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.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

Luenthai

LUEN THAI HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 311)

CONNECTED AND MAJOR TRANSACTION TERMINATION OF OPTIONS

Independent Financial Adviser to the Independent Board Committee and Independent Shareholders

博大資本國際有限公司
Partners Capital International Limited

A letter from the Board is set out on pages 4 to 9 and a letter from the Independent Board Committee is set out on page 10 of this circular. A letter from the Independent Financial Adviser containing its advice and recommendations to the Independent Board Committee and the Independent Shareholders is set out on pages 11 to 16 of this circular.

14 June 2010

CONTENTS

Page

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

"Board"	the board of Directors of the Company;
"Call Option"	a call option granted by Mr. Fleischer to Fortune Investment under the Second Option Deed, in respect of the purchase of a 40% interest in On Time;
"Company"	Luen Thai Holdings Limited, the shares of which are listed on the Stock Exchange;
"Connected Person"	shall have the meaning as ascribed to it under the Listing Rules;
"Directors"	directors of the Company for the time being;
"First Option Deed"	an option deed dated 10 March 2006 entered into between Mr. Fleischer and Fortune Investment in relation to an option to purchase a 10% interest in On Time;
"First Put Option"	a put option granted by Fortune Investment to Mr. Fleischer under the Second Option Deed, in respect of the sale of a 20% interest in On Time;
"Fortune Investment"	Fortune Investment Overseas Limited, a company incorporated under the laws of the British Virgin Islands and a wholly-owned subsidiary of the Company;
"Group"	the Company and its subsidiaries;
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong;
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China;
"Independent Board Committee"	the independent board committee of the Company comprising Chan Henry, Cheung Siu Kee and Seing Nea Yie, being all the independent non-executive Directors;
"Independent Financial Adviser"	Partners Capital International Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in relation to the Termination Agreement and the transactions contemplated thereunder;

"Independent Shareholders"	shareholders of the Company who are not required to abstain from voting on the entering into of the Termination Agreement and the transactions contemplated thereunder;
"Latest Practicable Date"	10 June 2010, 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;
"Mr. Fleischer"	Mr. Frank Fleischer;
"On Time"	On Time International Limited, a private company incorporated under the laws of the British Virgin Islands and a 60% owned subsidiary of the Company;
"On Time Group"	On Time and its subsidiaries;
"On Time Shares"	shares of US$1.00 each in the capital of On Time;
"Percentage Ratios"	shall have the meaning ascribed to it under Chapter 14 of the Listing Rules;
"Sale and Purchase Agreement"	a sale and purchase agreement dated 10 March 2006 entered into between Mr. Fleischer, Fortune Investment and Luen Thai Overseas Limited (as guarantor);
"Second Option Deed"	an option deed dated 10 March 2006 entered into between Mr. Fleischer and Fortune Investment in relation to the Call Option, the First Put Option and the Second Put Option;
"Second Put Option"	a put option granted by Fortune Investment to Mr. Fleischer under the Second Option Deed, in respect of the sale of a 20% interest in On Time;
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
"Shareholder(s)"	the shareholder(s) of the Company;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;

"Termination Agreement"	a termination agreement dated 24 May 2010 entered into between Fortune Investment and Mr. Fleischer in relation to the termination of the Second Option Deed (including without limitation the termination and cancellation of the Call Option, the First Put Option and the Second Put Option granted under the Second Option Deed); and
"US$"	United States dollars, the lawful currency of the United States of America.

Unless otherwise specified, the conversion of US$ into Hong Kong dollars is based on the exchange rate of US$1 = HK$7.75. The conversion is for the purpose of illustration only and does not constitute a representation that the amounts in question have been, could have been or could be converted at the above rates or any rates at all.

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
Mr. Lu Chin Chu

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

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

14 June 2010

To the Shareholders

Dear Sir or Madam,

CONNECTED AND MAJOR TRANSACTION TERMINATION OF OPTIONS

INTRODUCTION

References are made to the announcements of the Company dated 16 March 2006 and 4 April 2007 in relation to, among other things, the acquisition of a 50% interest and a further 10% interest in the issued and fully paid share capital of On Time by Fortune Investment, a wholly-owned subsidiary of the Company, from Mr. Fleischer pursuant to the Sale and Purchase Agreement and the First Option Deed, respectively. Since the completion of the First Option Deed, On Time has been owned as to 60% by Fortune Investment and as to 40% by Mr. Fleischer.

On 10 March 2006, being the date of the execution of the Sale and Purchase Agreement and the First Option Deed, Fortune Investment also entered into the Second Option Deed with Mr. Fleischer in respect of the remaining 40% interest in the issued share capital of On Time. Pursuant to the Second Option Deed, (a) Mr. Fleischer had granted the Call Option to Fortune Investment in respect of Mr. Fleischer's holding of such number of On Time Shares representing 40% of the issued share capital of On Time from time to time; and (b) Fortune Investment had granted the First Put Option and the Second Put Option to Mr. Fleischer each in respect of Mr. Fleischer's holding of such number of On Time Shares representing 20% of the issued share capital of On Time from time to time. As at the Latest Practicable Date, the Call Option, the First Put Option and the Second Put Option under the Second Option Deed have not been exercised.

The exercise price of each of the Call Option, the First Put Option and the Second Put Option, negotiated on an arm's length basis between Fortune Investment and Mr. Fleischer, shall be the multiple of the following, pro-rated for the percentage interest being acquired:

(a) the average of the consolidated net profit after tax of On Time for the two financial years immediately preceding the exercise of such option; and

(b) a price-earnings multiple of 5.5 of On Time (which was within the prevailing industry average of 5–7 times at the relevant time).

If the Call Option or both the First Put Option and the Second Put Option were exercised on the date of the Termination Agreement to acquire the remaining 40% interest in the issued share capital of On Time, the consideration for acquisition of such 40% interest in On Time as determined in accordance with the Second Option Deed amounted to approximately US$42,111,000 (equivalent to approximately HK$326,360,000).

For further details of the terms of each of the Sale and Purchase Agreement, the First Option Deed and the Second Option Deed, please refer to the announcement of the Company dated 16 March 2006.

As disclosed in the announcement of the Company dated 24 May 2010, Fortune Investment entered into the Termination Agreement with Mr. Fleischer to effect the termination of the Second Option Deed on the terms and conditions set out therein pursuant to which Fortune Investment effectively disposed of the Call Option in consideration of Mr. Fleischer agreeing to terminate the First Put Option and the Second Put Option.

The purpose of this circular is to provide you with details regarding the Termination Agreement and the transactions contemplated thereunder.

TERMINATION AGREEMENT

Details of the Termination Agreement are as follows:

Date

24 May 2010

Parties

(a) Fortune Investment; and

(b) Mr. Fleischer

Principal Terms

Pursuant to the Termination Agreement, Fortune Investment and Mr. Fleischer mutually agreed that the Second Option Deed, including without limitation the Call Option, the First Put Option and the Second Put Option granted thereunder be terminated and cancelled with immediate effect from the date of the fulfilment of the condition set out below and shall since that date become null and void and have no effect whatsoever.

Termination of the Second Option Deed is conditional upon the Company, being the indirect holding company of Fortune Investment, fully satisfied all applicable legal and regulatory requirements (including under the Listing Rules) in connection with the consummation of the transactions contemplated thereunder, including the obtaining of the relevant approval(s) from the relevant shareholders of the Company in accordance with the Listing Rules. Fortune Investment has undertaken to procure the fulfilment of such condition by 31 July 2010.

Subject to the Termination Agreement becoming unconditional, Fortune Investment and Mr. Fleischer mutually agreed to release each other from the obligations contained in or in connection with the Second Option Deed and shall have no claims, demands or other rights whatsoever against each other thereunder or relating thereto and in respect of the termination thereof in accordance with the Termination Agreement.

INFORMATION ON ON TIME

As at the Latest Practicable Date, On Time is a private company duly incorporated under the laws of the British Virgin Islands on 13 February 2006 having an authorised share capital of US$50,000 divided into 50,000 On Time Shares, 500 of which have been issued and are fully paid up. Out of the 500 issued On Time Shares, 250 On Time Shares (representing 50% of the entire issued capital of On Time) had been sold by Mr. Fleischer to Fortune Investment pursuant to the Sale and Purchase Agreement and 50 shares (representing 10% of the entire issued capital of On Time) had been sold to Fortune Investment pursuant to the First Option Deed. The remaining 200 issued On Time Shares (representing 40% of the entire issued capital of On Time) are held by Mr. Fleischer. The On Time Group is principally engaged in the design, sourcing and distribution on a worldwide basis of garments and other textile products. The business of the On Time Group, headquartered in Hong Kong with offices in the Asia Pacific region, has been in existence since as early as the 1990s.

The unaudited consolidated net asset value of the On Time Group as at 31 December 2009 amounted to approximately US$15,923,000 (equivalent to approximately HK$123,403,000). For the year ended 31 December 2008, the audited consolidated profit before and after taxation of the On Time Group amounted to approximately US$23,998,000 (equivalent to approximately HK$185,985,000) and US$20,864,000 (equivalent to approximately HK$161,696,000), respectively. For the year ended 31 December 2009, the unaudited consolidated profit before and after taxation of the On Time Group amounted to approximately US$16,822,000 (equivalent to approximately HK$130,371,000) and US$17,419,000 (equivalent to approximately HK$134,997,000), respectively.

INFORMATION ON MR. FLEISCHER

Mr. Fleischer, introduced to the Company through business acquaintances, has more than 25 years of experience in the wholesale trade and apparel business, and is the founder of the On Time Group. Subsequent to the completion of the Sale and Purchase Agreement, Mr. Fleischer continued to take a key role in the management of the On Time Group as its chief executive officer, and will remain to be so after the termination of the Second Option Deed and the transactions contemplated thereunder.

REASONS FOR THE TRANSACTION

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

The Board believes that the Group has developed a close and satisfactory working relationship with Mr. Fleischer after years of joint venture cooperation with Mr. Fleischer in the management of On Time. The Directors are of the view that under the current shareholding structure of On Time, Mr. Fleischer will continue to work closely with the Group's management team to ensure and maintain a stable management structure of the On Time Group. On the basis of the foregoing, Fortune Investment and Mr. Fleischer decided to maintain the existing joint venture model of On Time in the long run and thus, entered into the Termination Agreement to terminate and cancel the Second Option Deed, including without limitation the Call Option, the First Put Option and the Second Put Option granted thereunder.

