US cents per share	30		
— Basic		1.2	1.3
— Diluted		1.2	1.3
Dividends	31	3,553	3,762

Consolidated Statement of Changes in Equity
For the year ended 31 December 2008

	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 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	—	—	—	—	—	(4,142)	(4,142)
Derecognition of financial liabilities upon acquisition of minority interest	—	—	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
Balance at 1 January 2008	9,925	116,998	(8,946)	102,309	220,286	9,794	230,080
Net income recognized directly in equity — currency translation differences	—	—	3,985	—	3,985	—	3,985
Profit for the year	—	—	—	11,829	11,829	11,344	23,173
Total recognized income for 2008	—	—	3,985	11,829	15,814	11,344	27,158
Dividends paid	—	—	—	(3,841)	(3,841)	—	(3,841)
Recognition of financial liability arisen from acquisition of a subsidiary *(Note 17)*	—	—	(11,122)	—	(11,122)	—	(11,122)
Acquisition of subsidiaries *(Note 33)*	—	—	—	—	—	12,566	12,566
Dividends paid to minority shareholders of subsidiaries	—	—	—	—	—	(8,806)	(8,806)
Share based compensation expense	—	—	425	—	425	—	425
	—	—	(10,697)	(3,841)	(14,538)	3,760	(10,778)
Balance at 31 December 2008	9,925	116,998	(15,658)	110,297	221,562	24,898	246,460

Consolidated Cash Flow Statement
For the year ended 31 December 2008

	Note	2008 *US$'000*	2007 *US$'000*
Cash flow from operating activities			
Cash generated from operations	32	66,659	57,146
Interest paid		(2,698)	(3,684)
Income tax paid		(2,181)	(3,116)
Overseas taxation paid		(73)	(2,338)
Net cash generated from operating activities		61,707	48,008
Cash flow from investing activities			
Purchase of property, plant and equipment		(10,400)	(13,695)
Purchase of financial assets at fair value though profit and loss		—	122
Increase in bank deposits maturing beyond three months		(3,593)	—
Decrease/(increase) in pledged bank deposits		10	(838)
Proceeds from disposal of property, plant and equipment		1,321	839
Acquisition of a subsidiary, net of cash acquired	33	(13,130)	—
Payment for purchase of additional interests in subsidiaries from minority shareholders		—	(9,817)
Payment of consideration payable for acquisition of a subsidiary		(14,908)	(7,400)
Increase in investment in jointly controlled entities		(227)	(649)
Increase in long-term loans to a jointly controlled entity		(1,173)	(2,459)
Interest received		2,087	3,601
Increase in other non-current assets		(660)	(668)
Net cash used in investing activities		(40,673)	(30,964)
Net cash generated before financing activities		21,034	17,044

	Note	2008 US$'000	2007 US$'000
Cash flows from financing activities			
Increase/(decrease) in trust receipts bank loans and collateralized borrowings		3,355	(8,140)
Increase in bank loans		7,359	—
Repayment of bank loans		(4,500)	(4,900)
Dividends paid to the Company's shareholders		(3,841)	(2,035)
Dividends paid to minority shareholders of subsidiaries		(8,806)	(9,456)
Net cash used in financing activities		(6,433)	(24,531)
Increase/(decrease) in cash and cash equivalents		14,601	(7,487)
Cash and cash equivalents at 1 January		90,805	96,977
Effect of foreign exchange rate changes		1,083	1,315
Cash and cash equivalents at 31 December	15	106,489	90,805

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, textile products and accessories and the provision of freight forwarding and logistics 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 2009.

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 (including derivative instruments) 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) Amendments and interpretations effective in 2008

- HKAS 39, 'Financial instruments: Recognition and measurement', amendment on reclassification of financial assets permits reclassification of certain financial assets out of the held-for-trading and available-for-sale categories if specified conditions are met. The related amendment to HKFRS 7, 'Financial instruments: Disclosures', introduces disclosure requirements with respect to financial assets reclassified out of the held-for-trading and available-for-sale categories. The amendment is effective prospectively from 1 July 2008. This amendment does not have any impact on the Group's financial statements, as the Group has not reclassified any financial assets.

- HK(IFRIC) — Int 11, 'HKFRS 2 — Group and treasury share transactions, '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', 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. This interpretation does not have any impact on the Group's financial statements, as the Group has a pension deficit and is not subject to any minimum funding requirements.

(b) Interpretations effective in 2008 but not relevant

The following interpretation to published standards is mandatory for accounting periods beginning on or after 1 January 2008 but is not relevant to the Group's operations:

- HK(IFRIC) — Int 12, 'Service Concession arrangements'

(c) Standards, amendments and improvements to existing standards that are not yet effective and have not been early adopted by the Group

The following standards, amendments and improvements to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2009 or later periods, but the Group has not early adopted them:

- HKAS 1 (Revised), 'Presentation of financial statements' (effective from 1 January 2009). The revised standard will prohibit the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the consolidated income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. The Group will apply HKAS 1 (Revised) from 1 January 2009. It is likely that both the consolidated income statement and statement of comprehensive income will be presented as performance statements.

- HKAS 23 (Revised), '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 (Revised) retrospectively from 1 January 2009 but is currently not applicable to the Group as there are no qualifying assets.

- HKAS 27 (Revised), 'Consolidated and separate financial statements' (effective from 1 July 2009).The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value and a gain or loss is recognized in profit or loss. The Group will apply HKAS 27 (Revised) prospectively to transactions with non-controlling interests from 1 January 2010.

- HKFRS 2 (Amendment), 'Share-based payment' (effective from 1 January 2009). The amended standard deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. As such these features would need to be included in the grant date fair value for transactions with employees and others providing similar services, that is, these features would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The Group will apply HKFRS 2 (Amendment) from 1 January 2009, but it is not expected to have a material impact on the Group's financial statements.

- HKFRS 3 (Revised), 'Business combinations' (effective from 1 July 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the consolidated income statement. There is a choice on an acquisition by acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Group will apply HKFRS 3 (Revised) prospectively to all business combinations from 1 January 2010.

- HKFRS 8, 'Operating segments', replaces HKAS 14, 'Segment reporting', 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. This has resulted in an increase in the number of reportable segments presented. In addition, the segments are reported in a manner that is more consistent with the internal reporting provided to the chief operating decision-maker. The Group will apply HKFRS 8 from 1 January 2009. It is likely that the segments information disclosures will be changed and the comparatives for 2008 will also be restated.

- the HKICPA has issued Improvements to HKFRSs which sets out amendments to HKFRS 5, HKFRS 7, HKAS 1, HKAS 8, HKAS 10, HKAS 16, HKAS 18, HKAS 19, HKAS 20, HKAS 23, HKAS 27, HKAS 28, HKAS 29, HKAS 31, HKAS 34, HKAS 36, HKAS 38, HKAS 39, HKAS 40 and HKAS 41, primarily with a view to removing inconsistencies and clarifying wordings. Except for the amendment to HKFRS 5, which is effective for the financial periods on or after 1 July 2009, other amendments are effective for financial periods beginning on or after 1 January 2009 although there are separate transitional provisions for each standard.

(d) Interpretations and amendments to existing standards that are not yet effective and not relevant for the Group's operations

The following interpretations and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2009 or later periods but are not relevant for the Group's operations:

- HKFRS 1 (Amendment), 'First time adoption of HKFRS' and HKAS 27 'Consolidated and separate financial statements' (effective from 1 July 2009). The amended standard allows first-time adopters to use a deemed cost of either fair value or the carrying amount under previous accounting practice to measure the initial cost of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements. The amendment also removes the definition of the cost method from HKAS 27 and replaces it with a requirement to present dividends as income in the separate financial statements of the investor. The Company will apply HKAS 27 (Amendment) prospectively from 1 January 2010 in its separate financial statements. This amendment is not relevant to the Group.

- HKAS 32 (Amendment), 'Financial instruments: Presentation', and HKAS 1 (Amendment), 'Presentation of financial statements' — 'Puttable financial instruments and obligations arising on liquidation' (effective from 1 January 2009). The amended standards require entities to classify puttable financial instruments and instruments, or components of instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation as equity, provided the financial instruments have particular features and meet specific conditions. This amendment is not relevant to the Group.

- HKAS 39 (Amendment) 'Financial instruments: Recognition and measurement' — 'Eligible hedged items' (effective from 1 July 2009). This amendment is to clarify how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation shall be applied in particular situations.

- 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.

- HK(IFRIC) — Int 15, 'Agreements for construction of real estates' (effective from 1 January 2009) supercedes HK Int-3, 'Revenue — Pre-completion contracts for the sale of development properties'. HK(IFRIC) — Int 15 clarifies whether HKAS 18, 'Revenue' or IAS 11, 'Construction contracts' should be applied to particular transactions. It is likely to result in HKAS 18 being applied to a wider range of transactions. HK(IFRIC) — Int 15 is not relevant to the Group's operations as all revenue transactions are accounted for under HKAS 18 and not HKAS 11.

- HK(IFRIC) — Int 16, 'Hedges of a net investment in a foreign operation' (effective from 1 October 2008). HK(IFRIC) — Int 16 clarifies the accounting treatment in respect of net investment hedging. This includes the fact that net investment hedging relates to differences in functional currency not presentation currency, and hedging instruments may be held anywhere in the Group. The requirements of HKAS 21, 'The effects of changes in foreign exchange rates', do apply to the hedged item. It is not expected to have a material impaction on the Group's financial statements.

- HK(IFRIC) — Int 17 — 'Distributions of non-cash assets to owners' (effective from 1 July 2009). This interpretation applies to non-reciprocal distributions of non-cash assets (or with a cash alternative) except for common control transactions and clarifies that:

  - a dividend payable shall be recognized when the dividend is appropriately authorized and is no longer at the discretion of the entity.

  - the dividend payable shall be measured at the fair value of the assets to be distributed.

- the difference between the dividend paid and the carrying amount of the assets distributed shall be recognized in profit or loss.

  HK(IFRIC) — Int 17 is not relevant to the Group' operations because none of the Group's compliance have been distributed non-cash assets to owners.

- HK(IFRIC) — Int 18 — 'Transfers of Assets from Customers' (effective for transfers on or after 1 July 2009). It clarifies that an asset received from a customer should be recognized initially at fair value, and the related income should be recognized immediately or if there is a future service obligation, over the relevant service period. This interpretation also applies to cash received from a customer for the acquisition or construction of an asset. HK(IFRIC) — Int 18 is not relevant to the Group's operations because none of the Group's companies have received any assets nor cash from customers.

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 consolidated 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 in connection of the equity interest in subsidiaries as transactions with parties external to the Group. Disposals of equity interests in subsidiaries owned by the Group to minority interests result in gains and losses for the Group that are recorded in the consolidated income statement. Purchases of equity interests in subsidiaries owned by the Group 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 investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

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 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 consolidated income statement.

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.

(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.

2.4 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.

2.5 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 consolidated 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 consolidated 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.

The Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized exceeds the cost of the business combination is recognized immediately in the consolidated income statement.

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) Customer relationships

Customer relationships 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 3 to 15 years.