The Directors (including the independent non-executive Directors) consider that the terms of the Termination Agreement and the transactions contemplated thereunder (including without limitation the termination and cancellation of the Call Option, the First Put Option and the Second Put Option granted under the Second Option Deed) were negotiated on an arm's length basis and made on normal commercial terms, and that the terms of the Termination Agreement are fair and reasonable and in the interests of the Group and the Company's shareholders as a whole. None of the Directors has any material interest in the transactions contemplated under the Termination Agreement.

FINANCIAL EFFECTS ON THE GROUP

Upon completion of the Termination Agreement, the Group will continue to own 60% interest in the On Time Group and the turnover, assets and liabilities of the On Time Group will continue to be consolidated with that of the Group. As no cashflow will be involved in the termination and cancellation of the Call Option, the First Put Option and the Second Put Option, the Board does not expect that such transactions will have any direct cashflow impact on the Group. The derecognition of the financial liabilities in relation to the First Put Option and the Second Put Option will increase the Group's net asset value.

FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Board believes that the entering into of the Termination Agreement and the transactions contemplated thereunder will not have any direct impact on the financial and trading prospect of the Group. However, as mentioned in the paragraph headed "Reasons for the transaction" above, the transactions contemplated under the Termination Agreement will help to ensure and maintain a stable management structure of the On Time Group, and on such basis, the Board believes that such transactions will enhance the trading prospect of the On Time Group and thus, the Group's prospects in the long run.

LISTING RULES IMPLICATIONS

Mr. Fleischer is a substantial shareholder of On Time, a 60% owned subsidiary of the Company. Therefore, Mr. Fleischer is a Connected Person of the Company, and the entering into of the Termination Agreement constitutes a connected transaction for the Company pursuant to Chapter 14A of the Listing Rules. As each of the applicable Percentage Ratios for the transactions contemplated under the Termination Agreement exceeds 2.5%, such transactions are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The entering into of the Termination Agreement also constitutes a major transaction for the Company under Chapter 14 of the Listing Rules. It is therefore also subject to the requirements of announcement, circular and shareholders' approval under Chapter 14 of the Listing Rules.

As no shareholder of the Company is required to abstain from voting at the general meeting for the approval of the Termination Agreement and the transactions contemplated thereunder (including without limitation the termination and cancellation of the Call Option, the First Put Option and the Second Put Option granted under the Second Option Deed), and the Company has obtained an irrevocable and unconditional written approval dated 24 May 2010 from Capital Glory Limited, the controlling shareholder of the Company holding 614,250,000 shares of the Company (representing approximately 61.88% of all shareholders' voting rights) as at the Latest Practicable Date, having the right to attend and vote at the Company's general meeting if the Company were to convene a general meeting to approve the Termination Agreement and the transactions contemplated thereunder (including without limitation the termination and cancellation of the Call Option, the First Put Option and the Second Put Option granted under the Second Option Deed) the shareholders' approval requirement under Rule 14.44 of the Listing Rules is deemed to have been fulfilled. The Company has also applied to the Stock Exchange for and has been granted acceptance of such written approval in lieu of holding a general meeting pursuant to Rule 14A.43 of the Listing Rules. Accordingly no general meeting of the Company will be convened for the approval of the Termination Agreement and the transactions contemplated thereunder.

RECOMMENDATION

The Independent Board Committee, whose members do not have any material interest in the transactions as contemplated under the Termination Agreement has been formed to advise the Independent Shareholders on the terms of the Termination Agreement and the transactions contemplated thereunder. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders as to whether the Termination Agreement and the transactions contemplated thereunder were made on normal commercial terms, and whether the terms of such transactions are fair and reasonable and in the interests of the Group and the Shareholders as a whole.

The Independent Financial Adviser considers that the Termination Agreement and the transactions contemplated thereunder are on normal commercial terms, and the terms of such transactions are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Group and the Shareholders as a whole. The text of the letter of advice from the Independent Financial Adviser is set out on pages 11 to 16 of this circular.

The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, considers that the terms of the Termination Agreement and the transactions contemplated thereunder were negotiated on an arm's length basis, made on normal commercial terms, and the terms of such transactions 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 convened for the purpose of considering and, if thought fit, approving the Termination Agreement and the transactions thereunder, the Independent Board Committee would recommend the Independent Shareholders to vote in favour of the resolution(s) in this regard. The full text of the letter from the Independent Board Committee is set out on page 10 of this circular.

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

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

LUEN THAI HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 311)

14 June 2010

To the Independent Shareholders

Dear Sir or Madam,

CONNECTED AND MAJOR TRANSACTION
TERMINATION OF OPTIONS

We refer to the circular of the Company dated 14 June 2010 (the "Circular") to its shareholders, of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

We have been appointed by the Board as members of the Independent Board Committee to give a recommendation to the Independent Shareholders in respect of the terms of the Termination Agreement and the transactions contemplated thereunder, details of which are set out in the letter from the Board set out on pages 4 to 9 of this Circular.

Having considered the terms of the Termination Agreement and the transactions contemplated thereunder, and the advice of the Independent Financial Adviser in relation thereto as set out on pages 11 to 16 of the Circular, the Independent Board Committee considers that the terms of the Termination Agreement and the transactions contemplated thereunder (including without limitation the termination and cancellation of the Call Option, the First Put Option and the Second Put Option granted under the Second Option Deed) were negotiated on an arm's length basis, made on normal commercial terms, and the terms of such transactions 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 convened for the purpose of considering and, if thought fit, approving the Termination Agreement and the transactions thereunder (including without limitation the termination and cancellation of the Call Option, the First Put Option and the Second Put Option granted under the Second Option Deed), the Independent Board Committee would recommend the Independent Shareholders to vote in favour of the resolution(s) in this regard.

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

Chan Henry **Cheung Siu Kee** **Seing Nea Yie**

Independent Non-Executive Directors

The following is the text of a letter to the Independent Board Committee and the Independent Shareholders from Partners Capital in respect of the Termination Agreement prepared for the purpose of incorporation in this circular.

博大資本國際有限公司
Partners Capital International Limited

Unit 3906, 39/F, COSCO Tower
183 Queen's Road Central
Hong Kong

14 June 2010

To the Independent Board Committee
and the Independent Shareholders

Dear Sirs,

MAJOR AND CONNECTED TRANSACTION

INTRODUCTION

We refer to our engagement to advise the Independent Board Committee and the Independent Shareholders in respect of the transaction contemplated under the Termination Agreement, particulars of which are set out in a circular to the shareholders of the Company (the "Shareholders") dated 14 June 2010 (the "Circular"), in which this letter is reproduced. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as ascribed to them under the section headed "Definitions" in the Circular.

As set out in the letter from the Board contained in the Circular (the "Letter from the Board"), the Company announced on 24 May 2010, among others, that Fortune Investment entered into the Termination Agreement with Mr. Fleischer to effect the termination of the Second Option Deed. Mr. Fleischer is a substantial shareholder of On Time which is in turn a 60%-owned subsidiary of the Company. Therefore, Mr. Fleischer is a Connected Person of the Company and the entering into of the Termination Agreement constitutes a major and connected transaction for the Company according to the applicable Percentage Ratios under Chapter 14A of the Listing Rules, and is therefore subject to the disclosure requirements and Independent Shareholders' approval.

In formulating our opinion, we have relied on the accuracy of the information and representations contained in the Circular and have assumed that all information and representations made or referred to in the Circular as provided by the Directors and management of the Company were true at the time they were made and continue to be true as at the date of the Circular. We have also relied on our discussion with the Directors and management of the Company regarding the Group, On Time Group and the Termination Agreement, including the information and representations contained in the Circular. We have also assumed that all statements of belief, opinion and intention made by the Directors and management of the Company respectively in the Circular were reasonably made after due enquiry. We have no reason to suspect that any material facts have been omitted or withheld from the information contained or opinions expressed in the Circular nor to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and management of the Company. We have not, however, conducted an independent in-depth investigation into the business and affairs of the Group and On Time Group nor have we carried out any independent verification of the information supplied to us.

PRINCIPAL FACTORS CONSIDERED

In arriving at our opinion regarding the Termination Agreement, we have considered the following principal factors and reasons:

1. Brief review of On Time Group

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

As established in the 1990s and headquartered in Hong Kong with offices in the Asia Pacific region, On Time Group is principally engaged in the design, sourcing and distribution on a worldwide basis of garments and other textile products. Mr. Fleischer, the founder of On Time Group, has accumulated more than 25 years of experience in the wholesale trade and apparel business with knowledge of production capabilities of garment manufacturers in the Asia Pacific regions as well as with sense of understanding of fashion trends and customer need. Mr. Fleischer has assumed a key role in the management as the chief executive officer of On Time Group and leads a team of over 500 staff. A design team of On Time Group is located at the Group's production premises in Dongguan, the PRC.

The Group's investment in On Time Group could be traced back to March 2006 when the Group acquired its 50% equity interest and subsequently an additional 10% equity interest in April 2007.

The financial results of On Time Group have been consolidated under acquisition method in the financial information of the Group since September 2006 when the call option related to the additional 10% equity interest became exercisable. Based on the information provided by management, we summarised below the consolidated financial performance and position of On Time Group for two years ended 31 December 2008 and 2009:

Expressed in US$'million

	For the year ended 31 December	
	2008	**2009**
	(Audited)	**(Unaudited)**
Net profit after taxation	20.9	17.4
Profit attributable to the Group (60%)	12.5	10.4
Total assets		40.9
Total liabilities		(25.0)
Consolidated net asset value as at 31 December		15.9

Based on the sales analysis of On Time Group for the year ended 31 December 2009, its single largest customer was a listed garment retail chainstore operator. Post-tax profit of On Time Group attributable to the Group of US$10.4 million (equivalent to approximately HK$80.6 million) accounted for approximately 68% of the Group's post-tax profit attributable to equity holders of the Company of US$15.2 million (equivalent to approximately HK$117.8 million) for the year ended 31 December 2009, whilst the net asset as at 31 December 2009 of On Time Group of US$15.9 million (equivalent to approximately HK$123.3 million) accounted for approximately 6.2% of the Group's net asset as at 31 December 2009 of US$256.2 million (equivalent to approximately HK$1,985.6 million). It is the business model of On Time Group to out-source garment production process such that its net asset value and investment in garment equipment are not significant.

As compared to the post-tax profitability of On Time Group of US$6.4 million for the year ended 31 December 2006 prior to the Group's investment, On Time Group demonstrated a remarkable profit growth and achieved over US$17 million post-tax profit in each of the years ended 31 December 2008 and 2009. Having regard to its post-tax profit of US$17.4 million for the year ended 31 December 2009, On Time Group is considered as a significant profit contribution segment to the Group given the latter's audited post-tax profit of US$19 million for the same year.