2.8 Leasehold land and land use right

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

2.10.1 Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss and loans and receivable. The classification depends on the purpose for which the financial assets were acquired. Management determine the classification of its financial assets 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 also categorised 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. The Group's loans and receivables comprise 'trade and other receivables' in the balance sheet (Notes 2.12).

2.10.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognized on the trade-date — the date on which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed in the consolidated income statement. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the consolidated income statement within 'other (losses)/gains — net', in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognized in the consolidated income statement as part of other income when the Group's right to receive payments is established.

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 established 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 in impaired.

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 other receivables

Trade and other 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 other 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 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 receivable is uncollectible, it is written off against the allowance account for 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 Financial liabilities

(i) Financial guarantee contracts

A financial guarantee contract is a contract that requires the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are initially recognized at fair value on the date the guarantee was given. Subsequently, the liabilities under such guarantees are measured at the higher of the best estimate of the expenditure required to settle any financial obligation arising at the balance sheet date and the initial measurement, less amortization calculated to recognize in the income statement the fee income earned on a straight line basis over the life of the guarantee. These estimates are determined based on experience of similar transactions and debtors' payment history, supplemented by the judgement of management of the Group.

(ii) Financial liabilities arising from the contractual obligation for the Group to purchase its own equity instruments

A contract that contains an obligation for the Group to purchase its own equity instruments for cash or another financial asset gives rise to a financial liability for the present value of the redemption amount. Such liability is classified as other payable and accruals or other long-term liabilities in the consolidated balance sheet. Such financial liability is initially recognized at fair value which is the present value of the redemption amount and is reclassified from equity. Subsequently, the financial liability is carried at amortized cost using the effective interest method. The accretion of the discount on the financial liability and any adjustments to estimated amounts of the final redemption amount are recognized as a finance charge in the consolidated income statement. If the contract expires without delivery, the carrying amount of the financial liability is reclassified to equity.

(iii) Trade and other payables

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

2.16 Derivative financial instruments

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair values. Changes in the fair value of these derivative instruments are recognized immediately in the consolidated income statement within 'other gains/(losses) — net'.

2.17 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.

2.18 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.

2.19 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.

2.20 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.

2.21 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.

2.22 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.

2.23 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.

2.24 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: foreign exchange risk, credit risk, liquidity risk and cash flow and fair value interest rate risk. The ongoing global financial crisis has resulted in, among other things, a lower level of capital market funding, lower liquidity levels across the banking sector, and, at times, higher interbank lending rates and very high volatility in stock and currency markets. The uncertainties in the global financial markets have led to bank failures and bank rescues in the United States of America ("USA"), Western Europe and elsewhere. Indeed the full extent of the impact of the ongoing financial crisis is proving to be impossible to anticipate or completely guard against.

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

(1) 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, Philippine Peso ("Peso") 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, Peso and RMB bank accounts which are used by the Group to pay for the transactions denominated in these currencies.

At 31 December 2008, 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$1,626,000 (2007: US$715,000) 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 2008, if US$ had weakened/strengthened by 5% against the RMB with all other variables held constant, post-tax profit for the year would have been US$131,000 (2007: US$781,000) lower/higher, mainly as a result of foreign exchange gains/losses on translation of RMB-denominated trade payables and cash and bank balances.

At 31 December 2008, if US$ had weakened/strengthened by 13% against the Peso with all other variables held constant, post-tax profit for the year would have been US$206,000 (2007: US$12,000) lower/higher, mainly as a result of foreign exchange gains/losses on translation of Peso-denominated trade payables and cash and bank balances.

The Group also has certain target redemption forward contracts as at 31 December 2008. Please refer to Note 22 for details.

At 31 December 2008, if US$ had strengthened by 13% against Peso with all other variables held constant, the Group's post-tax profit would decrease by US$1,774,000 (2007: Nil) in connection with these outstanding target redemption forward contracts.

At 31 December 2008, if US$ had weakened by 13% against Peso with all other variables held constant, the Group's post-tax profit would increase by US$341,000 (2007: Nil) in connection with these outstanding target redemption forward contracts.

(2) 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 2008, borrowings were primarily at floating rates. The Group generally has not used financial derivatives to hedge its exposure to 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 2008, 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$700,000 (2007: US$597,000) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

(b) Credit risk

Credit risk of the Group mainly arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to customers such as trade receivables, amounts due from related companies, associated companies, jointly controlled entities and other receivables. The carrying amount of these balances in the balance sheet represents the Group's maximum exposure to credit risk in relation to its financial assets.

Majority of the Group's bank deposits are placed in those banks and financial institutions which are independently rated with a high credit rating. Management does not expect any losses from non-performance by these banks and financial institutions as they have no default history in the past.

Under the ongoing global financial crisis, debtors of the Group may be affected by the unfavorable economic conditions and the lower liquidity situation, which could in turn impact their ability to repay the amounts owed. Deterioration operating conditions for debtors may also have an impact on management's cash flow forecasts and assessment of the impairment of receivables. To the extent that information is available, management has properly reflected revised estimate of expected future cash flows in their impairment assessments.

The credit quality of the customers is assessed based on its financial position, past experience and other factors, The Group has policies in place to ensure that sales of products are made to customers with appropriate credit histories.

As at 31 December 2008, the Group had a concentration of credit risk given that the top 5 customers account for 61% (2007: 63%) of the Group's total year end trade receivable balance. However, the Group does not believe that the credit risk in relation to these customers is significant because they have no history of default in recent years.

The Group performs periodic credit evaluations of its customers. The Group's historical experience in collection of trade and other receivables falls within the recorded allowances and management is of the opinion that provision for uncollectible receivables is not necessary.

Management considers the credit risk on amounts due from related companies, associated companies and jointly controlled entities, and other receivables is minimal after considering the financial conditions of these entities. Management has performed assessment over the recoverability of these balances and management does not expect any losses from non-performance by these companies.

(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 and net-settled derivative 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	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**	**Total**
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Group					
At 31 December 2008					
Bank borrowings	51,870	8,786	14,905	12,313	87,874
Loan from a minority shareholder of a subsidiary	98	98	3,195	—	3,391
Trade and other payables	141,791	—	—	—	141,791
Amounts due to related companies	817	—	—	—	817
Amounts due to associated companies and jointly controlled entities	3,953	—	—	—	3,953
Derivative financial instruments	570	—	—	—	570
Consideration payable and long-term liabilities	5,444	—	38,018	—	43,462
	204,543	8,884	56,118	12,313	281,858
At 31 December 2007					
Bank borrowings	19,308	4,731	15,787	19,387	59,213
Trade and other payables	116,802	—	—	—	116,802
Amounts due to related companies	2,837	—	—	—	2,837
Amounts due to associated companies and jointly controlled entities	1,647	—	—	—	1,647
Consideration payable and long-term liabilities	8,276	5,758	12,519	13,596	40,149
	148,870	10,489	28,306	32,983	220,648

As at 31 December 2008 and 2007, all financial liabilities of the Company are due within one year and equal their carrying balances as the impact of discounting is not significant.

The table below analyses the Group's derivative financial instruments that will be settled on a gross basis 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	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**
	US$'000	*US$'000*	*US$'000*	*US$'000*
At 31 December 2008				
Target redemption forward contracts				
Outflow *(Note a)*	10,000	—	—	—
Inflow *(Note a)*	9,295	—	—	—
Currency forward contracts				
Outflow *(Note b)*	6,311	—	—	—
Inflow *(Note b)*	5,725	—	—	—

There was no target redemption forward contracts and currency forward contracts outstanding as at 31 December 2007.

Note a: Under the contracts, the Group will receive Peso against delivery of US$. The maximum deliverable outstanding amount to the Group under these contracts is Peso450,800,000 (equivalent to United States dollar of approximately US$9,295,000 using the exchange rate as of 31 December 2008) and a maximum amount of US$10,000,000 to be delivered out by the Group. It is deliverable in instalments up to May 2009. For details, please refer to Note 22.

Note b: Under the contracts, the Group will receive US$ against delivery of Euro. The notional amount of these contracts are to sell Euro4,518,000 (equivalent to US$ of approximately US$6,311,000 using the exchange rate as at 31 December 2008) for US$5,725,000. For details, please refer to Note 22.

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 assets traded in active markets such as publicly traded securities is based on quoted market prices at balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price.

The fair values of the financial assets and derivative financial instruments not traded in an active market are determined by counterparty financial institutions using a variety of valuation methodologies, models and assumptions mainly based on market conditions existing at each balance sheet date.

The carrying value less impairment provision of trade receivables and payables 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 judgement 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 28 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 fair value less cost to sell 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 fair value less cost to sell calculations. The fair value less cost to sell calculations primarily use cash flow projections based on one to two financial budgets approved by management and estimated terminal value at the end of the one to two-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.

Management has performed sensitivity analysis based on the following revised assumptions:

	Sweater division	Sleepwear division	Trading & sourcing division
Growth rate beyond the budget period	2.0%	2.0%	2.0%
Discount rate	15.0%	15.0%	16.5%

Based on the above assumptions, the goodwill's recoverable amounts would still be greater than their carrying values and no impairment is noted.

(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 judgement and estimates could significantly affect the related financial budgets and therefore the estimated consideration for acquisition.

(i) Financial liabilities arising from the contractual obligation for the Group to purchase its own equity instruments

Financial liabilities arising from the contractual obligation for the Group to purchase its own equity instruments are estimated by the Company's directors and the Group's management after considering historical performance and anticipation of 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 judgement and estimates could significantly affect the related financial budgets and therefore the estimated account of financial liabilities.

Management has performed sensitivity analysis assuming that the net average budget profit during the relevant years for the determination of the financial liabilities has increased/decreased by 10%. The post-tax profit for the year and the equity would have been US$2,406,000 (2007: US$2,277,000) and US$3,518,000 (2007: US$2,277,000) lower/higher, respectively, as a result of the increase/decrease of financial liabilities of US$3,518,000 (2007: US$2,277,000).

5 SEGMENT INFORMATION

(a) Primary reporting format — business segments

At 31 December 2008, the Group is principally engaged in the manufacturing and trading of garment, textile products and accessories, and the provision of freight forwarding and logistics services.

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

The segment results for the year ended 31 December 2008 are as follows:

	Garment/ textile products/ accessories *US$'000*	**Freight forwarding/ logistics services** *US$'000*	**Others** *US$'000*	**Group** *US$'000*
Segment revenues				
Total segment revenue	809,718	17,105	6,429	833,252
Inter-segment revenue	—	(1,250)	—	(1,250)
Turnover	809,718	15,855	6,429	832,002
Segment result	22,672	440	—	23,112
Finance income				2,087
Finance costs				(4,609)
Share of losses of associated companies	—	(16)	—	(16)
Share of profits of jointly controlled entities	1,386	—	—	1,386
Profit before income tax				21,960
Income tax credit/(expense)	1,330	(117)	—	1,213
Profit for the year				23,173
Minority interest	(11,265)	(79)	—	(11,344)
Profit attributable to the equity holders of the Company				11,829

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)
Turnover	777,227	17,261	6,389	800,877
Segment result	22,420	1,575	—	23,995
Finance income				3,601
Finance costs				(4,670)
Share of profits of associated companies	—	95	—	95
Share of profits 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

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

	Year ended 31 December 2008			Year ended 31 December 2007		
	Garment/ textile products/ accessories	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)*	14,614	1,055	15,669	13,383	1,053	14,436
Amortization *(Notes 6 and 8)*	2,315	—	2,315	2,145	—	2,145
Provision for/(write-back of) impairment of trade receivables	198	327	525	595	(198)	397
Provision for/(write-back of) inventory obsolescence	345	—	345	(1,567)	—	(1,567)
Provision for impairment of intangible assets	—	—	—	758	—	758
Provision for impairment of property, plant and equipment	719	—	719	—	—	—

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

The segment assets and liabilities at 31 December 2008 and capital expenditure for the year then ended are as follows:

	Garment/ textile products/ accessories	Freight forwarding/ logistics services	Group
	US$'000	*US$'000*	*US$'000*
Segment assets	500,062	28,143	528,205
Associated companies	8	369	377
Jointly controlled entities	9,531	—	9,531
	509,601	28,512	538,113
Unallocated assets			3,683
Total assets			541,796
Segment liabilities	221,593	8,136	229,729
Unallocated liabilities			65,607
Total liabilities			295,336
Capital expenditure *(Notes 6, 7 and 8)*	43,055	1,069	44,124

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

	Garment/ textile products	Freight forwarding/ logistics services	Group
	US$'000	*US$'000*	*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

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 and prepaid tax.

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 6, 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.

	2008	**2007**
	US$'000	*US$'000*
Revenue		
The United States	367,450	412,277
Europe	301,369	237,543
Japan	49,793	57,413
The PRC	42,997	32,330
Others	70,393	61,314
	832,002	800,877

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

	2008	**2007**
	US$'000	*US$'000*
Total Assets		
Hong Kong	281,911	233,690
The United States	26,924	42,902
The PRC	175,829	118,158
Commonwealth of Northern Mariana Islands	11,863	11,257
The Philippines	30,708	40,540
Others	4,653	3,450
	531,888	449,997
Associated companies	377	382
Jointly controlled entities	9,531	6,745
	541,796	457,124

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

	2008	2007
	US$'000	*US$'000*
Capital expenditure		
Hong Kong	3,652	8,545
The United States	1,339	162
The PRC	36,591	8,812
Commonwealth of Northern Mariana Islands	931	856
The Philippines	855	554
Others	756	586
	44,124	19,515

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:

	2008	2007
	US$'000	*US$'000*
Outside Hong Kong held on:		
Leases of between 10 to 50 years	10,644	4,476
Opening net book amount	4,476	4,286
Acquisition of subsidiaries *(Note 33)*	5,892	—
Amortization of prepaid operating lease payments *(Note 25)*	(163)	(91)
Transfer to a related company	—	(41)
Exchange differences	439	322
Closing net book amount	10,644	4,476

(a) As of 31 December 2008, the Group has not yet obtained the land use right certificate of a piece of land located in the PRC with a carrying amount of US$1,073,000 (2007: Nil).

(b) As at 31 December 2008, land use rights of US$1,301,000 (2007: US$ Nil) were pledged as collateral for the Group's banking facilities (Note 18).

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*
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

	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 2008							
Opening net book amount	36,786	7,269	31,165	12,699	1,684	2,975	92,578
Acquisition of subsidiaries *(Note 33)*	20,083	2,798	2,824	1,367	51	—	27,123
Additions	1,325	797	2,737	2,214	265	3,062	10,400
Disposals	(11)	(281)	(863)	(338)	(89)	—	(1,582)
Provision for impairment	—	—	(719)	—	—	—	(719)
Transfer from construction-in-progress	1,778	286	617	616	25	(3,322)	—
Depreciation	(2,834)	(1,945)	(6,294)	(3,977)	(619)	—	(15,669)
Exchange differences	3,384	—	1,949	1	15	199	5,548
Closing net book amount	60,511	8,924	31,416	12,582	1,332	2,914	117,679
At 31 December 2008							
Cost	74,256	23,053	74,874	44,279	4,671	2,914	224,047
Accumulated depreciation and impairment	(13,745)	(14,129)	(43,458)	(31,697)	(3,339)	—	(106,368)
Net book amount	60,511	8,924	31,416	12,582	1,332	2,914	117,679

(a) Depreciation expense of US$6,442,000 (2007: US$5,343,000) has been expensed in cost of sales, and US$9,227,000 (2007: US$9,093,000) has been expensed in the general and administrative expenses.

(b) As at 31 December 2008, the Group has not yet obtained the building certificate for a building located in the PRC with the carrying amount of US$8,229,000 (2007: Nil).

(c) As at 31 December 2008, buildings with net book value of US$11,309,000 (2007: Nil) were pledged as collateral for the Group's building facilities. (Note 18)

(d) 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	Customer relationships	Total
	US$'000	*US$'000*	*US$'000*
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 25)*	—	(2,054)	(2,054)
Provision for impairment *(Note 25)*	(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
Year ended 31 December 2008			
Opening net book amount	39,193	25,811	65,004
Acquisition of subsidiaries *(Note iii)*	—	709	709
Adjustment on contingent consideration *(Note ii)*	5,309	—	5,309
Amortization *(Note 25)*	—	(2,152)	(2,152)
Closing net book amount	44,502	24,368	68,870
At 31 December 2008			
Cost	46,087	30,128	76,215
Accumulated amortization and impairment	(1,585)	(5,760)	(7,345)
Net book value	44,502	24,368	68,870

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 shareholder 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, 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 goodwill of approximately US$3,512,000 has been recognized.

(ii) The total purchase considerations for the acquisition of certain subsidiaries are determined with reference to the average of the consolidated net profits of those subsidiaries over certain specific periods. During the year, the goodwill in relation to the interest acquired increased by US$5,309,000 (2007: US$9,139,000) as a result of a change of such contingent consideration.

(iii) In June 2008, the Group entered into a sale and purchase agreement to acquire 60% interest in Trinew Limited ("Trinew") at an estimated consideration of approximately US$17,545,000. In connection with this acquisition, an intangible asset, representing customer relationships, of approximately US$709,000 has been recognized. In addition, the Group's interest in the fair values of the identifiable net assets acquired exceeds the cost of such acquisition with an amount of US$1,303,000, which has been recognized immediately in the consolidated income statement. The above transaction was completed on 8 August 2008.

Amortization of US$2,152,000 (2007: US$2,054,000) is expensed in the general and administrative expenses.

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:

	2008	**2007**
	US$'000	*US$'000*
Sweater division	15,473	15,473
Sleepwear division	2,380	2,380
Trading and sourcing division	26,649	21,340
	44,502	39,193

The recoverable amount of a CGU is determined based on fair value less cost to sell calculations. These calculations use cash flow projections based on financial budgets approved by management covering the one to two-year periods. Cash flows beyond the one to two-year periods are extrapolated using the estimated growth rates stated below. The growth rates do not exceed the long-term average growth rate of the business in which the CGUs operate.

The key assumptions other than the financial budgets covering the one to two-year periods used for fair value less cost to sell calculations are as follows:

	Sweater division	**Sleepwear division**	**Trading and sourcing division**
Gross margin (a)	14.4%	17.6%	17.3%
Growth rate (a)	3.0%	3.0%	3.0%
Discount rate (b)	14.0%	14.0%	15.5%

Notes:

(a) Weighted average gross margin and 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 within the business division.

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.

The Group does not have to recognize an impairment loss for the year ended 31 December 2008 based on the impairment assessment performed.

9 INVESTMENTS IN SUBSIDIARIES — THE COMPANY

	2008	2007
	US$'000	*US$'000*
Unlisted shares, at cost	71,564	71,564
Amounts due from subsidiaries	128,762	128,062
	200,326	199,626

Particulars of the principal subsidiaries as at 31 December 2008:

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%
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%

Name	Place of incorporation/ establishment	Principal activities and place of operations	Particulars of issued share capital	Interest held
Desk Top Limited	Hong Kong	Trading and manufacturing of bags in Hong Kong	23,206,000 ordinary shares of HK$1 each	60%
Desk Top Bags (Mfg) Limited	BVI	Provision of subcontracting services in the PRC	100 ordinary shares of US$1 each	60%
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%
Dongguan Quan Thai Garment Co., Ltd	The PRC	Sourcing and trading of garment products in the PRC	HK$8,000,000	100%
Dongguan Xingxi Handbags Factory Co. Ltd.	The PRC	Manufacturing of bags in the PRC	HK$20,000,000	60%
Dongguan Xing Hao Handbags Factory Co. Ltd.	The PRC	Manufacturing of bags in the PRC	HK$54,000,000	60%
East Talent Properties Limited	Hong Kong	Investment holding in Hong Kong	10,000 ordinary shares of HK$1 each	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%
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 garment and textile products in Hong Kong	2 ordinary shares of HK$1 each	100%

Name	Place of incorporation/ establishment	Principal activities and place of operations	Particulars of issued share capital	Interest held
Luen Thai Macao Commercial Offshore Company Limited	Macau	Sourcing, manufacturing and trading of garment and textile 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%
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%
Trinew Limited	BVI	Investment holding in Hong Kong	1,000 ordinary shares of US$1 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.

Except for the amount of US$2,500,000 (2007: US$2,500,000) which is repayable within twelve months and non-interest bearing, amounts due from subsidiaries represent equity funding by the Company to the respective subsidiaries and are measured in accordance with the Company's accounting policy for investments in subsidiaries.

10 INTERESTS IN ASSOCIATED COMPANIES — THE GROUP

	2008	2007
	US$'000	*US$'000*
Share of net assets	377	382
Unlisted investments, at cost	156	156

Particulars of the principal associated companies as at 31 December 2008:

Name	Place of incorporation/ establishment	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

	2008	2007
	US$'000	*US$'000*
Share of net asset	3,255	1,642
Loans to jointly controlled entities	6,276	5,103
	9,531	6,745
Unlisted investments, at cost	3,528	3,205

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 2008:

Name	Place of incorporation/ establishment	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 the PRC	HK$20,000,000	2,946	149	—	(271)	50%
Shenzhen Li Da Silk Garment Company Limited	The PRC	Garment manufacturing in the PRC	RMB2,400,000	468	388	3,460	(413)	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	3,164	533	4,650	75	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	31,413	30,718	64,557	(619)	50%
Yuen Thai Holdings Limited	BVI	Investment holding	2 ordinary shares of US$1 each	8,344	5,909	2,705	2,439	50%
Yuenthai Philippines, Inc.	The Philippines	Garment manufacturing in the Philippines	Peso 4,000,000	8,038	8,412	9,915	2,987	50%
Hong Kong Guangthai International Company Limited	Hong Kong	Investment holding	2 ordinary shares of HK$1 each	9,602	11,434	1,269	(901)	50%
New Sunshine Limited	Hong Kong	Investment holding and subcontracting services in the PRC	5,000,000 ordinary shares of HK$1 each	1,609	1,333	3,586	(375)	45%

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:

	2008	2007
	US$'000	*US$'000*
Deferred tax assets:		
— Deferred tax asset to be recovered after more than 12 months	(230)	(759)
Deferred tax liabilities		
— Deferred tax liabilities to be settled after more than 12 months	5,075	3,769
Deferred tax liabilities, net	4,845	3,010

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

	2008	2007
	US$'000	*US$'000*
Beginning of the year	3,010	3,538
Credited to the income statement *(Note 28)*	(312)	(504)
Acquisition of a subsidiaries *(Note 33)*	2,147	—
Exchange differences	—	(24)
End of the year	4,845	3,010

The movement in deferred tax assets and liabilities during the year is as follows:

	Provision	Accelerated tax depreciation	Intangible assets	Others	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
At 1 January 2007	(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
Charged/(credited) to the income statement	41	(79)	(355)	81	(312)
Acquisition of subsidiaries *(Note 33)*	—	263	117	1,767	2,147
At 31 December 2008	11	442	2,823	1,569	4,845

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$5,558,000 (2007: US$7,814,000) in respect of losses amounting to US$21,570,000 (2007: US$23,752,000) that can be carried forward against future taxable income. These tax losses have an expiry date from 2009 to 2017.