2. Background and reasons for entering into the Termination Agreement

On Time is held as to 40% by Mr. Fleischer. Save and except for the fact that Mr. Fleischer was appointed as the chief executive officer and director of On Time Group, Mr. Fleischer did not have any other management role nor board presence in the Group. Mr. Fleischer is, as defined by the Listing Rules, a connected person of the Company pursuant to his 40% interest in On Time.

The Group indirectly held 60% equity interest in On Time Group since April 2007. The Board believes that the Group has developed a close and satisfactory working relationship with Mr. Fleischer after years of joint venture cooperation in the management of On Time. We were advised that major role of Mr. Fleischer in On Time Group was to procure and create garment design whilst that of the Group was to support business expansion of On Time Group based on the Group's international clientele network. We consider that garment design capability (from Mr. Fleischer and the team under his supervision) and potential client database (from the Group) are equally important to the future development in On Time in general. The Directors are of the view that the current 60:40 shareholding structure in On Time generally reflects the mode of cooperation and degree of contribution in business development. We therefore consider the sustainability of the profitability and business of On Time Group depends on contributions from both parties. Mr. Fleischer will continue to work closely with the Group's management team to ensure and maintain a stable management structure of On Time Group.

On the basis of the foregoing, we concur with the Board that the Termination Agreement would maintain the existing joint venture model of On Time in the long run and thus, entered into the Termination Agreement to terminate and cancel the Second Option Deed, including without limitation the Call Option, the First Put Option and the Second Put Option granted thereunder, is commercially justifiable.

3. Termination of the Options

Pursuant to the Termination Agreement, the Call Option, First Put Option and the Second Option shall be terminated immediately upon completion.

If the Second Option Deed is not terminated, the Group is entitled a call option to acquire the remaining 40% equity interest in On Time from Mr. Fleischer prior to 9 March 2016, whilst Mr. Fleischer is also entitled a put option to dispose of the remaining 40% equity interest in On Time by two stages to the Group. According to the Second Option Deed, the price payable by the Group under the options for the remaining 40% equity interest was agreed as the multiple of:

(i) the pro-rated for the percentage interest being acquired;

(ii) the average of the consolidated net profit after tax of On Time Group for the two financial years immediately preceding the exercise of the option; and

(iii) a price-earnings multiple of 5.5 times.

The price payable for the Group to acquire further equity interest in On Time Group under the Second Option Deed is, prima facie, favourable to the Group given the price-earnings multiple of 5.5 times. However, we further contemplated that any change of shareholding structure of On Time may jeopardize the sustainability of its performance and profitability.

Having considered that (i) On Time Group has demonstrated a solid track record and remarkable growth of profit in the past few years under the 60:40 shareholding structure of On Time and the mode of cooperation between Mr. Fleischer and the Group; (ii) On Time Group was a significant profit contributor amongst other business segments of the Group and (iii) the Termination Agreement consolidates the current shareholding structure and working relationship between Mr. Fleischer and the Group whilst at the same time extinguishes the uncertainty of possible change in shareholding structure which may result in jeopardizing sustainability of future performance and profitability of On Time, we concur with the Board that the entering into of the Termination Agreement is in the interest of the Company and is fair and reasonable so far as the Independent Shareholders are concerned.

4. Financial effects of the Termination Agreement

Upon completion of the Termination Agreement, the Group will continue to own 60% entire interest in On Time Group and its entire turnover, assets and liabilities will continue to be consolidated with the Group.

Assuming the completion of the Termination Agreement was on 31 December 2009 and the fair value of the options under the Second Option Deed remained unchanged, it is expected that the Termination Agreement will not have bring any effect to the earnings of the Group. The Termination Agreement will neither bring any cashflow effect to the Group.

Based on the information provided by management, the liability component of the First Put Option and the Second Put Option under the Second Option Deed amounting to US$28.4 million was recorded as at 31 December 2009 whilst the Call Option was not recorded with any value as at 31 December 2009. Assuming the completion of the Termination Agreement was on 31 December 2009, the liability component of US$28.4 million amount will be transferred to and recorded as reserve of the Group. The Termination Agreement will therefore bring a positive impact to the consolidated net asset position of the Group.

Based on the above and assuming the Termination Agreement was completed on 31 December 2009, it would not have any impact on the Group's earnings and cashflow but a positive effect on the Group's net asset value. We are of the view that the entering into of the Termination Agreement is in the interests of the Company and the Shareholders as a whole.

RECOMMENDATION

Having considered the principal factors and reasons as set out above, we are of the opinion that the terms of the Termination Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and the entering into of the Termination Agreement is in the interests of the Company and the Shareholders as a whole. We consider the Termination Agreement is in the ordinary and usual course of the business of the Group. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to, and we recommend the Independent Shareholders to, vote in favour of the ordinary resolution to approve the Termination Agreement if a general meeting of the Shareholders were to be held in this regard.

Yours faithfully,
For and on behalf of
Partners Capital International Limited
Alan Fung
Managing 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 2007, 2008 and 2009 as extracted from the relevant annual report of the Company for the respective years.

Summary Consolidated Results

	For the year ended 31 December		
	2007	**2008**	**2009**
	US$'000	*US$'000*	*US$'000*
Revenue	800,877	832,002	774,892
Operating profit	23,995	23,112	19,418
Finance income	3,601	2,087	4,982
Finance costs	(4,670)	(4,609)	(3,225)
Profit before income tax	24,613	21,960	21,531
Income tax (expense)/credit	(4,208)	1,213	(2,524)
Profit for the year	20,405	23,173	19,007
Minority interest	(7,890)	(11,344)	(3,787)
Profit attributable to the equity holders of the Company	12,515	11,829	15,220

Summary Consolidated Assets, Liabilities and Equity

	As at 31 December		
	2007	**2008**	**2009**
	US$'000	*US$'000*	*US$'000*
Total assets	457,124	541,796	525,263
Total liabilities	227,044	295,336	269,087
Capital and reserves attributable to the equity holders of the Company	220,286	221,562	234,355
Minority interest	9,794	24,898	21,821
Total equity	230,080	246,460	256,176

2. AUDITED FINANCIAL STATEMENTS OF THE GROUP FOR THE YEAR ENDED 31 DECEMBER 2009

Consolidated Balance Sheet
As at 31 December 2009

	Note	2009 US$'000	2008 US$'000
ASSETS			
Non-current assets			
Leasehold land and land use rights	6	8,868	10,644
Property, plant and equipment	7	104,970	117,679
Intangible assets	8	67,002	68,870
Interests in associated companies	10	372	377
Interests in jointly controlled entities	11	9,813	9,531
Deferred income tax assets	12	991	230
Other non-current assets		4,346	4,955
Total non-current assets		196,362	212,286
Current assets			
Inventories	13	62,341	76,208
Properties under development	14	20,758	—
Trade and bills receivables	15	110,001	108,351
Amounts due from related companies	35	2,702	4,143
Amounts due from associated companies and jointly controlled entities	35	5,192	1,584
Deposits, prepayments and other receivables		18,423	19,876
Prepaid tax		370	—
Pledged bank deposit	16	1,564	1,509
Cash and bank balances	16	107,550	117,839
Total current assets		328,901	329,510
Total assets		525,263	541,796

	Note	2009 US$'000	2008 US$'000
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	17	9,925	9,925
Other reserves	18	102,110	101,340
Retained earnings			
— Proposed final dividend		2,343	1,439
— Others		119,977	108,858
		234,355	221,562
Minority interest		21,821	24,898
Total equity		256,176	246,460
LIABILITIES			
Non-current liabilities			
Bank borrowings	19	27,071	33,259
Loan from a minority shareholder of a subsidiary	35	3,097	3,097
Retirement benefit obligations	20	2,841	2,431
Deferred income tax liabilities	12	6,781	5,075
Consideration payable and financial liabilities	21	31,259	33,959
Total non-current liabilities		71,049	77,821
Current liabilities			
Trade and bills payables	22	50,242	66,196
Other payables and accruals		87,364	81,039
Amounts due to related companies	35	1,309	817
Amounts due to associated companies and jointly controlled entities	35	4,340	3,953
Borrowings	19	39,945	50,281
Derivative financial instruments	23	22	2,199
Current income tax liabilities		14,816	13,030
Total current liabilities		198,038	217,515
Total liabilities		269,087	295,336
Total equity and liabilities		525,263	541,796
Net current assets		130,863	111,995
Total assets less current liabilities		327,225	324,281

Balance Sheet
As at 31 December 2009

	Note	2009 US$'000	2008 US$'000
ASSETS			
Non-current assets			
Investments in subsidiaries	9	201,326	200,326
Current assets			
Prepayments		—	1
Cash and bank balances	16	429	435
Amount due from a subsidiary	9	3,000	2,500
		3,429	2,936
Total assets		204,755	203,262
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	17	9,925	9,925
Other reserves	18	190,292	190,089
Retained earnings			
— Proposed final dividend		2,343	1,439
— Others		1,796	1,492
Total equity		204,356	202,945
LIABILITIES			
Current liabilities			
Other payables and accruals		399	317
Total equity and liabilities		204,755	203,262
Net current assets		3,030	2,619
Total assets less current liabilities		204,356	202,945

Consolidated Income Statement
For the year ended 31 December 2009

	Note	2009 US$'000	2008 US$'000
Revenue	5	774,892	832,002
Cost of sales	25	(631,872)	(677,713)
Gross profit		143,020	154,289
Other gains — net	24	3,433	2,713
Selling and distribution expenses	25	(13,670)	(23,306)
General and administrative expenses	25	(113,365)	(110,584)
Operating profit		19,418	23,112
Finance income	27	4,982	2,087
Finance costs	27	(3,225)	(4,609)
Finance income/(costs) — net	27	1,757	(2,522)
Share of losses of associated companies		(15)	(16)
Share of profits of jointly controlled entities		371	1,386
Profit before income tax		21,531	21,960
Income tax (expense)/credit	28	(2,524)	1,213
Profit for the year		19,007	23,173
Attributable to:			
Equity holders of the Company		15,220	11,829
Minority interest		3,787	11,344
		19,007	23,173
Earnings per share for profit attributable to the equity holders of the Company, expressed in US cents per share	30		
— Basic		1.5	1.2
— Diluted		1.5	1.2
Dividends	31	4,566	3,553

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2009

	2009	2008
	US$'000	*US$'000*
Profit for the year	19,007	23,173
Other comprehensive income:		
Currency translation differences	(280)	3,985
Total comprehensive income for the year	18,727	27,158
Total comprehensive income attributable to:		
Equity holders of the Company	14,848	15,814
Minority interest	3,879	11,344
	18,727	27,158