13 INVENTORIES — THE GROUP

	2008	2007
	US$'000	*US$'000*
Raw materials	26,398	30,564
Work-in-progress	23,613	17,491
Finished goods	26,197	17,190
	76,208	65,245

The cost of inventories recognized as expense and included in cost of sales amounted to US$591,992,000 (2007: US$568,500,000).

As at 31 December 2008, certain inventories were held under trust receipts bank loan arrangement.

14 TRADE AND BILLS RECEIVABLES — THE GROUP

	2008	2007
	US$'000	*US$'000*
Trade and bills receivables	109,831	101,712
Less: provision for impairment of receivables	(1,480)	(1,647)
Trade and bills receivables — net	108,351	100,065

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 90 days. The ageing analysis by due date of trade debtors net of provision for impairment is as follows:

	2008	2007
	US$'000	*US$'000*
Current	82,771	70,231
1 to 30 days	17,770	19,326
31 to 60 days	3,038	3,123
61 to 90 days	1,501	2,126
Over 91 days	3,271	5,259
Amounts past due but not impaired	25,580	29,834
	108,351	100,065

The impairment provision was approximately US$1,480,000 as at 31 December 2008 (2007: US$1,647,000). 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:

	2008	2007
	US$'000	*US$'000*
At 1 January	1,647	1,250
Provision for impairment of trade receivables	525	397
Utilization of provision	(692)	—
At 31 December	1,480	1,647

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

	2008	2007
	US$'000	*US$'000*
US$	82,352	62,914
HK$	436	7,229
Euro	16,854	18,472
RMB	5,859	8,437
Philippines Peso	2,401	2,559
Other currencies	449	454
	108,351	100,065

The maximum exposure to credit risk at the reporting date is the carrying amount of the receivable mentioned above.

15 CASH AND BANK BALANCES

	Group		Company	
	2008	2007	2008	2007
	US$'000	*US$'000*	*US$'000*	*US$'000*
Cash at bank and in hand	75,783	52,398	435	167
Short-term bank deposits	38,463	44,270	—	—
Bank deposit with a maturity period over 3 months	3,593	—	—	—
Cash and bank balances in the balance sheets	117,839	96,668	435	167
Less: Bank overdrafts *(Note 18)*	(7,757)	(5,863)		
Bank deposit with a maturity period over 3 months	(3,593)	—		
Cash and cash equivalents in the consolidated cash flow statement	106,489	90,805		
Pledged deposit	1,509	1,519		

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

The Group	2008	2007
	US$'000	*US$'000*
US$	63,845	77,193
HK$	22,306	3,604
Euro	12,997	7,739
RMB	16,362	5,439
Other currencies	3,838	4,212
	119,348	98,187

The Company	2008	2007
	US$'000	*US$'000*
US$	382	164
Other currencies	53	3
	435	167

The effective interest rate on short-term bank deposits was 1.34% (2007: 4.47%) per annum; these deposits have an average maturity of 67 days (2007: 50 days).

As at 31 December 2008, 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$1,509,000 (2007: US$1,519,000) (See Note 18).

16 SHARE CAPITAL

	Number of shares	Nominal value
		US$'000
Authorized — ordinary shares of US$0.01 each		
At 31 December 2007 and 2008	1,500,000,000	15,000
Issued and fully paid		
— ordinary shares of US$0.01 each		
At 31 December 2007 and 2008	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:

Date of grant	Exercise period	Subscription price per share	Number of shares Beginning of year	Granted	Lapsed	End of year
			'000	*'000*	*'000*	*'000*
26 January 2006	From 26 January 2007 to 25 January 2011	HK$2.52	7,285	—	—	7,285
10 November 2006	From 10 November 2007 to 9 November 2011	HK$1.28	7,916	—	—	7,916
21 April 2008	From 21 April 2009 to 20 April 2013	HK$0.71	—	13,350	—	13,350
			15,201	13,350	—	28,551

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

Expiry date	Exercise price	Number of share options 2008	2007
		'000	*'000*
25 January 2011	HK$ 2.52	7,285	7,285
9 November 2011	HK$1.28	7,916	7,916
20 April 2013	HK$0.71	13,350	—
		28,551	15,201

The weighted average fair value of the options granted during the year of US$0.03 per option is determined using Binomial Lattice valuation model. The significant inputs into the model are as follows:

	Share options granted on 21 April 2008
Volatility	44.79%
Dividend yield	1.89%
Expected option life	2.8 to 4.9 years
Annual risk free interest rate	1.26% to 2.99%

During the year, the expense recognized in the consolidated income statement for share options granted to directors and employees amounted to US$425,000 (2007: US$563,000).

17 OTHER RESERVES

(a) Group

	Share premium *US$'000*	Capital reserve *(Note (i))* *US$'000*	Other capital reserves *(Note (ii))* *US$'000*	Share based compensation reserve *US$'000*	Exchange reserve *US$'000*	Total *US$'000*
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 (iii))*	—	—	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
At 1 January 2008	116,998	11,722	(24,450)	1,102	2,680	108,052
Acquisition of subsidiaries *(Note 20)*	—	—	(11,122)	—	—	(11,122)
Share based compensation expense	—	—	—	425	—	425
Exchange differences arising on translation of foreign subsidiaries	—	—	—	—	3,985	3,985
As at 31 December 2008	116,998	11,722	(35,572)	1,527	6,665	101,340

(b) Company

	Share premium *US$'000*	Capital reserve *(Note (iv))* *US$'000*	Share based compensation reserve *US$'000*	Total *US$'000*
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
At 1 January 2008	116,998	71,564	1,102	189,664
Share based compensation expense	—	—	425	425
At 31 December 2008	116,998	71,564	1,527	190,089

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) Other capital reserves primarily represent the initial recognition of the financial liabilities in relation to the put options granted to the minority shareholders and the subsequent derecognition of such financial liabilities upon the put options are exercised or expired.

(iii) In prior year, the Group derecognized financial liabilities of US$5,962,000 and the related reserve amount of US$4,311,000 when a minority shareholder of Partner Joy exercised the put option to sell his 19% interest in Partner Joy to the Group.

(iv) 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 BANK BORROWINGS — THE GROUP

	2008	2007
	US$'000	*US$'000*
Non-current		
Bank loan	33,259	33,750
Current		
Bank overdrafts	7,757	5,863
Trust receipt bank loans	24,651	8,045
Collateralized borrowings	3,630	—
Short-term bank loans	7,359	—
Current portion of long-term bank loans	6,884	4,500
	50,281	18,408
Total borrowings	83,540	52,158

	2008	2007
	US$'000	*US$'000*
Non-current bank borrowings		
— Secured	4,009	—
— Non-secured	29,250	33,750
Current bank borrowings		
— Secured	6,841	—
— Non-secured	43,440	18,408
	83,540	52,158

At 31 December 2008, the Group's borrowings are repayable as follows:

	Bank overdrafts		Trust receipt bank loans		Bank loans		Collateralized borrowings		Total	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Within 1 year	7,757	5,863	24,651	8,045	14,243	4,500	3,630	—	50,281	18,408
Between 1 and 2 years	—	—	—	—	8,509	4,500	—	—	8,509	4,500
Between 2 and 5 years	—	—	—	—	13,500	13,500	—	—	13,500	13,500
Wholly Repayable within 5 years	7,757	5,863	24,651	8,045	36,252	22,500	3,630	—	72,290	36,408
Over 5 years	—	—	—	—	11,250	15,750	—	—	11,250	15,750
	7,757	5,863	24,651	8,045	47,502	38,250	3,630	—	83,540	52,158

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

	2008	2007
	US$'000	*US$'000*
HK$	31,456	12,075
US$	46,717	40,083
RMB	5,367	—
	83,540	52,158

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

	2008			2007		
	US$	*HK$*	*RMB*	*US$*	*HK$*	*RMB*
Bank loans	1.88%	4.27%	7.3%	4.89%	—	—
Trust receipt bank loans	3.53%	3.53%	—	5.33%	3.62%	—
Bank overdrafts	5.00%	5.00%	—	8.00%	8.00%	—

As at 31 December 2008, the Group had aggregate banking facilities of approximately US$293,362,000 (2007: US$227,274,000) for overdrafts, loans, trade financing and bank guarantees. Unused facilities as at the same date amounted to approximately US$200,057,000 (2007: US$163,978,000). These facilities are secured by:

(i) Mortgages over the Group's land use right and buildings with a total net book value of approximately US$12,610,000 (2007: Nil) (Notes 6 and 7);

(ii) Pledge of the Group's bank deposit of US$1,509,000 (2007: US$1,519,000);

(iii) Floating charges over the Group's inventories held under trust receipts bank loan arrangements (Note 13); and

(iv) Corporate guarantee provided by the Company and a minority shareholder of a subsidiary (Note 35).

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

19 RETIREMENT BENEFIT OBLIGATIONS — THE GROUP

	2008	2007
	US$'000	*US$'000*
Balance sheet obligation for:		
Defined benefits plans	1,961	2,746
Provision for long service payments	470	389
	2,431	3,135
Income statement charge for *(Note 26)*		
— Defined benefits plan	885	793
— Provision for long service payment	135	73
	1,020	866

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$1,130,000 for the year ended 31 December 2008 (2007: US$847,000).

(b) Defined benefit plans

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

	2008	**2007**
	US$'000	*US$'000*
Present value of unfunded obligations	1,763	2,757
Unrecognized actuarial gains/(losses)	198	(11)
Liability in the consolidated balance sheet	1,961	2,746

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

	2008	**2007**
	US$'000	*US$'000*
Current service cost	847	636
Interest cost	228	157
Curtailment/settlement loss	(190)	—
Total, included in staff costs *(Note 26)*	885	793

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

	2008	**2007**
	US$'000	*US$'000*
At 1 January	2,746	1,813
Total expense — included in staff costs as shown above	885	793
Contributions paid	(1,691)	(26)
Exchange difference	21	166
At 31 December	1,961	2,746

The principal actuarial assumptions used are as follows:

	2008	**2007**
Discount rate	11%	8.5%
Future salary increases rate	9.5%	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:

	2008	**2007**
	US$'000	*US$'000*
Present value of unfunded obligations	548	427
Unrecognized actuarial losses	(78)	(38)
Liability in the consolidated balance sheet	470	389

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

	2008	**2007**
	US$'000	*US$'000*
Current service cost	123	28
Interest cost	12	20
Net actuarial losses recognized during the year	—	25
Total, included in employee benefit expense *(Note 26)*	135	73

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:

	2008	**2007**
	US$'000	*US$'000*
At 1 January	389	482
Total expenses — included in staff costs as shown above	135	73
Contributions paid	(414)	(286)
MPF refund received	360	120
At 31 December	470	389

The principal actuarial assumptions used are as follows:

	2008	**2007**
Discount rate	1.2%	3.1%
Future salary increases rate	1.0%	3.0%

20 CONSIDERATION PAYABLE AND OTHER LONG-TERM LIABILITIES — THE GROUP

Amounts comprise:

	2008	2007
	US$'000	*US$'000*
Consideration payable for acquisition of subsidiaries	—	5,316
Financial liabilities in connection with the put options granted for the acquisition of subsidiaries	33,959	21,357
	33,959	26,673

The consideration payable represents the balance of consideration payable for the acquisition of 60% equity interest in On Time International Limited ("On Time"). The balance is included in other payable and accruals as at 31 December 2008.

Financial liabilities represents the amounts payable for the put options granted to the vendors of On Time, Partner Joy and Trinew to sell their 40%, 10% and 40% interests in On Time, Partner Joy and Trinew, respectively, to the Group.

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

	2008	2007
	US$'000	*US$'000*
Consideration payable:		
— Within 1 year	2,613	5,433
— Between 1 and 2 years	—	5,758
Financial liabilities:		
— Within 1 year	2,831	2,843
— Between 2 and 5 years	38,018	12,519
— Later than 5 years	—	13,596
	43,462	40,149
Less: Amount representing interest element	(4,059)	(5,200)
Present value of consideration payable and financial liabilities	39,403	34,949
Less: Current portion included in other payables and accruals	(5,444)	(8,276)
	33,959	26,673

During the year, the Group recognized additional financial liabilities of approximately US$11,122,000 in relation to the financial liabilities arising from the put options granted to the vendor of Trinew to sell his 40% interest in Trinew to the Group. Such financial liabilities of US$11,122,000 are initially recognized at their fair values, which are the present value of the estimated redemption amount and were reclassified from equity.

The carrying amounts of the Group's consideration payable and financial liabilities are denominated in the following currencies:

	2008	2007
	US$'000	*US$'000*
US$	22,837	26,673
HK$	11,122	—
	33,959	26,673

21 TRADE AND BILLS PAYABLES

At 31 December 2008, the ageing analysis of trade and bills payables are as follows:

	2008	2007
	US$'000	*US$'000*
0 to 30 days	33,411	43,387
31 to 60 days	19,398	8,224
61 to 90 days	7,069	706
Over 91 days	6,318	3,438
	66,196	55,755

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

	2008	2007
	US$'000	*US$'000*
US$	23,172	18,059
HK$	23,785	24,213
Euro	9,416	11,864
RMB	8,625	279
Philippines Peso	671	987
Other currencies	527	353
	66,196	55,755

22 DERIVATIVE FINANCIAL INSTRUMENTS

	2008	2007
	US$'000	*US$'000*
Leveraged forward exchange contracts *(Notes (i) and (ii))*	1,574	—
Currency forward contracts *(Note (iii))*	625	—
	2,199	—

The fair values of the leveraged foreign forward exchange contracts are calculated using discounted cash flow analysis based on the applicable yield curves of interest rates and foreign exchange rates as determined by counterparty financial institutions.

As at 31 December 2008, the Group had the following material leveraged forward exchange contracts:

(i) Peso and US$

As at 31 December 2008, the Group has an outstanding Peso target redemption forward contract. Under this contract, the Group will receive Peso against delivery of US$ at exchange rates of US$: Peso pre-determined in the contract.

Each time when the contract is executed, if the spot market exchange rate ("spot rate") of US$: Peso is lower than the strike rate pre-determined in the contract ("strike rate"), the Group will receive Peso against delivery of US$ at the pre-determined exchange rate by paying the monthly normal nominal US$ amount set in the contract.

Each time when the contract is executed, if however, the spot rate of US$: Peso is higher than the strike rate, the Group will receive Peso against delivery of US$ at the pre-determined exchange rate by paying a geared nominal US$ amount set in the contract, which would be twice of the nominal US$ amount of US$1,000,000.

The Peso amount is deliverable in monthly instalments up to May 2009. This contract has a strike rate of US$1: Peso45.08.

This contract will be knocked out (i.e. the obligation on either the Group or the bank cease) when the accumulated intrinsic value (i.e. strike rate minus spot rate) is first greater than or equal to US$1: Peso6.

Under this contract, the Group will receive Peso against delivery of US$. The maximum deliverable outstanding amount to the Group under these contracts is Peso450,800,000 (equivalent to US$9,295,000 using the exchange rate as at 31 December 2008) and a maximum amount of US$10,000,000 to be delivered out by the Group. It is deliverable in instalments up to May 2009.

The Group recognized a fair value loss of US$1,004,000 in relation to these Peso related target redemption forward contracts during the year ended 31 December 2008 (2007: Nil).

(ii) RMB and US$

As at 31 December 2008, the Group also has certain RMB outstanding target redemption forward contracts. These contracts are settled in US$ by reference to the gains and losses against certain pre-determined US$: RMB exchange rates and are calculated by reference to a notional US$ amount.

Each time when the contracts are executed, if the spot market exchange rate of US$: RMB is lower than a pre-determined movement of the exchange rates in the contracts, the Group will receive payment from the bank at rates ranged from 4.58% to 8.00% on the nominal US$ amount.

Each time when the contracts are executed, if however, the spot market exchange rate of US$: RMB is higher than a pre-determined movement of the exchange rates in the contracts at all time during the contract periods, the Group will make payments to the bank at coupon rates ranged from 2.47% to 2.78% on the nominal US$ amount.

The Group recognized a fair value loss of US$570,000 in relation to these contracts during the year ended 31 December 2008 (2007: Nil).

(iii) Currency forward contracts

Under the contracts, the Group will receive US$ against delivery of Euro. The notional amounts under these contracts are to sell Euro4,518,000 for US$5,725,000. These contracts will be matured by May 2009.

23 REVENUE

	2008	2007
	US$'000	*US$'000*
Sales of garment, textile products and accessories	809,718	777,227
Freight forwarding and logistics service fee	15,855	17,261
Management income from related companies and a jointly controlled entity	343	410
Rental income from a related company	148	210
Commission income from		
— a related company	1,350	1,728
— third parties	3,505	646
Sales of quota	157	767
Others	926	2,628
Turnover	832,002	800,877

24 OTHER GAINS — NET

	2008	2007
	US$'000	*US$'000*
Fair value losses on derivative financial instruments		
— leveraged forward exchange contracts *(Note 22)*	(1,574)	—
— net losses on currency forward contracts	(625)	—
Net foreign exchange gains	3,609	2,259
Excess of the Group's interest in the fair values of identifiable net assets acquired over the cost of the acquisition *(Note 33)*	1,303	—
	2,713	2,259

25 EXPENSES BY NATURE

	2008	2007
	US$'000	*US$'000*
Raw materials and consumables used	607,121	568,835
Changes in inventories of finished goods and work in progress	(15,129)	(335)
Loss/(gain) on disposal of property, plant and equipment	261	(16)
Auditors' remuneration	927	774
Amortization of leasehold land and land use rights *(Note 6)*	163	91
Amortization of intangible assets *(Note 8)*	2,152	2,054
Provision for impairment of intangible assets *(Note 8)*	—	758
Depreciation of property, plant and equipment *(Note 7)*	15,669	14,436
Provision for impairment of property, plant and equipment	719	—
Provision for claims	6,155	4,540
Provision for impairment of receivables	525	397
Write-off of non-current assets	—	2,204
Provision for/(write-back of) inventory obsolescence	345	(1,567)
Operating leases		
— office premises and warehouses	8,135	6,661
— plant and machinery	391	1,476
Quota expenses	1,687	5,975
Employee benefit expense *(Note 26)*	123,149	116,088
Transportation	5,053	4,747
Commission	6,055	3,567
Legal and professional fee	4,351	4,617
Communication, supplies and utilities	24,124	24,845
Write-back of other payables	—	(2,681)
Other expenses	19,750	21,675
	811,603	779,141
Representing:		
Cost of sales	677,713	645,982
Selling and distribution expenses	23,306	26,158
General and administrative expenses	110,584	107,001
	811,603	779,141

26 EMPLOYEE BENEFIT EXPENSE — INCLUDING DIRECTORS' EMOLUMENTS

(a) Employee benefit expenses during the year are as follows:

	2008	2007
	US$'000	*US$'000*
Wages, salaries and allowances	117,488	112,937
Termination benefits	2,414	566
Share options granted to directors and employees	425	563
Pension costs		
— Defined contribution plans *(Note 19(a))*	1,130	847
— Defined benefit plans *(Note 19(b))*	885	793
— Long service payments *(Note 19(c))*	135	73
Others	672	309
	123,149	116,088

(b) Directors' and senior management

The remuneration of every Director for the year ended 31 December 2008 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	—	113	—	—	—	113
Mr. Tan Henry	—	332	51	6	2	391
Mr. Tan Cho Lung, Raymond	—	242	37	40	2	321
Ms. Mok Siu Wan, Anne	—	377	542	42	133	1,094
Mr. Tan Sunny	—	112	17	10	2	141
Non-executive directors						
Mr. Tan Willie	150	—	—	5	—	155
Mr. Lu Chin Chu	15	—	—	—	—	15
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 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

[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 (2007: Nil).

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included one (2007: two) director whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining four individuals (2007: three) during the year are as follows:

	2008	2007
	US$'000	*US$'000*
Basic salaries, other allowances and benefit in kind	868	755
Discretionary bonuses	1,000	704
Pension scheme contributions	10	13
Others	458	—
	2,336	1,472

The emoluments fell within the following bands:

	Number of individuals 2008	2007
Emolument bands		
US$387,001 to US$452,000 (equivalent to HK$3,000,001 to HK$3,500,000)	1	2
US$580,645 to US$645,161 (equivalent to HK$4,500,001 to HK$5,000,000)	2	1
US$645,162 to US$709,677 (equivalent to HK$5,000,001 to HK$5,500,000)	1	—
	4	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.

27 FINANCE INCOME AND COSTS

	2008 *US$'000*	2007 *US$'000*
Interest expense on bank loans and overdrafts	2,698	3,684
Change in estimates of financial liabilities	567	(195)
Interest expense on financial liabilities carried at amortized costs	1,344	1,181
Finance costs	4,609	4,670
Finance income — Interest income	(2,087)	(3,601)
Net finance costs	2,522	1,069

28 INCOME TAX (CREDIT)/EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2007: 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.

	2008 *US$'000*	2007 *US$'000*
Current income tax:		
— Hong Kong profits tax	(1,615)	2,015
— Overseas taxation	7,938	9,168
Over-provision in prior years	(7,224)	(6,471)
Deferred income tax *(Note 12)*	(312)	(504)
	(1,213)	4,208

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:

	2008	2007
	US$'000	*US$'000*
Profit before income tax	21,960	24,613
Tax calculated at domestic tax rates applicable to profits in the respective countries	5,862	11,086
Income not subject to tax	(1,731)	(2,927)
Expenses not deductible for taxation purposes	1,231	1,569
Tax losses for which no deferred income tax asset was recognized	593	880
Utilization of previously unrecognized tax losses	64	50
Tax effect of share of results of associated companies and jointly controlled entities	190	21
Remeasurement of deferred tax — change in tax rate	(198)	—
Over-provision in prior years	(7,224)	(6,471)
Tax (credit)/charge	(1,213)	4,208

The weighted average applicable tax rate was 26.7% (2007: 45.0%). The decrease is caused by a change of profitability of the Group's subsidiaries in the respective countries.