Consolidated Statement of Changes in Equity

For the year ended 31 December 2009

	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 2008	9,925	116,998	(8,946)	102,309	220,286	9,794	230,080
Profit for the year	—	—	—	11,829	11,829	11,344	23,173
Other comprehensive income:							
Currency translation differences	—	—	3,985	—	3,985	—	3,985
Total comprehensive income for the year ended 31 December 2008	—	—	3,985	11,829	15,814	11,344	27,158
Transactions with owners:							
Recognition of financial liability arising from acquisition of a subsidiary	—	—	(11,122)	—	(11,122)	—	(11,122)
Acquisition of subsidiaries	—	—	—	—	—	12,566	12,566
Dividends paid	—	—	—	(3,841)	(3,841)	—	(3,841)
Dividends paid to minority shareholders of subsidiaries	—	—	—	—	—	(8,806)	(8,806)
Share based payment	—	—	425	—	425	—	425
Total transactions with owners for the year ended 31 December 2008	—	—	(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

	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 2009	9,925	116,998	(15,658)	110,297	221,562	24,898	246,460
Profit for the year	—	—	—	15,220	15,220	3,787	19,007
Other comprehensive income:							
Currency translation differences	—	—	(372)	—	(372)	92	(280)
Total comprehensive income for the year ended 31 December 2009	—	—	(372)	15,220	14,848	3,879	18,727
Transactions with owners:							
Acquisition of a subsidiary and purchase of additional equity interests in a subsidiary from a minority shareholder *(Note 8(iv))*	—	—	—	—	—	(756)	(756)
Derecognition of financial liabilities upon acquisition of minority interest *(Note 8(iv))*	—	—	939	465	1,404	—	1,404
Dividends paid	—	—	—	(3,662)	(3,662)	—	(3,662)
Dividends paid to minority shareholders of subsidiaries	—	—	—	—	—	(6,200)	(6,200)
Share based payment	—	—	203	—	203	—	203
Total transactions with owners for the year ended 31 December 2009	—	—	1,142	(3,197)	(2,055)	(6,956)	(9,011)
Balance at 31 December 2009	9,925	116,998	(14,888)	122,320	234,355	21,821	256,176

Consolidated Cash Flow Statement
For the year ended 31 December 2009

	Note	2009 US$'000	2008 US$'000
Cash flow from operating activities			
Cash generated from operations	32	29,000	66,659
Interest paid		(2,046)	(2,698)
Income tax paid		(2,713)	(2,254)
Net cash generated from operating activities		24,241	61,707
Cash flow from investing activities			
Purchase of property, plant and equipment		(9,340)	(10,400)
Increase in bank deposits maturing beyond three months		(8,969)	(3,593)
(Increase)/decrease in pledged bank deposits		(55)	10
Proceeds from disposal of property, plant and equipment		1,397	1,321
Acquisition of a subsidiary, net of cash acquired	33	977	(13,130)
Payment for purchase of additional equity interests in subsidiaries from minority shareholders		(421)	—
Payment of consideration payable for acquisition of a subsidiary		(1,592)	(14,908)
Increase in investment in jointly controlled entities		(26)	(227)
Increase in long-term loans to a jointly controlled entity		—	(1,173)
Interest received		940	2,087
Decrease/(increase) in other non-current assets		609	(660)
Net cash used in investing activities		(16,480)	(40,673)
Net cash generated before financing activities		7,761	21,034
Cash flows from financing activities			
(Decrease)/increase in trust receipts bank loans and collateralized borrowings		(4,157)	3,355
Increase in long-term bank loans		—	7,359
Repayment of long-term bank loans		(8,233)	(4,500)
Dividends paid to the Company's shareholders		(3,662)	(3,841)
Dividends paid to minority shareholders of subsidiaries		(6,200)	(8,806)
Net cash used in financing activities		(22,252)	(6,433)
(Decrease)/increase in cash and cash equivalents		(14,491)	14,601
Cash and cash equivalents at 1 January		106,489	90,805
Effect of foreign exchange rate changes		(633)	1,083
Cash and cash equivalents at 31 December	16	91,365	106,489

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 apparels and accessories and the provision of freight forwarding and logistics services and also the real estate development. The Group has manufacturing plants in Mainland China and the Philippines.

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 United States dollars (US$), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 16 April 2010.

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 the two years presented, unless otherwise stated.

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) which are stated 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) New and amended standards adopted by the Group

The Group has adopted the following new and amended HKFRSs as at 1 January 2009:

- HKAS 1 (revised) 'Presentation of financial statements' (effective 1 January 2009). The revised standard requires the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the consolidated statement of comprehensive income and the consolidated statement of changes in equity. As a result, the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share or on the Group's or Company's financial statements.

- HKAS 23 (Revised), 'Borrowing costs' (effective from 1 January 2009). In respect of borrowing costs relating to qualifying assets for which the commencement date for capitalization is on or after 1 January 2009, the Group capitalizes borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The Group previously recognized all borrowing costs as an expense immediately. This change in accounting policy was due to the adoption of HKAS 23 Borrowing costs (2007) in accordance with the transition provisions of the standard; comparative figures have not been restated. The change in accounting policy had no material impact on the Group's or Company's financial statements.

- HKFRS 2 (amendment) 'Share-based payment' (effective 1 January 2009) 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. These features would need to be included in the grant date fair value for transactions with employees and others providing similar services; they would not impact the number of awards expected to vest or valuation there of subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The Group has adopted HKFRS 2 (amendment) from 1 January 2009. The amendment does not have a material impact on the Group's or Company's financial statements.

- HKFRS 7 'Financial Instruments — Disclosures (amendment)' (effective 1 January 2009). The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. As the change in accounting policy only results in additional disclosures, there is no impact on earnings per share.

- HKFRS 8 'Operating segments' (effective 1 January 2009). HKFRS 8 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 the 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.

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

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2010 or later periods, but the Group has not early adopted them:

- HKAS 27 (revised) 'Consolidated and separate financial statements' (effective from 1 July 2009). The revised standard requires the effects of all transactions with minority interest 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 the consolidated income statement. The Group will apply HKAS 27 (revised) prospectively to transactions with minority interest from 1 January 2010.

- 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 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.

- HK(IFRIC) 17 'Distribution of non-cash assets to owners' (effective on or after 1 July 2009). The interpretation is part of the HKICPA's annual improvements project published in April/May 2009. This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. HKFRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable. The Group and company will apply HK(IFRIC) 17 from 1 January 2010. It is not expected to have a material impact on the Group's or Company's financial statements.

- HKAS 1 (amendment) 'Presentation of financial statements'. The amendment is part of the HKICPA's annual improvements project published in April/May 2009. The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. The Group and company will apply HKAS 1 (amendment) from 1 January 2010. It is not expected to have a material impact on the Group's or Company's financial statements.

- HKAS 38 (amendment) 'Intangible Assets' (effective from 1 July 2009). The amendment is part of the HKICPA's annual improvements project published in April/May 2009 and the Group and company will apply HKAS 38 (amendment) from the date HKFRS 3 (revised) is adopted. The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and it permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives. The amendment will not result in a material impact on the Group's or Company's financial statements.

- HKFRS 2 (amendments) 'Group cash-settled share-based payment transactions' (effective from 1 January 2010). In addition to incorporating HK(IFRIC) — Int 8 'Scope of HKFRS 2', and HK(IFRIC) — Int 11 'HKFRS 2 — Group and treasury share transactions', the amendments expand on the guidance in HK(IFRIC) — Int 11 to address the classification of Group arrangements that were not covered by the interpretation. The new guidance is not expected to have a material impact on the Group's financial statements.

- HKFRS 5 (amendment) 'Measurement of non-current assets (or disposal groups) classified as held for sale'. The amendment is part of the HKICPA's annual improvements project published in April/May 2009. The amendment provides clarification that HKFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirement of HKAS 1 still apply, particularly paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of HKAS 1. The Group and company will apply HKFRS 5 (amendment) from 1 January 2010. It is not expected to have a material impact on the Group's or Company's financial statements.

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 eliminated. 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 for by the Company on the basis of dividend received and receivable.

(b) Transactions with minority interest

The Group applies a policy of treating transactions with minority interest in connection of the equity interest in subsidiaries as transactions with parties external to the Group. Disposals to minority interest result in gains and losses for the Group and are recorded in the consolidated income statement. Purchases from minority interest 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 using 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 consolidated 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.

Dilution gains and losses arising on investments in associates are recognized in the income statement.

(d) Jointly controlled entities

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

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

2.3 Segment reporting

Operating segments are reported in a manner that is more consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Directors who make strategic decisions.

2.4 Foreign currency translation

(a) Functional and presentation currency

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

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated income statement within 'finance income or costs'. All other foreign exchange gains and losses are presented in the consolidated income statement within 'other gains/(losses) — net'.

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

(c) Group companies

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

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

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

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

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

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

2.5 Property, plant and equipment

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 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 and the costs of plant and machinery. 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. Goodwill on acquisitions of subsidiaries is included in 'intangible assets'. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

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

(b) Customer relationships

Contractual customer relationships acquired in a business combination are recognized at fair value at the acquisition date. The contractual customer relations have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method over the expected life of the customer relationship.

2.8 Leasehold land and land use right

Land use rights are stated at cost 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.

Impairment testing of the investments in subsidiaries or associates is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary or associate in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

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, loans and receivable and cash and cash equivalents (see Note 2.15 for the accounting policy of cash and cash equivalents). 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 categorized 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 (Note 2.14).

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 gains/(losses) — 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 is impaired.

2.11 Impairment of financial assets

(a) Assets carried at amortized cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganization;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

  (i) adverse changes in the payment status of borrowers in the portfolio;

  (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Group first assesses whether objective evidence of impairment exists

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the consolidated income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the consolidated income statement.

2.12 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.

2.13 Properties under development

Properties under development comprise cost of land use rights, development expenditure and borrowing costs capitalized. In the course of property development, the amortization charge of land use rights is included as part of the costs of the property under development. Properties under development included in the current assets are expected to be realized in, or is available for sale in the Group's normal operating cycle.

2.14 Trade, bills and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade, bills and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

2.15 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.

2.16 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

2.17 Trade and bills payable

Trade and bills payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

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

2.18 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.

2.19 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'.

2.20 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.

2.21 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is also recognized in other comprehensive income or directly in equity, respectively.

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 recognized 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.

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 assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.22 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 to publicly or privately administrated pension insurance plans on a mandatory, contractual or voluntary basis. 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 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) 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.

2.23 Share-based payments

The Group operates an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. 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 is determined by reference to the fair value of the options granted:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save).

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the entity revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. It recognizes the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The cash subscribed for the shares issued when the options are exercised is credited to share capital (nominal value) and share premium, net of any directly attributable transaction costs.

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognized over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

2.24 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.

2.25 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.

2.26 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 flows 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.

2.27 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.

2.28 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.

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. The board provides guidance for overall risk management.

(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 2009, if US$ had weakened/strengthened by 6% against the Euro with all other variables held constant, post-tax profit for the year would have been US$913,000 (2008: US$1,626,000) 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 2009, if US$ had weakened/strengthened by 4% against the RMB with all other variables held constant, post-tax profit for the year would have been US$100,000 (2008: US$131,000) 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 2009, if US$ had weakened/strengthened by 10% against the Peso with all other variables held constant, post-tax profit for the year would have been US$170,000 (2008: US$206,000) lower/higher, mainly as a result of foreign exchange gains/losses on translation of Peso-denominated trade payables and cash and bank balances.

(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 2009, 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 2009, 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$1,067,000 (2008: US$700,000) 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 consolidated 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.

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 2009, the Group had a concentration of credit risk given that the top 5 customers account for 60% (2008: 61%) 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 facilities (Note 19) and cash and cash equivalents (Note 16) on the basis of expected cash flows. Surplus cash held by Group entities over and above balances required for working capital management is invested in interest-bearing bank accounts and bank deposits with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts.

The table below analyses the Group's non-derivative financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the consolidated balance sheet to the contractual maturity date. Derivative financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Group					
At 31 December 2009					
Bank borrowings	41,167	7,036	14,857	7,113	70,173
Loan from a minority shareholder of a subsidiary	—	3,141	—	—	3,141
Trade and other payables	135,945	—	—	—	135,945
Amounts due to related companies	1,309	—	—	—	1,309
Amounts due to associated companies and jointly controlled entities	4,340	—	—	—	4,340
Derivative financial instruments	22	—	—	—	22
Consideration payable and financial liabilities	1,661	—	33,885	—	35,546
	184,444	10,177	48,742	7,113	250,476
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 financial liabilities	5,444	—	38,018	—	43,462
	204,543	8,884	56,118	12,313	281,858

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 consolidated balance sheet to the contractual maturity date.

	Less than 1 year US$'000	Between 1 and 2 years US$'000	Between 2 and 5 years US$'000	Over 5 years US$'000
At 31 December 2009				
Currency forward contracts	—	—	—	—
Outflow	—	—	—	—
Inflow	—	—	—	—
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	—	—	—

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.

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.

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

Effective 1 January 2009, the Group adopted the amendment to HKFRS 7 for financial instruments that are measured in the consolidated balance sheet at fair value, this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

- Inputs for the asset and liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The fair value of financial instruments that are not traded in an active market, which primarily represented the currency forward contracts, is determined by using valuation techniques using observable market data. The fair value measurement for such currency forward contracts are included in level 2.

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 five-years financial budgets approved by management and estimated terminal value at the end of the one to five-years period. 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:

	Sweaters	Casual and fashion apparel	Life-style apparel
Growth rate beyond the budget period	2.0%	2.0%	2.0%
Discount rate	15.0%	15.0%	15.5%

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

(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 17. Where the outcome of the number of options that are exercisable is different, such difference will impact the consolidated income statement in the subsequent remaining vested period of the relevant share options.

(h) 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 amount 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 would have been US$3,079,000 (2008: US$2,406,000) lower/higher, respectively, as a result of the increase/decrease of financial liabilities of US$3,079,000 (2008: US$2,406,000).

5 SEGMENT INFORMATION

The Group is principally engaged in the manufacturing and trading of apparels and accessories, the provision of freight forwarding and logistics services and also real estate development. Revenue consists of sales revenue from casual and fashion apparel, life-style apparel, sweaters, accessories, and income from the provision of freight forwarding and logistics services.

The executive directors have been identified as the chief operating decision maker. The executive directors have determined the operating segments based on the reports reviewed by them that are used to make strategic decisions.

Management considers the business from a product perspective whereby management assesses the performance of casual and fashion apparel, life-style apparel, sweaters, accessories, freight forwarding and logistics services and real estate.

The segment information provided to the Board of Directors for the reportable segments for the year ended 31 December 2009 is as follows:

	Casual and fashion apparel	**Life-style apparel**	**Sweaters**	**Accessories**	**Freight forwarding/ logistics services**	**Real estate**	**Total Group**
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Total segment revenue	350,696	197,730	128,888	108,606	13,621	—	799,541
Inter-segment revenue	(8,159)	(726)	(14,050)	(1,096)	(618)	—	(24,649)
Revenue (From external customers)	342,537	197,004	114,838	107,510	13,003	—	774,892
Segment profit/(loss) for the year	15,824	14,550	4,319	(7,394)	1,575	(2,134)	26,740
Profit/(loss) for the year includes:							
Depreciation and amortization	(11,721)	(2,520)	(927)	(3,947)	(873)	(236)	(20,224)
Share of losses of associated companies	—	—	—	—	(15)	—	(15)
Share of profits/(losses) of jointly controlled entities	506	—	(135)	—	—	—	371
Income tax (expense)/credit	(1,072)	828	(1,012)	(1,752)	484	—	(2,524)

The segment information provided to the Board of Directors for the reportable segments for the year ended 31 December 2008 is as follows:

	Casual and fashion apparel	Life-style apparel	Sweaters	Accessories	Freight forwarding/ logistics services	Total Group
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Total segment revenue	405,461	238,099	127,926	62,798	17,105	851,389
Inter-segment revenue	(2,567)	(363)	(15,207)	—	(1,250)	(19,387)
Revenue (From external customers)	402,894	237,736	112,719	62,798	15,855	832,002
Segment (loss)/profit for the year	(389)	26,170	4,923	1,022	466	32,192
(Loss)/profit for the year includes:						
Depreciation and amortization	(11,792)	(2,280)	(1,087)	(1,770)	(1,055)	(17,984)
Share of losses of associated companies	—	—	—	—	(16)	(16)
Share of profits/(losses) of jointly controlled entities	1,574	—	(188)	—	—	1,386
Income tax (expense)/credit	(780)	3,492	(1,129)	(253)	(117)	1,213

Revenues between segments are carried out in accordance with the terms mutually agreed between the respective parties. The revenue from external parties is derived from numerous external customers and the revenue reported to the management is measured in a manner consistent with that in the consolidated income statement. The management assesses the performance of the operating segments based on a measure of profit before corporate expenses, impairment losses of property, plant and equipment and change in estimates of financial liabilities and the amortized interest costs of the financial liabilities for the year.

A reconciliation of total segment profit to the profit for the year is provided as follows:

	2009	2008
	US$'000	*US$'000*
Segment profit for the year	26,740	32,192
Corporate expenses	(7,575)	(7,692)
Write-off/provision for impairment of property, plant and equipment	(3,646)	(719)
Change in estimates of financial liabilities — net	4,042	(567)
Interest expense on financial liabilities carried at amortized cost	(1,179)	(1,344)
Excess of the Group's interest in the fair values of identifiable net assets acquired over the cost of the acquisition *(Note 24)*	625	1,303
Profit for the year	19,007	23,173

Reportable segment's assets and liabilities are reconciled to total assets and liabilities as at 31 December 2009 and 31 December 2008 as follows:

	Casual and fashion apparel	Life-style apparel	Sweaters	Accessories	Freight forwarding/ logistics services	Real estate	Total Group
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
As at 31 December 2009							
Segment assets	231,614	81,058	54,390	86,252	29,370	31,033	513,717
Other segment assets							
Interests in associated companies	8	—	—	—	364	—	372
Interests in jointly controlled entities	9,813	—	—	—	—	—	9,813
	241,435	81,058	54,390	86,252	29,734	31,033	523,902
Unallocated:							
Deferred income tax assets							991
Prepaid tax							370
Total assets							525,263
As at 31 December 2008							
Segment assets	265,932	87,168	51,238	99,177	28,143	—	531,658
Other segment assets							
Interests in associated companies	8	—	—	—	369	—	377
Interests in jointly controlled entities	9,396	—	135	—	—	—	9,531
	275,336	87,168	51,373	99,177	28,512	—	541,566
Unallocated:							
Deferred income tax assets							230
Total assets							541,796

	Casual and fashion apparel	Life-style apparel	Sweaters	Accessories	Freight forwarding/ logistics services	Real estate	Total Group
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
As at 31 December 2009							
Segment liabilities	92,649	18,280	19,206	47,851	7,303	31	185,320
Unallocated:							
Deferred income tax liabilities							6,781
Current income tax liabilities							14,816
Corporate bank loan							29,250
Consideration payable and financial liabilities							32,920
Total liabilities							269,087
As at 31 December 2008							
Segment liabilities	95,067	24,753	20,527	55,912	7,819	—	204,078
Unallocated:							
Deferred income tax liabilities							5,075
Current income tax liabilities							13,030
Corporate bank loan							33,750
Consideration payable and financial liabilities							39,403
Total liabilities							295,336

Total assets and liabilities are allocated based on the operations of the segments.

	2009	**2008**
	US$'000	*US$'000*
Analysis of revenue by category		
Sales of garment, textile products and accessories	755,495	809,718
Freight forwarding and logistics service fee	13,003	15,855
Management fee income from		
— related companies	121	—
— a jointly controlled entity	77	343
— third parties	215	—
Rental income from a related company	100	148
Commission income from		
— a related company	769	1,350
— third parties	3,884	3,505
Sales of quota	—	157
Others	1,228	926
Total revenue	774,892	832,002

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

	2009	2008
	US$'000	*US$'000*
Analysis of revenue by geographical location		
The United States	390,965	367,450
Europe	236,258	301,369
Japan	61,907	49,793
The PRC	29,654	42,997
Others	56,108	70,393
	774,892	832,002

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

Revenue of approximately US$162,600,000 (2008: US$205,400,000) and US$147,500,000 (2008: US$188,500,000) are derived from two single external customers. These revenues are attributable to the life-style and casual and fashion apparels, respectively.