Notes:

(i) In prior years, certain overseas subsidiaries had made provision for tax liabilities based on their estimated taxable profits arising from their respective operating countries outside Hong Kong. The Directors have undertaken a review of the Group's tax provisions as at 31 December 2008 and have determined that a provision for tax of US$7,224,000 would no longer be required and should be derecognized. Consequently, the amount of US$7,224,000 was taken to the consolidated income statement for the year ended 31 December 2008.

(ii) In prior years, 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 2007/08 demanding for tax totalling US$3,843,000 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 these 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$3,453,000 in the form of Tax Reserve Certificates. The Tax Reserve Certificates amount paid was included in prepayments in the consolidated balance sheet as at 31 December 2008.

(iii) Two subsidiaries newly acquired during the year were under tax audit conducted by the IRD. As at 31 December 2008, the IRD has issued additional assessments to these entities from years of assessments 2000/01 to 2006/07, demanding tax totalling US$6,113,000. These subsidiaries have lodged objections to these assessments. The directors consider that sufficient tax provision has been made in the financial statements in this regard.

29 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$4,304,000 (2007: US$3,662,000).

30 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.

	2008	2007
	US$'000	*US$'000*
Profit attributable to equity holders of the Company	11,829	12,515
Weighted average number of ordinary shares in issue	992,500,000	992,500,000
Basic earnings per share (US cents per share)	1.2	1.3

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

31 DIVIDENDS

	2008	2007
	US$'000	*US$'000*
Interim dividend paid of US0.213 cent or equivalent to HK1.661 cents (2007: US0.205 cent) per ordinary share	2,114	2,035
Proposed final dividend of US0.145 cent or equivalent to HK1.124 cents (2007: US0.174 cent) per ordinary share	1,439	1,727
	3,553	3,762

The directors recommend the payment of a final dividend of US cent of 0.145 per share, totalling US$1,439,000. Such dividend is to be approved by the shareholders at the forthcoming Annual General Meeting. These financial statements do not reflect this dividend payable.

32 CONSOLIDATED CASH FLOW STATEMENTS

	2008	2007
	US$'000	*US$'000*
Profit before income tax	21,960	24,613
Adjustment for:		
Share of losses/(profits) of associated companies	16	(95)
Share of profits of jointly controlled entities	(1,386)	(1,592)
Finance income *(Note 27)*	(2,087)	(3,601)
Finance costs *(Note 27)*	4,609	4,670
Fair value losses on derivative financial instruments	2,199	—
Excess of the Group's interest in the fair values of identifiable net assets acquired over the cost of the acquisition	(1,303)	—
Amortization of intangible assets *(Note 8)*	2,152	2,054
Amortization of leasehold land and land use rights *(Note 6)*	163	91
Depreciation of property, plant and equipment *(Note 7)*	15,669	14,436
Provision for impairment of property, plant and equipment	719	—
Impairment of intangible assets	—	758
Loss/(gain) on disposal of property, plant and equipment, net	261	(16)
Share based compensation expense	425	563
Operating profit before working capital changes	43,397	41,881
Changes in working capital:		
Inventories	13,056	87
Trade and bills receivables	27,440	(6,213)
Amounts due from related companies	(968)	(778)
Amounts due from associated companies and jointly controlled entities	3,543	1,651
Deposits, prepayments and other receivables	(7,764)	4,514
Trade and bills payables	(17,951)	11,849
Amounts due to related companies	(2,020)	1,338
Amounts due to associated companies and jointly controlled entities	2,306	1,563
Other payables and accruals	6,324	414
Retirement benefit obligation	(704)	840
Cash generated from operations	66,659	57,146

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

	2008	2007
	US$'000	*US$'000*
Net book amount *(Note 7)*	1,582	823
(Loss)/gain on disposal of property, plant and equipment	(261)	16
Proceeds from disposal of property, plant and equipment	1,321	839

33 BUSINESS COMBINATIONS

On 8 August 2008, the Group acquired 60% interest in Trinew. Trinew and its subsidiaries are engaged in manufacturing and trading of laptop bags, luxury and fashionable bags. The acquired group contributed revenues of US$62,798,000 and net profit of US$613,000 to the Group for the period from 8 August 2008 to 31 December 2008. If the acquisition had occurred on 1 January 2008, Group's revenue would have been US$913,622,000, and net profit attributable to the equity holders of the Company before allocations would have been US$7,865,000. These amounts have been calculated using the Group's accounting policies and by adjusting the results of the subsidiaries to reflect the additional depreciation and amortisation that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had applied from 1 January 2008, together with the consequential tax effects.

Details of net assets acquired are as follows:

	US$'000
Purchase consideration:	
— Cash paid	16,524
— Contingent consideration	1,021
Total purchase consideration	17,545

The minority shareholder of Trinew undertakes to reimburse the Group for any uncollected receivable from a specific customer up to an amount of US$30,000,000 over a three-year period until 7 August 2011.

The assets and liabilities as of 8 August 2008 arising from the acquisition are as follows:

	Fair value	**Acquiree's carrying amount**
	US$'000	*US$'000*
Leasehold land and land use rights	5,892	1,398
Property, plant and equipment	27,123	24,547
Intangible assets	709	—
Inventories	24,019	24,019
Cash and cash equivalents	4,302	4,302
Trade and bill receivables	35,726	35,726
Deposits, prepayments and other receivables	1,026	1,026
Trade and bill payables	(28,392)	(28,392)
Other payables and accrual	(8,224)	(8,224)
Bank borrowings	(23,274)	(23,274)
Bank overdraft	(908)	(908)
Deferred tax liabilities	(2,147)	(263)
Current tax liabilities	(4,438)	(4,438)
	31,414	
Minority interests (40%)	(12,566)	
Fair value of net assets acquired	18,848	
Excess of the Group's interest in the fair value of the identifiable net assets acquired over acquisition cost *(Note 24)*	(1,303)	
Total purchase consideration	17,545	
Purchase consideration settled in cash		16,524
Cash and cash equivalents in subsidiary acquired		(4,302)
Bank overdraft in subsidiary assumed		908
Cash outflow on acquisition		13,130

There was no business combination during the year ended 31 December 2007.

34 COMMITMENTS

(a) Capital commitments

As at 31 December 2008, the group had the following capital commitments:

	2008	2007
	US$'000	*US$'000*
Property, plant and equipment		
Contracted but not provided for	7,566	1,012

(b) Operating lease commitments

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

	2008	2007
	US$'000	*US$'000*
Land and buildings		
— No later than 1 year	3,635	3,770
— Later than 1 year and no later than 5 years	6,141	5,736
— Later than 5 years	6,725	4,163
	16,501	13,669
Plant and equipment		
— No later than 1 year	224	173
— Later than 1 year and no later than 5 years	186	170
	410	343

35 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

	2008	**2007**
	US$'000	*US$'000*
Management fee income from		
— related companies	—	16
— a jointly controlled entity	343	394
	343	410
Commission income from a related company	1,350	1,728
Freight forwarding and logistics service income from		
— related companies	350	348
— an associated company	1	—
— a jointly controlled entity	130	336
	481	684
Sales to a jointly controlled entity	3,481	15,458
Rental income from a related company	148	210
Recharge of advance payment and administrative expenses from related companies	117	397
Subcontracting income from a jointly controlled entity	1,258	—
Recharge of material costs and other expenses from jointly controlled entities	3,209	3,734

(ii) Purchases of goods and services

	2008	2007
	US$'000	*US$'000*
Rental expenses for occupying office premises, warehouses and staff quarters charged by related companies	1,585	1,439
Travelling related service fees charged by related companies	260	629
Professional and technological support service fees to related companies	2,117	1,980
Freight forwarding and logistics services charged by related companies	—	6
Air ticket and hotel reservation services charged by related companies	200	—
Administrative and support service fees charged by related companies	—	542
Subcontracting fee charged by		
— a related company	3,459	1,405
— jointly controlled entities	2,158	2,328
	5,617	3,733
Commission expense charged by jointly controlled entities	6,065	2,833
Purchase of material costs to a jointly controlled entity	7,085	6,553
Handling service fee paid/payable to PT. Best Indo[1], a related company	—	1,030

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

1 PT. Best Indo is company incorporated in Indonesia and owned by Mr. Frank Hermann Fleischer, a minority shareholder of On Time and his family member.

(b) Key management compensation

	2008	2007
	US$'000	*US$'000*
Basic salaries and allowance	3,604	2,650
Bonus	2,047	1,178
Pension scheme contributions	158	126
Others	—	—
	5,809	3,954

(c) Banking facilities

As at 31 December 2008, certain banking facilities of certain subsidiaries of the Group were secured by the corporate guarantees given by the Company and a minority shareholder of a subsidiary.

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

As at 31 December 2008, the outstanding balances with the related companies, jointly controlled entities and associated companies 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.

(e) Loan from a minority shareholder of a subsidiary

As at 31 December 2008, there was a loan from a minority shareholder of a subsidiary amounting to US$3,097,000 (2007: Nil). The loan is unsecured, interest bearing at HIBOR plus 1.25% and repayable on 8 August 2011.

36 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.

37 EVENTS AFTER THE BALANCE SHEET DATE

On 17 February 2009, a subsidiary of the Group has entered into a Sales and Purchase Agreement with Luen Thai Land Limited, to acquire the entire issued share capital of Victory Land Properties Limited ("Victory"). Luen Thai Land Limited is a related company and is beneficially owned by the Tan's family. The major asset of Victory is a piece of land located in the PRC. The consideration for this transaction was approximately US$6,318,000 (equivalent to HK48,969,000).

3. STATEMENT OF INDEBTEDNESS

Borrowings

As at the close of business on 31 July 2009, being the latest practicable date for the purpose of this indebtedness statement, the Group had the following outstanding borrowings:

Secured

	Bank loans
	US$'million
Short-term	
Repayable within 1 year	7
Long-term	
Repayable between 1 and 2 years	2
Repayable between 2 and 5 years	1
	3
	10

Unsecured

	Bank overdraft	**Trust receipt bank loans**	**Bank loans**	**Total**
	US$'million	*US$'million*	*US$'million*	*US$'million*
Short-term				
Repayable within 1 year	8	21	10	39
Long-term				
Repayable between 1 and 2 years	—	—	4	4
Repayable between 2 and 5 years	—	—	14	14
Repayable after 5 years	—	—	9	9
	—	—	27	27
	8	21	37	66

As at 31 July 2009, the Group also had an unsecured loan of US$3 million from a minority shareholder of a subsidiary.

In addition, the remaining consideration payable and financial liabilities for the acquisitions of certain subsidiaries (the "Consideration Payable") amounted to approximately US$35 million as at 31 July 2009.

The Consideration Payable comprises the remaining consideration payable for the acquisition of a subsidiary and the amounts payable upon the exercise of the put options granted to the vendors of those subsidiaries for the remaining interests held by these minority shareholders.