	2009	2008
	US$'000	*US$'000*
Analysis of non-current assets by geographical location		
The PRC	97,434	110,464
Hong Kong	2,243	3,766
The Philippines	8,506	10,590
Others	10,992	8,688
	119,175	133,508
Intangible assets	67,002	68,870
Associated companies	372	377
Jointly controlled entities	9,813	9,531
	196,362	212,286

Non-current assets are 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:

	2009	**2008**
	US$'000	*US$'000*
Outside Hong Kong held on:		
Leases of between 10 to 50 years	8,868	10,644
Opening net book amount	10,644	4,476
Acquisition of subsidiaries	—	5,892
Amortization of prepaid operating lease payments *(Note 25)*	(229)	(163)
Transfer to properties under development	(1,555)	—
Exchange differences	8	439
Closing net book amount	8,868	10,644

(a) As of 31 December 2009, the Group was in the process of obtaining the land use rights certificate in respect of a piece of land located in the PRC with a carrying amount of US$1,184,000 (2008: US$1,213,000).

(b) As at 31 December 2009, land use rights of US$4,015,000 (2008: US$4,115,000) were pledged as collateral for the Group's banking facilities (Note 19).

7 PROPERTY, PLANT AND EQUIPMENT — THE GROUP

	Buildings	Leasehold improvements	Plant and machinery	Furniture, fixture and equipment	Motor vehicles	Construction-in-progress	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
At 1 January 2008							
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
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	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
Year ended 31 December 2009							
Opening net book amount	60,511	8,924	31,416	12,582	1,332	2,914	117,679
Acquisition of a subsidiary	—	81	—	309	—	—	390
Additions	911	2,852	634	1,300	837	2,806	9,340
Disposals	—	(102)	(897)	(298)	(73)	—	(1,370)
Write-off	—	(80)	(3,519)	(47)	—	—	(3,646)
Transfer	3,967	688	(2,738)	561	18	(2,496)	—
Depreciation	(4,057)	(2,797)	(6,257)	(3,942)	(651)	—	(17,704)
Exchange differences	(146)	(53)	669	(221)	32	—	281
Closing net book amount	61,186	9,513	19,308	10,244	1,495	3,224	104,970
At 31 December 2009							
Cost	80,628	27,397	60,776	44,871	4,906	3,224	221,802
Accumulated depreciation and impairment	(19,442)	(17,884)	(41,468)	(34,627)	(3,411)	—	(116,832)
Net book amount	61,186	9,513	19,308	10,244	1,495	3,224	104,970

(a) Depreciation expense of US$7,966,000 (2008: US$6,442,000) has been expensed in cost of sales, and US$9,738,000 (2008: US$9,227,000) has been expensed in the general and administrative expenses.

(b) As at 31 December 2009, the Group has not yet obtained the building certificate for a building located in the PRC with the carrying amount of US$8,281,000 (2008: US$8,918,000).

(c) As at 31 December 2009, buildings with net book value of US$4,037,000 (2008: US$4,269,000) were pledged as collateral for the Group's banking facilities (Note 19).

(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 2008			
Opening net book amount	39,193	25,811	65,004
Acquisition of subsidiaries *(Note i)*	—	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 amount	44,502	24,368	68,870
Year ended 31 December 2009			
Opening net book amount	44,502	24,368	68,870
Acquisition of additional equity interests in a subsidiary from a minority shareholder *(Note iv)*	423	—	423
Acquisition of a subsidiary *(Note 33)*	119	—	119
Amortization *(Note 25)*	—	(2,291)	(2,291)
Impairment	(119)	—	(119)
Closing net book amount	44,925	22,077	67,002
At 31 December 2009			
Cost	46,510	30,128	76,638
Accumulated amortization and impairment	(1,585)	(8,051)	(9,636)
Net book amount	44,925	22,077	67,002

Notes:

(i) 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 relationship, 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 US$1,303,000, which has been recognized immediately in the consolidated income statement. The above transaction was completed on 8 August 2008.

(ii) The total purchase considerations for the acquisition of certain subsidiaries are determined with reference to the average of the consolidated net profit of those subsidiaries over certain specific periods. In 2008, the goodwill in relation to the interest acquired increased by US$5,309,000 as a result of a change of such contingent consideration.

(iii) The total purchase consideration for the acquisition of a subsidiary is determined with reference to the adjusted consolidated net assets value of the acquired subsidiary as at the acquisition date as agreed between the Group and the seller of the subsidiary. In 2009, there was a change in the contingent consideration for the acquisition of such subsidiary. In this connection, the Group's interest in the fair values of the identifiable net assets acquired exceeds the cost of acquisition with an amount of US$625,000, which has been recognized in the consolidated income statement.

(iv) During the year ended 31 December 2009, one of the minority shareholders of Partner Joy Limited, a subsidiary, has exercised the put option to sell his 5% equity interest of Partner Joy Limited to the Group at a consideration of approximately US$1,404,000 and consequently an additional goodwill of approximately US$423,000 has been recognized.

Amortization of customer relationships of US$2,291,000 (2008: US$2,152,000) 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 operating segments. An operating segment level summary of the goodwill is presented below:

	2009	**2008**
	US$'000	*US$'000*
Sweaters	15,896	15,473
Casual and fashion apparel	2,380	2,380
Life-style apparel	26,649	26,649
	44,925	44,502

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 five-year periods. Cash flows beyond the one to five-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 five-years period used for fair value less cost to sell calculations are as follows:

	Sweaters	**Casual and fashion apparel**	**Life-style apparel**
Gross margin (a)	13.6%	19.5%	17.1%
Growth rate (a)	3.0%	3.0%	3.0%
Discount rate (b)	14.0%	14.0%	14.5%

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 operating segment.

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 2009 based on the impairment assessment performed.

9 INVESTMENTS IN SUBSIDIARIES — THE COMPANY

	2009	2008
	US$'000	*US$'000*
Unlisted shares, at cost	71,564	71,564
Amounts due from subsidiaries	129,762	128,762
	201,326	200,326

Particulars of the principal subsidiaries as at 31 December 2009:

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%
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%

Name	Place of incorporation/ establishment	Principal activities and place of operations	Particulars of issued share capital	Interest held
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%
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$264,850,000 with total paid-in capital of HK$250,850,000	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 bag 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%
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%

Name	Place of incorporation/ establishment	Principal activities and place of operations	Particulars of issued share capital	Interest held
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$106,146,661	100%
GJM (UK) Limited	United Kingdom (“UK”)	Garment distributor in the UK	1 ordinary share of GBP1 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%
Lian Xin Garment Co. Ltd.	The PRC	Wholesale and retail in the PRC	RMB10,100,000	70%
Luen Thai International Group Limited	Hong Kong	Sourcing, manufacturing and trading of textile and garment products in Hong Kong	2 ordinary shares of HK$1 each	100%
Luen Thai Macao Commercial Offshore Company Limited	Macau	Sourcing, manufacturing and trading of textile and garment products in Macau	MOP$25,000	100%

Name	Place of incorporation/ establishment	Principal activities and place of operations	Particulars of issued share capital	Interest held
Luen Thai Overseas Limited	Bahamas	Investment holding in Hong Kong	16,685,804 ordinary shares of US$1 each	100%
Luen Thai (Qingyuan) Real Estate Limited	The PRC	Property development in the PRC	Registered capital of HK$53,500,000 with total paid-in capital of HK$53,500,000	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	95%
Power Might Limited	BVI	Investment holding in Hong Kong	12,207,164 ordinary shares of US$1 each	100%
Qingyuan Liantou Properties Limited	The PRC	Property development in the PRC	Registered capital of HK$136,000,000 with total paid-in capital of HK$61,105,400	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	95%
Tien-Hu Trading (Hong Kong) Limited	Hong Kong	Trading of garment products in Hong Kong	1,000,000 ordinary shares of HK$1 each	95%

Name	Place of incorporation/ establishment	Principal activities and place of operations	Particulars of issued share capital	Interest held
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	95%
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%
Victory Land Properties Limited	Hong Kong	Investment holding in the PRC	10,000 ordinary shares of HK$1 each	100%

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

The amounts due from subsidiaries are unsecured, interest-free and represent equity funding by the Company to respective subsidiaries and are measured in accordance with the Company's accounting policy for investments in subsidiaries. The amounts due from subsidiaries are denominated in US$.

Except for the amount of US$3,000,000 (2008: 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

	2009	2008
	US$'000	*US$'000*
Share of net assets	372	377
Unlisted investments, at cost	156	156

Particulars of the principal associated companies as at 31 December 2009:

Name	Place of issued shares held	Principal activities and place of operations	Particulars of issued share capital	Interest held
CTSI Logistics (Taiwan), Inc.	Taiwan	Provision of freight forwarding and logistics services in Taiwan	1,420,000 ordinary shares of TWD10 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

	2009	2008
	US$'000	*US$'000*
Share of net assets	3,537	3,255
Loans to jointly controlled entities	6,276	6,276
	9,813	9,531
Unlisted investments, at cost	3,554	3,528

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 2009:

Name	Place of issued shares held	Principal activities and place of operations	Particulars of issued share capital	Assets	Liabilities	Revenues	Profit/ (loss)	Interest held
				US$'000	*US$'000*	*US$'000*	*US$'000*	
Shenzhen Guangthai International Co. Ltd.	The PRC	Garment trading in the PRC	HK$20,000,000	2,496	151	5	(453)	50%
Shenzhen Li Da Silk Garment Company Limited	The PRC	Garment manufacturing in the PRC	RMB2,400,000	1,320	1,662	1,949	(422)	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	3,057	653	4,477	50	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	18,441	17,639	36,078	107	50%
Yuen Thai Holdings Limited	BVI	Investment holding in the Philippines	2 ordinary shares ofUS$1 each	7,640	4,360	944	845	50%
Yuenthai Philippines, Inc.	The Philippines	Garment manufacturing in the Philippines	Peso4,000,000	7,127	5,409	9,639	1,300	50%
Hong Kong Guangthai International Company Limited	Hong Kong	Investment holding in the PRC	2 ordinary shares of HK$1 each	9,185	12,734	318	(1,539)	50%
New Sunshine Limited	Hong Kong	Investment holding and subcontracting services in the PRC	5,000,000 ordinary shares of HK$1 each	1,605	1,682	8,644	(354)	47.5%

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:

	2009	2008
	US$'000	*US$'000*
Deferred tax assets:		
— Deferred tax assets to be recovered after more than 12 months	(991)	(230)
Deferred tax liabilities:		
— Deferred tax liabilities to be settled after more than 12 months	6,781	5,075
Deferred tax liabilities, net	5,790	4,845

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

	2009	2008
	US$'000	*US$'000*
Beginning of the year	4,845	3,010
Credited to the income statement *(Note 28)*	(1,605)	(312)
Acquisition of a subsidiary *(Note 33)*	—	2,147
Additions resulting from acquisition of properties under development	2,550	—
End of the year	5,790	4,845

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

	Accelerated tax depreciation	Intangible assets	Fair value adjustments of properties	Others	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Deferred tax liabilities					
At 1 January 2008	258	3,061	—	—	3,319
(Credited)/charged to the income statement	(39)	(517)	—	71	(485)
Acquisition of subsidiaries	263	117	—	1,767	2,147
At 31 December 2008	482	2,661	—	1,838	4,981
Charged/(credited) to the income statement	401	(230)	—	(108)	63
Additions resulting from acquisition of properties under development	—	—	2,550	—	2,550
At 31 December 2009	883	2,431	2,550	1,730	7,594

	Provision	Others	Total
	US$'000	*US$'000*	*US$'000*
Deferred tax assets			
At 1 January 2008	(30)	(279)	(309)
Charged to the income statement	9	164	173
At 31 December 2008	(21)	(115)	(136)
Credited to the income statement	(874)	(794)	(1,668)
At 31 December 2009	(895)	(909)	(1,804)

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$2,360,000 (2008: US$1,681,000) in respect of losses amounting to US$8,421,000 (2008: US$5,724,000) that can be carried forward against future taxable income. These tax losses have an expiry date from 2010 to 2018.