Collateral

As at the close of business on 31 July 2009, being the latest practicable date for the purpose of this indebtedness statement, the outstanding secured bank borrowings of the Group were secured by:

(a) a corporate guarantee from the Company and certain subsidiaries of the Group amounting to US$58 million;

(b) certain properties of the Group with carrying value of US$11 million;

(c) certain properties of a minority shareholder of a subsidiary of the Group;

(d) a personal guarantee from a minority shareholder of a subsidiary amounting to US$10 million; and

(e) certain bank deposits of the Group amounting to US$2 million.

Contingent liabilities, litigation and guarantee

(a) At the close of business on 31 July 2009, 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 result of the operations or the financial position of the Group. Accordingly, no provision for loss 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.

Save as aforesaid, the Group had no material contingent liabilities or guarantees as at 31 July 2009.

Disclaimers

Save as aforesaid and apart from intra-group liabilities, as at the close of business on 31 July 2009, the Group did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or similar indebtedness liabilities under acceptances (other than normal trade bills), acceptance credits, debentures, mortgages, charges, finance leases or hire purchases commitments, guarantees or other 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 31 July 2009.

4. WORKING CAPITAL

Taking into account the expected completion of the Transaction and the financial resources available to the Group, including the internally generated funds and the available banking facilities, the directors of the Company are of the opinion that the Group has sufficient working capital for its present requirements, that is for at least the next 12 months from the date of this circular.

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 the 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:

Long positions in the shares:

Name of Director	Capacity	Number of ordinary shares	Approximate percentage of interest in Company
Tan Siu Lin	Trustee *(Note 1)*	66,493,000	6.7%
	Interest of controlled corporation *(Note 1)*	10,000,000	1.01%
Tan Henry	Beneficiary *(Note 1)*	66,493,000	6.7%
	Beneficial owner *(Notes 3 and 4)*	450,000	0.05%
	Interest of controlled corporation *(Note 2)*	614,250,000	61.89%

Name of Director	Capacity	Number of ordinary shares	Approximate percentage of interest in Company
Tan Willie	Beneficiary *(Note 1)*	66,493,000	6.7%
	Beneficial owner *(Notes 3 and 6)*	1,450,000	0.15%
Tan Cho Lung, Raymond	Beneficiary *(Note 1)*	66,493,000	6.7%
	Beneficial owner *(Notes 3, 4 and 7)*	749,000	0.08%
Tan Sunny	Beneficiary *(Note 1)*	66,493,000	6.7%
	Beneficial owner *(Notes 3, 4 and 8)*	1,022,000	0.1%
Mok Siu Wan, Anne	Beneficial owner *(Notes 3,4 and 5)*	3,200,000	0.32%

Notes:

1. Mr. Tan Siu Lin is the settlor and trustee of the Tan Family Trust of 2004,. As the settlor and trustee of the Tan Family Trust of 2004, which is a revocable discretionary trust, Mr. Tan Siu Lin is deemed under Part XV of the SFO to be interested in the aggregate shareholdings of Tan Holdings Corporation ("Tan Holdings Corporation"), a company incorporated in Commonwealth of Northern Mariana Islands, which in turn owns directly the entire issued capital of Union Bright Limited. Union Bright Limited holds directly 60,750,000 Shares (or approximately 6.12% of the issued share capital of the Company). The Tan Family Trust of 2004 also owns directly the entire issued share capital of Wincare International Company Limited, which in turn holds directly 5,743,000 Shares (or approximately 0.58% of the issued share capital of the Company). Mr. Tan Siu Lin also controls and is a subscriber and founding member of Tan Siu Lin Foundation Limited, which in turn owns directly 10,000,000 Shares (or approximately 1.01% of the issued share capital of the Company).

   Each of Mr Tan Henry, Mr Tan Willie, Mr Tan Cho Lung, Raymond and Mr Tan Sunny is a beneficiary of the Tan Family Trust of 2004, and each of them is deemed under Part XV of the SFO to be interested in the shareholdings of Tan Holdings Corporation, Union Bright Limited and Wincare International Company Limited.

2. Mr. Tan Henry is the beneficial owner of 3,500 issued shares (representing 70% interest) in Helmsley Enterprises Limited ("**Helmsley**"), a company incorporated in the Commonwealth of the Bahamas. Helmsley wholly owns Capital Glory Limited, which in turn owns 614,250,000 Shares, or approximately 61.89% interest in the issued share capital of the Company.

3. 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.

4. 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.

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

6. A total of 1,150,000 Shares were acquired by an associate of Mr. Tan Willie between 2005 and 2008. He is therefore deemed under Part XV of the SFO to be interested in all of the 1,150,000 Shares acquired by his associate.

7. A total of 449,000 Shares 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.

8. Mr. Tan Sunny acquired a total of 322,000 Shares 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 ordinary shares	Approximate percentage of attributable interest in corporation
Tan Siu Lin	Helmsley *(Note 1)*	Trustee *(Note 4)*	1,500	30%
	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 Inc. *(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%

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

Name of Director	Name of associated corporation	Capacity	Number of ordinary shares	Approximate percentage of attributable interest in corporation
	Servicios Textiles Mexicanos, SA *(Note 3)*	Beneficiary *(Note 5)*	50	100%
	Hanium Industries Limited *(Note 3)*	Beneficiary *(Note 5)*	1	100%
	Integrated Solutions Technology Inc. *(a HK corporation) (Note 3)*	Beneficiary *(Note 5)*	2	100%
	Integrated Solutions Technology Inc. *(a BVI corporation) (Note 3)*	Beneficiary *(Note 5)*	1	100%
	Integrated Solutions Technology Inc. *(a Philippines corporation) (Note 3)*	Beneficiary *(Note 5)*	1	100%
Tan Willie	Helmsley *(Note 1)*	Beneficiary *(Note 6)*	1,500	30%
	Capital Glory Limited *(Note 2)*	Beneficiary *(Note 6)*	1	100%
	Justintime Development Limited *(Note 3)*	Beneficiary *(Note 6)*	1	100%
	Tripletrio International Limited *(Note 3)*	Beneficiary *(Note 6)*	42,500	100%
	Newtex International Limited *(Note 3)*	Beneficiary *(Note 6)*	2	100%
	Torpedo Management Limited *(Note 3)*	Beneficiary *(Note 6)*	1	100%
	Integrated Solutions Technology Inc. *(a Cayman Islands corporation) (Note 3)*	Beneficiary *(Note 6)*	1	100%
	Eldex Del Golfo, SA de CV *(Note 3)*	Beneficiary *(Note 6)*	11,819	100%

Name of Director	Name of associated corporation	Capacity	Number of ordinary shares	Approximate percentage of attributable interest in corporation
	Servicios Textiles Mexicanos, SA *(Note 3)*	Beneficiary *(Note 6)*	50	100%
	Hanium Industries Limited *(Note 3)*	Beneficiary *(Note 6)*	1	100%
	Integrated Solutions Technology Inc. *(a HK corporation)* *(Note 3)*	Beneficiary *(Note 6)*	2	100%
	Integrated Solutions Technology Inc. *(a BVI corporation)* *(Note 3)*	Beneficiary *(Note 6)*	1	100%
	Integrated Solutions Technology Inc. *(a Philippines corporation)* *(Note 3)*	Beneficiary *(Note 6)*	1	100%
Tan Cho Lung, Raymond	Helmsley *(Note 1)*	Beneficiary *(Note 6)*	1,500	30%
	Capital Glory Limited *(Note 2)*	Beneficiary *(Note 6)*	1	100%
	Justintime Development Limited *(Note 3)*	Beneficiary *(Note 6)*	1	100%
	Tripletrio International Limited *(Note 3)*	Beneficiary *(Note 6)*	42,500	100%
	Newtex International Limited *(Note 3)*	Beneficiary *(Note 6)*	2	100%
	Torpedo Management Limited *(Note 3)*	Beneficiary *(Note 6)*	1	100%
	Integrated Solutions Technology Inc. *(a Cayman Islands corporation)* *(Note 3)*	Beneficiary *(Note 6)*	1	100%
	Eldex Del Golfo, SA de CV *(Note 3)*	Beneficiary *(Note 6)*	11,819	100%

Name of Director	Name of associated corporation	Capacity	Number of ordinary shares	Approximate percentage of attributable interest in corporation
	Servicios Textiles Mexicanos, SA *(Note 3)*	Beneficiary *(Note 6)*	50	100%
	Hanium Industries Limited *(Note 3)*	Beneficiary *(Note 6)*	1	100%
	Integrated Solutions Technology Inc. *(a HK corporation) (Note 3)*	Beneficiary *(Note 6)*	2	100%
	Integrated Solutions Technology Inc. *(a BVI corporation) (Note 3)*	Beneficiary *(Note 6)*	1	100%
	Integrated Solutions Technology Inc. *(a Philippines corporation) (Note 3)*	Beneficiary *(Note 6)*	1	100%
Tan Sunny	Helmsley *(Note 1)*	Beneficiary *(Note 6)*	1,500	30%
	Capital Glory Limited *(Note 2)*	Beneficiary *(Note 6)*	1	100%
	Justintime Development Limited *(Note 3)*	Beneficiary *(Note 6)*	1	100%
	Tripletrio International Limited *(Note 3)*	Beneficiary *(Note 6)*	42,500	100%
	Newtex International Limited *(Note 3)*	Beneficiary *(Note 6)*	2	100%
	Torpedo Management Limited *(Note 3)*	Beneficiary *(Note 6)*	1	100%
	Integrated Solutions Technology Inc. *(a Cayman Islands corporation) (Note 3)*	Beneficiary *(Note 6)*	1	100%
	Eldex Del Golfo, SA de CV *(Note 3)*	Beneficiary *(Note 6)*	11,819	100%

Name of Director	Name of associated corporation	Capacity	Number of ordinary shares	Approximate percentage of attributable interest in corporation
	Servicios Textiles Mexicanos, SA *(Note 3)*	Beneficiary *(Note 6)*	50	100%
	Hanium Industries Limited *(Note 3)*	Beneficiary *(Note 6)*	1	100%
	Integrated Solutions Technology Inc. *(a HK corporation) (Note 3)*	Beneficiary *(Note 6)*	2	100%
	Integrated Solutions Technology Inc. *(a BVI corporation) (Note 3)*	Beneficiary *(Note 6)*	1	100%
	Integrated Solutions Technology Inc. *(a Philippines corporation) (Note 3)*	Beneficiary *(Note 6)*	1	100%

Notes:

1. Helmsley is the holding company of Capital Glory Limited, which is, in turn, the holding company of the Company. Helmsley is therefore an associated corporation of the Company as defined under Part XV of the SFO.

2. Capital Glory Limited is the holding company of the Company. It is therefore an associated corporation of the Company.

3. This is a subsidiary of Helmsley. It is therefore an associated corporation of the Company.

4. Mr. Tan Siu Lin is the settlor and trustee of the Tan Family Trust of 2004, which directly holds 1,500 issued shares (or 30% interest) in Helmsley. As the settlor and trustee of the Tan Family Trust of 2004, which is a revocable discretionary trust, Mr. Tan Siu Lin is deemed under Part XV of the SFO to be interested in the interests of the Tan Family Trust of 2004 in each of Helmsley and its subsidiaries respectively.