13 INVENTORIES — THE GROUP

	2009	2008
	US$'000	*US$'000*
Raw materials	29,807	26,398
Work-in-progress	18,091	23,613
Finished goods	14,443	26,197
	62,341	76,208

The cost of inventories recognized as expense and included in cost of sales amounted to US$539,792,000 (2008: US$591,992,000).

As at 31 December 2009, certain inventories were held under trust receipts bank loan arrangement.

14 PROPERTIES UNDER DEVELOPMENT — THE GROUP

	2009	2008
	US$'000	*US$'000*
Land use rights	18,192	—
Development costs	2,566	—
	20,758	—

The properties under development were located outside Hong Kong, and were held on leases of 43 and 68 years.

As at 31 December 2009, properties under development included in the current assets were not scheduled for completion within twelve months after the balance sheet date.

15 TRADE AND BILLS RECEIVABLES — THE GROUP

	2009	2008
	US$'000	*US$'000*
Trade and bills receivables	111,322	109,831
Less: provision for impairment of receivables	(1,321)	(1,480)
Trade and bills receivables — net	110,001	108,351

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:

	2009	2008
	US$'000	*US$'000*
Current	75,905	82,771
1 to 30 days	23,876	17,770
31 to 60 days	4,218	3,038
61 to 90 days	2,234	1,501
Over 91 days	3,768	3,271
Amounts past due but not impaired	34,096	25,580
	110,001	108,351

The impairment provision was approximately US$1,321,000 as at 31 December 2009 (2008: US$1,480,000). The provision made during the year has been included in the general and administrative expenses in the consolidated income statement.

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

	2009	2008
	US$'000	*US$'000*
At 1 January	1,480	1,647
Provision for impairment of trade receivables	902	525
Utilization of provision	(1,061)	(692)
At 31 December	1,321	1,480

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

	2009	2008
	US$'000	*US$'000*
US$	87,949	82,352
HK$	476	436
Euro	13,541	16,854
RMB	5,145	5,859
Philippines Peso	2,688	2,401
Other currencies	202	449
	110,001	108,351

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

16 CASH AND BANK BALANCES

	Group		Company	
	2009	2008	2009	2008
	US$'000	*US$'000*	*US$'000*	*US$'000*
Cash at bank and in hand	67,645	75,783	429	435
Short-term bank deposits	27,343	38,463	—	—
Bank deposits with a maturity period over 3 months	12,562	3,593	—	—
Cash and bank balances in the balance sheets	107,550	117,839	429	435
Less: Bank overdrafts *(Note 19)*	(3,623)	(7,757)		
Bank deposits with a maturity period over 3 months	(12,562)	(3,593)		
Cash and cash equivalents in the consolidated cash flow statement	91,365	106,489		
Pledged deposit	1,564	1,509		

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

	2009	2008
	US$'000	*US$'000*
The Group		
US$	67,656	63,845
HK$	9,092	22,306
Euro	13,537	12,997
RMB	15,422	16,362
Other currencies	3,407	3,838
	109,114	119,348

	2009	2008
	US$'000	US$'000
The Company		
US$	373	382
Other currencies	56	53
	429	435

The effective interest rate on short-term bank deposits was 0.22% (2008: 1.34%) per annum; these deposits have an average maturity of 50 days (2008: 67 days).

As at 31 December 2009, 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$1,564,000 (2008: US$1,509,000) (See Note 19).

17 SHARE CAPITAL

	Number of shares	Nominal value
		US$'000
Authorized — ordinary shares of US$0.01 each		
At 31 December 2008 and 2009	1,500,000,000	15,000
Issued and fully paid — ordinary shares of US$0.01 each		
At 31 December 2008 and 2009	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	Forfeited	End of year
			'000	'000	'000	'000
26 January 2006	From 26 January 2007 to 25 January 2011	HK$2.52	7,285	—	(1,180)	6,105
10 November 2006	From 10 November 2007 to 9 November 2011	HK$1.28	7,916	—	(1,327)	6,589
21 April 2008	From 21 April 2009 to 20 April 2013	HK$0.71	13,350	—	(750)	12,600
			28,551	—	(3,257)	25,294

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 2009	2008
		'000	'000
25 January 2011	HK$2.52	6,105	7,285
9 November 2011	HK$1.28	6,589	7,916
20 April 2013	HK$0.71	12,600	13,350
		25,294	28,551

18 OTHER RESERVES

(a) Group

	Share premium US$'000	Capital reserve *(Note (i))* US$'000	Other capital reserves *(Note (ii))* US$'000	Share based payment US$'000	Exchange reserve US$'000	Total US$'000
At 1 January 2008	116,998	11,722	(24,450)	1,102	2,680	108,052
Acquisition of a subsidiary	—	—	(11,122)	—	—	(11,122)
Share based payment	—	—	—	425	—	425
Exchange differences arising on translation of foreign subsidiaries	—	—	—	—	3,985	3,985
At 31 December 2008	116,998	11,722	(35,572)	1,527	6,665	101,340
At 1 January 2009	116,998	11,722	(35,572)	1,527	6,665	101,340
Derecognition of financial liabilities upon acquisition of minority interest *(Note iii)*	—	—	939	—	—	939
Share based payment	—	—	—	203	—	203
Exchange differences arising on translation of foreign subsidiaries	—	—	—	—	(372)	(372)
At 31 December 2009	116,998	11,722	(34,633)	1,730	6,293	102,110

(b) Company

	Share premium US$'000	Capital reserve *(Note (iv))* US$'000	Share based compensation reserve US$'000	Total US$'000
At 1 January 2008	116,998	71,564	1,102	189,664
Share based payment	—	—	425	425
At 31 December 2008	116,998	71,564	1,527	190,089
At 1 January 2009	116,998	71,564	1,527	190,089
Share based payment	—	—	203	203
At 31 December 2009	116,998	71,564	1,730	190,292

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) During the year, the Group derecognized financial liabilities of approximately US$1,404,000 and the related reserve amount of US$939,000 when a minority shareholder of Partner Joy Limited exercised the put option to sell his 5% equity interests in Partner Joy Limited 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.

19 BANK BORROWINGS — THE GROUP

	2009	**2008**
	US$'000	*US$'000*
Non-current		
Bank loan	27,071	33,259
Current		
Bank overdrafts	3,623	7,757
Trust receipt bank loans	24,124	24,651
Collateralized borrowings	—	3,630
Short-term bank loans	6,010	7,359
Current portion of long-term bank loans	6,188	6,884
	39,945	50,281
Total borrowings	67,016	83,540

	2009	**2008**
	US$'000	*US$'000*
Non-current bank borrowings		
— Secured	2,321	4,009
— Non-secured	24,750	29,250
Current bank borrowings		
— Secured	6,082	6,841
— Non-secured	33,863	43,440
	67,016	83,540

At 31 December 2009, the Group's borrowings are repayable as follows:

	Bank overdrafts		Trust receipt bank loans		Bank loans		Collateralized borrowings		Total	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Within 1 year	3,623	7,757	24,124	24,651	12,198	14,243	—	3,630	39,945	50,281
Between 1 and 2 years	—	—	—	—	6,821	8,509	—	—	6,821	8,509
Between 2 and 5 years	—	—	—	—	13,500	13,500	—	—	13,500	13,500
Wholly repayable within 5 years	3,623	7,757	24,124	24,651	32,519	36,252	—	3,630	60,266	72,290
Over 5 years	—	—	—	—	6,750	11,250	—	—	6,750	11,250
	3,623	7,757	24,124	24,651	39,269	47,502	—	3,630	67,016	83,540

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

	2009	2008
	US$'000	*US$'000*
HK$	22,153	31,456
US$	38,243	46,717
RMB	6,620	5,367
	67,016	83,540

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

	2009			2008		
	US$	*HK$*	*RMB*	*US$*	*HK$*	*RMB*
Bank loans	3.10%	4.23%	4.82%	1.88%	4.27%	7.3%
Trust receipt bank loans	1.78%	1.78%	—	3.53%	3.53%	—
Bank overdrafts	5.00%	5.00%	—	5.00%	5.00%	—

As at 31 December 2009, a subsidiary of the Group did not comply with a financial covenant relating to a short-term bank loan of US$3,613,000. Subsequent to year end, the Group has obtained the waiver from the bank for the compliance of such financial covenant. The above bank loan of US$3,613,000 was included in the current liabilities as at 31 December 2009.

As at 31 December 2009, the Group had aggregate banking facilities of approximately US$339,702,000 (2008: US$293,362,000) for overdrafts, loans, trade financing and bank guarantees. Unused facilities as at the same date amounted to approximately US$267,550,000 (2008: US$200,057,000). These facilities are secured by:

(i) Mortgages over the Group's land use rights and buildings with a total net book value of approximately US$8,052,000 as at 31 December 2009 (2008: US$8,384,000) (Notes 6 and 7);

(ii) Pledge of the Group's bank deposits as at 31 December 2009 of US$1,564,000 (2008: US$1,509,000).

(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 personal guarantee given by a minority shareholder of a subsidiary (Note 35).

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

20 RETIREMENT BENEFIT OBLIGATIONS — THE GROUP

	2009	**2008**
	US$'000	*US$'000*
Balance sheet obligation for:		
Defined benefits plans	2,343	1,961
Provision for long service payments	498	470
	2,841	2,431
Income statement charge for *(Note 26)*		
— Defined benefits plan	564	885
— Provision for long service payment	17	135
	581	1,020

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$2,623,000 for the year ended 31 December 2009 (2008: US$1,130,000).