5. Mr. Tan Henry directly holds 3,500 issued shares (or 70% interest) in Helmsley. Mr. Tan Henry is also one of the beneficiaries of the Tan Family Trust of 2004, which directly holds 1,500 issued shares (or 30% interest) in Helmsley. He is therefore deemed under Part XV of the SFO to be interested in the interests of the Tan Family Trust of 2004 in each of Helmsley and its subsidiaries respectively.

6. Each of Mr. Tan Willie, Mr. Tan Cho Lung, Raymond and Mr. Tan Sunny is a beneficiary of the Tan Family Trust of 2004, which directly holds 1,500 issued shares (or 30% interest) in Helmsley. Each of them is therefore deemed under Part XV of the SFO to be interested in the interests of the Tan Family Trust of 2004 in each of Helmsley and its subsidiaries respectively.

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

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

(ii) Interests of Substantial Shareholders

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

Name	Capacity	Number of ordinary shares	Approximate percentage of shareholding
Capital Glory Limited *(Note 1)*	Beneficial owner	614,250,000	61.89%
Helmsley Enterprises Limited *(Note 1)*	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. (a) Both of Mr. Tan Siu Lin and Mr. Tan Henry are directors in each of Capital Glory Limited and Helmsley Enterprises Limited.

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

3. DIRECTORS' INTERESTS IN COMPETING BUSINESSES

As at the Latest Practicable Date, so far as the Directors are aware, none of the Directors or any of their respective associates had a controlling interest in a business which causes or may cause any significant direct or indirect competition with the business of the Group or any significant conflicts with the interests of the Group, save for Kardon International Worldwide Ltd. ("**Kardon**"). The particulars of such business of Kardon are as follows:

Kardon is a company incorporated in the British Virgin Islands, which manufactures knitted sweaters in Indonesia. A.M. International Manufacturing Company Limited ("**AMI**") is a Connected Person of the Company and a wholly owned company of Kardon, which is a 42%-owned company of Luen Thai Direct Investment Limited ("**LTDI**"). Though LTDI is a shareholder of Kardon, Kardon is in fact a joint venture in which LTDI has no control, either at the shareholder or board levels. Kardon is owned as to the other 42% by an independent third party who is not a Connected Person of the Company and the remaining 16% by the management of Kardon who is also not a Connected Person of the Company. LTDI is wholly owned by Admirable Investment Holdings Limited, which in turn is indirectly owned by Mr. Tan Siu Lin, a Director.

As disclosed in the circular dated 15 December 2008 of the Company, Mr. Tan Siu Lin has a material interest in the master agreement dated 26 November 2008 (the "**New Master Agreement**") and the transactions as contemplated thereunder. The New Master Agreement was entered into between AMI and Partner Joy Group Limited ("**Partner Joy**"), an indirect 90%-owned subsidiary of the Company. Pursuant to the New Master Agreement, the Group, through Partner Joy, engaged AMI as its sub-contractor for the provision of garment manufacturing services. As disclosed above, AMI is a Connected Person of the Company by virtue of its shareholding relationship with Admirable Investment Holdings Limited, which is indirectly owned by Mr. Tan Siu Lin. Save as disclosed above, there are no contracts or arrangements subsisting as at the Latest Practicable Date in which a Director is materially interested or which is significant in relation to the business of the Group.

As at the Latest Practicable Date, no Director has any interest, direct or indirect, in any assets which have been, since 31 December 2008, acquired or disposed of by or leased to any member of the Group or proposed to be acquired or disposed of by or leased to any member of the Group.

4. SERVICE CONTRACTS

Except for Ms Mok Siu Wan, Anne and Mr. Tan Sunny, each of the executive Directors has entered into a service agreement with the Company for an initial fixed period of three years commencing from 27 June 2007, and thereafter shall continue subject to termination by either the Company or the Director giving three months' notice in writing to the other party.

The respective monthly salaries of the executive Directors are set out below:

Mr Tan Siu Lin	HK$76,700
Mr Tan Henry	HK$198,000
Mr Tan Cho Lung, Raymond	HK$144,000
Ms Mok Siu Wan, Anne	HK$224,584
Mr Tan Sunny	HK$67,000

Pursuant to the letter of appointment dated 17 September 2007, Mr Lu Chin Chu was appointed as a non-executive Director for a fixed period of three years commencing from 17 September 2007. Mr Lu Chin Chu is entitled to an annual director's fee of HK$120,000.

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 for a fixed period of three years commencing from 26 May 2006. The service contract was renewed on 26 May 2009 for a fixed period of three years commencing from 26 May 2009, with an annual salary of US$150,000.

Pursuant to the letter of re-appointment from the Company to each of Mr. Seing Nea Yie, Mr. Chan Henry and Mr. Cheung Siu Kee dated 28 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.

Save as disclosed in this circular, the Company has not entered into any service agreements of directors as at the Latest Practicable Date.

5. MATERIAL CONTRACTS

As at the Latest Practicable Date, the following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of the Group within the two years immediately 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 ("**GJM**"), an indirect wholly-owned subsidiary of the Company and the Qingyuan Land Reserves Centre, an unit of the Qingyuan City State-Owned Resources Bureau, in relation to the conversion of the Converted Land from industrial use to commercial/residential use. Pursuant to the land disposal agreement, the Converted Land was disposed of to the Qingyuan Land Reserves Centre for public auction in relation to the conversion. GJM re-acquired the Converted Land at the auction at the floor price, and the total land premium payable by the Group for the conversion is approximately RMB53,400,000;

(b) a sale and purchase agreement dated 11 June 2008 and entered into among Ospella International Limited ("**Ospella**") as the vendor, Owen John Inglis ("**Mr Inglis**") as the guarantor of Ospella, Fortune Investment Overseas Limited ("**Fortune Investment**"), an indirect wholly-owned subsidiary of the Company, as the purchaser, and Luen Thai Overseas Limited, a wholly-owned subsidiary of the Company, as the guarantor of Fortune Investment in relation to the acquisition of 600 shares (or 60% interest) in the issued share capital of Trinew Limited ("**Trinew SPA**") up to the maximum consideration of HK$488,160,000;

(c) a supplemental letter agreement dated 16 June 2008 entered into among the parties to the Trinew SPA, which supplemented and amended certain terms of the Trinew SPA. Pursuant to the supplemental letter, the parties to the Trinew SPA agreed that the aggregate amount of consideration payable by Fortune Investment to Ospella for the acquisition of all the shares under the Trinew SPA and the First Option Deed and the Second Option Deed (both as defined in paragraphs 5(h) and (i) below) shall not exceed HK$900 million;

(d) a shareholders agreement dated 8 August 2008 entered into among Ospella, Fortune Investment and Trinew Limited in relation to Trinew Limited;

(e) a charge over account dated 8 August 2008 executed by Ospella in favour of Fortune Investment, under which certain cash deposits in the sum of HK$62,320,000 were charged as security for the obligations of Ospella and Mr Inglis under the Trinew SPA ("**Trinew Charge over Account**");

(f) a share charge dated 8 August 2008 entered into between Ospella and Fortune Investment pursuant to which Ospella charged in favour of Fortune Investment certain shares owned by Ospella in Trinew Limited as security for the obligations of Ospella and Mr Inglis under the Trinew SPA;

(g) a deed of tax indemnity dated 8 August 2008 entered into among Trinew Limited, Ospella, Mr Inglis, Fortune Investment and certain subsidiaries of Trinew Limited, namely Desk Top Limited, Desk Top Bags (Mfg) Ltd., Desk Top Manufacturacao Malas. Lda., DLuxe Bags Limited, Dongguan Xingxi Handbags Factory Co., Limited and Dongguan Xing Hao Handbags Factory Co., Limited in relation to the Trinew SPA;

(h) an option deed dated 8 August 2008 entered into among Fortune Investment, Ospella and Mr Inglis in relation to the sale and purchase of the first 200 shares (or 20% interest) in Trinew Limited ("**First Option Deed**");

(i) an option deed dated 8 August 2008 entered into among Fortune Investment, Ospella and Mr Inglis in relation to the sale and purchase of the second 200 shares (or 20% interest) in Trinew Limited ("**Second Option Deed**");

(j) an agreement dated 12 December 2008 entered into between Consolidated Transaction Services Inc, a wholly-owned subsidiary of the Company, and Paxia Builders, Inc. for the construction of a warehouse in Guam at the consideration of approximately US$4,361,500;

(k) a second supplemental agreement dated 29 December 2008 entered into among Ospella, Fortune Investment, Mr Inglis, Luen Thai Overseas Limited and Desk Top Limited for variation of the terms of the Trinew SPA;

(l) a supplemental deed 29 December 2008 entered into between Ospella and Fortune Investment for variation of the terms of the Trinew Charge over Account, pursuant to which a sum of HK$24,000,000 was released from the Trinew Charge over Account;

(m) a shareholders' loan agreement dated 29 December 2008 entered into among Ospella, Fortune Investment and Desk Top Limited for the provision of the shareholders' loans to Desk Top Limited in the aggregate sum of HK$60,000,000 in the following proportion: HK$36,000,000 thereof by Fortune Investment, and the remaining HK$24,000,000 by Ospella;

(n) a charge over account receivables dated 29 December 2008 executed by Ospella in favour of Fortune Investment, under which certain account receivables were charged as security for the obligations of Ospella and Mr Inglis under the Trinew SPA;

(o) a sale and purchase agreement dated 17 February 2009 and entered into between Luen Thai Land Limited, a Connected Person of the Company, and Sunny Force Limited, an indirect wholly-owned subsidiary of the Company, in relation to the acquisition by Sunny Force Limited of the entire issued share capital of Victory Land Properties Limited at the consideration of HK$32,468,000 and the shareholder's loans at the consideration of HK$16.5 million, pursuant to which the Group acquired the Adjoining Land; and

(p) the Construction Contract.

6. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial position or trading position of the Group since 31 December 2008, being the date to which the latest published audited financial statements of the Group was made up.

7. 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 basis for their position and are of the opinion that losses arising from this lawsuits, if any, will not have material adverse impact on results of the operations or the financial position of the Group.

8. MISCELLANEOUS

(a) The registered head office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111 Cayman Islands.

(b) The principal share registrar and transfer office of the Company is HSBC Trustee (Cayman) Limited at P.O. Box 484, HSBC House, 68 West Bay Road, Grand Cayman, KY1-1106, Cayman Islands.

(c) The share registrar and transfer office of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, 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) In the event of any inconsistency, the English text of this circular shall prevail over the Chinese text.

9. DOCUMENTS AVAILABLE FOR INSPECTION

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

(a) the letter from the Board, the text of which is set out on pages 3 to 9 of this circular;

(b) the memorandum and articles of association of the Company;

(c) this circular;

(d) the Construction Contract;

(e) all the material contracts referred to in the paragraph 5 headed "Material Contracts" in this Appendix II;

(f) all the service contracts referred to in the paragraph 4 headed "Service Contracts" in this Appendix II;

(g) the annual reports of the Company for each of the two years ended 31 December 2007 and 2008;

(h) circular issued by the Company dated 15 January 2009; and

(i) circular issued by the Company dated 10 March 2009.