(b) Defined benefit plans

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

	2009	**2008**
	US$'000	*US$'000*
Present value of unfunded obligations	1,903	1,763
Unrecognized actuarial gains	440	198
Liability in the consolidated balance sheet	2,343	1,961

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

	2009	2008
	US$'000	*US$'000*
Current service cost	378	847
Interest cost	188	228
Actuarial loss recognized during the year	(2)	—
Curtailment/settlement loss	—	(190)
Total, included in staff costs *(Note 26)*	564	885

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

	2009	2008
	US$'000	*US$'000*
At 1 January	1,961	2,746
Total expenses — included in staff costs as shown above	564	885
Contributions paid	(244)	(1,691)
Exchange difference	62	21
At 31 December	2,343	1,961

The principal actuarial assumptions used are as follows:

	2009	2008
Discount rate	9.25%	11.00%
Future salary increases rate	5.00%	9.50%

(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:

	2009	2008
	US$'000	*US$'000*
Present value of unfunded obligations	388	548
Unrecognized actuarial gains/(losses)	110	(78)
Liability in the consolidated balance sheet	498	470

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

	2009 *US$'000*	2008 *US$'000*
Current service cost	11	123
Interest cost	6	12
Total, included in employee benefit expense *(Note 26)*	17	135

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:

	2009 *US$'000*	2008 *US$'000*
At 1 January	470	389
Total expenses — included in staff costs as shown above	17	135
Contributions paid	—	(414)
MPF refund received	11	360
At 31 December	498	470

The principal actuarial assumptions used are as follows:

	2009	2008
Discount rate	2.0%	1.2%
Future salary increases rate	2.0%	1.0%

21 CONSIDERATION PAYABLE AND FINANCIAL LIABILITIES — THE GROUP

Financial liabilities represent the amounts payable for the put options granted to the vendors of On Time, Partner Joy and Trinew to sell their 40%, 5% and 40% equity 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:

	2009	**2008**
	US$'000	*US$'000*
Consideration payable:		
— Within 1 year	397	2,613
— Between 1 and 2 years	—	—
Financial liabilities:		
— Within 1 year	1,264	2,831
— Between 2 and 5 years	33,885	38,018
	35,546	43,462
Less: Amount representing interest element	(2,626)	(4,059)
Present value of the consideration payable and financial liabilities	32,920	39,403
Less: Current portion included in other payables and accruals	(1,661)	(5,444)
	31,259	33,959

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

	2009	**2008**
	US$'000	*US$'000*
US$	30,083	22,837
HK$	1,176	11,122
	31,259	33,959

22 TRADE AND BILLS PAYABLES

At 31 December 2009, the ageing analysis of trade and bills payables are as follows:

	2009	**2008**
	US$'000	*US$'000*
0 to 30 days	41,564	33,411
31 to 60 days	2,010	19,398
61 to 90 days	1,548	7,069
Over 91 days	5,120	6,318
	50,242	66,196

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

	2009	2008
	US$'000	*US$'000*
US$	26,426	23,172
HK$	8,164	23,785
Euro	6,709	9,416
RMB	8,001	8,625
Philippines Peso	658	671
Other currencies	284	527
	50,242	66,196

23 DERIVATIVE FINANCIAL INSTRUMENTS

	2009	2008
	US$'000	*US$'000*
Currency forward contracts and interest rate swap	22	625
Leveraged forward exchange contracts	—	1,574
	22	2,199

24 OTHER GAINS — NET

	2009	2008
	US$'000	*US$'000*
Fair value losses on derivative financial instruments *(Note 23)*		
— leveraged forward exchange contracts	—	(1,574)
— net losses on currency forward contracts and interest rate swap	(22)	(625)
Net gain on foreign exchange forward contracts	422	—
Net foreign exchange gain	2,527	3,609
Excess of the Group's interest in the fair values of identifiable net assets acquired over the cost of the acquisition *(Note 8)*	625	1,303
Impairment for goodwill	(119)	—
	3,433	2,713

25 EXPENSES BY NATURE

	2009	2008
	US$'000	*US$'000*
Raw materials and consumables used	522,516	607,121
Changes in inventories of finished goods and work in progress	17,276	(15,129)
(Gain)/loss on disposal of property, plant and equipment	(27)	261
Auditors' remuneration	934	927
Amortization of leasehold land and land use rights *(Note 6)*	229	163
Amortization of intangible assets *(Note 8)*	2,291	2,152
Depreciation of property, plant and equipment *(Note 7)*	17,704	15,669
Write-off of/provision for impairment of property, plant and equipment *(Note 7)*	3,646	719
Provision for claims	3,802	6,155
Provision for impairment of trade receivables	902	525
Provision for inventory obsolescence	916	345
Write-off of reimbursement receivables *(Note i)*	1,780	—
Operating leases		
— office premises and warehouses	8,017	8,135
— plant and machinery	374	391
Employee benefit expense *(Note 26)*	126,691	123,149
Transportation	5,137	5,053
Commission	2,789	6,055
Communication, supplies and utilities	18,754	24,124
Other expenses	25,176	25,788
	758,907	811,603
Representing:		
Cost of sales	631,872	677,713
Selling and distribution expenses	13,670	23,306
General and administrative expenses	113,365	110,584
	758,907	811,603

Note:

(i) A minority shareholder of a subsidiary has indemnified the Group for the Group's share of any losses and expenses incurred by the subsidiary in connection with any taxation claim relating to the periods before the date of acquisition of the subsidiary. In prior years, the Group recognized reimbursement receivable of US$1,780,000 from such minority shareholder in connection with the taxation claim. During the year ended 31 December 2009, the subsidiary has derecognised the related tax provision of US$2,967,000. In this connection, the Group wrote off the corresponding reimbursement receivables of US$1,780,000.

26 EMPLOYEE BENEFIT EXPENSE — INCLUDING DIRECTORS' EMOLUMENTS

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

	2009 *US$'000*	2008 *US$'000*
Wages, salaries and allowances	120,020	117,488
Termination benefits	2,791	2,414
Share options granted to directors and employees	203	425
Pension costs		
— Defined contribution plans *(Note 20(a))*	2,623	1,130
— Defined benefit plans *(Note 20(b))*	564	885
— Long service payments *(Note 20(c))*	17	135
Others	473	672
	126,691	123,149

(b) Directors' and senior management

The remuneration of every Director for the year ended 31 December 2009 is set out below:

	Fees *US$'000*	Salary *US$'000*	Discretionary bonuses *US$'000*	Other benefits[1] *US$'000*	Employer's contribution to pension scheme *US$'000*	Total *US$'000*
Name of Director						
Executive directors						
Mr. Tan Siu Lin	—	113	—	—	—	113
Mr. Tan Henry	—	332	51	—	2	385
Mr. Tan Cho Lung, Raymond	—	242	37	36	2	317
Ms. Mok Siu Wan, Anne	15	377	581	—	55	1,028
Mr. Tan Sunny	—	112	17	—	2	131
Non-executive directors						
Mr. Tan Willie	150	—	—	—	—	150
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 2008 is set out below:

	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*
Name of Director						
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

[1] Other benefits mainly include share options.

None of the directors of the Company waived any emoluments paid by the Group companies during the year (2008: Nil).

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included one (2008: one) director whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining four individuals (2008: four) during the year are as follows:

	2009	2008
	US$'000	*US$'000*
Basic salaries, other allowances and benefits in kind	1,153	868
Discretionary bonuses	1,037	1,000
Pension scheme contributions	13	10
Others	499	458
	2,702	2,336

The emoluments fell within the following bands:

	Number of individuals 2009	2008
Emolument bands		
US$387,001 to US$452,000 (equivalent to HK$3,000,001 to HK$3,500,000)	—	1
US$452,001 to US$580,644 (equivalent to HK$3,500,001 to HK$4,500,000)	2	—
US$580,645 to US$645,161 (equivalent to HK$4,500,001 to HK$5,000,000)	—	2
US$645,162 to US$709,677 (equivalent to HK$5,000,001 to HK$5,500,000)	1	1
US$838,710 to US$903,226 (equivalent to HK$6,500,001 to HK$7,000,000)	1	—
	4	4

During the year, no emoluments have been paid to any of 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

	2009 *US$'000*	2008 *US$'000*
Interest expense on bank loans and overdrafts	2,046	2,698
Change in estimates of financial liabilities — net	—	567
Interest expense on financial liabilities carried at amortized costs	1,179	1,344
Finance costs	3,225	4,609
Interest income	(940)	(2,087)
Change in estimates of finance liabilities — net	(4,042)	—
Finance income	(4,982)	(2,087)
Net finance (income)/costs	(1,757)	2,522

28 INCOME TAX EXPENSE/(CREDIT)

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 16.5%) 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.

	2009 *US$'000*	2008 *US$'000*
Current income tax:	6,059	6,323
Over-provision in prior years	(1,930)	(7,224)
Deferred income tax *(Note 12)*	(1,605)	(312)
	2,524	(1,213)

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:

	2009	**2008**
	US$'000	*US$'000*
Profit before income tax	21,531	21,960
Tax calculated at domestic tax rates applicable to profits in the respective countries	4,377	5,862
Income not subject to tax	(1,512)	(1,731)
Expenses not deductible for taxation purposes	955	1,231
Tax losses for which no deferred income tax asset was recognized	242	593
Utilization of previously unrecognized tax losses	—	64
Tax effect of share of results of associated companies and jointly controlled entities	392	190
Remeasurement of deferred tax — change in tax rate	—	(198)
Over-provision in prior years	(1,930)	(7,224)
Tax charge/(credit)	2,524	(1,213)

The weighted average applicable tax rate was 20.3% (2008: 26.7%). The decrease is caused by a change of profitability of the Group's subsidiaries in the respective countries.

Notes:

(i) In prior years, a Hong Kong subsidiary has received notices of additional assessments/assessments from the Hong Kong Inland Revenue department (the "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 directors has regarded as not subject to Hong Kong Profits Tax. The directors have thoroughly revisited the situations and have concluded that the subsidiary company has grounds to defend that the relevant profits are not subject to Hong Kong Profits Tax. In these circumstances, the directors have filed objections to these additional assessments/assessments and consider that sufficient tax provision has been made in the financial statements. 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 2009.

(ii) Two other subsidiaries were under tax audit conducted by the IRD. As at 31 December 2009, the IRD has issued additional assessments/assessments to these entities from years of assessments 2000/01 to 2008/09, demanding tax totalling US$8,584,000. Some of these assessments are protective assessments issued before the expiry of the statutory time-barred period pending the result of the tax audit. 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 approximately US$4,870,000 (2008: US$4,304,000).

30 EARNINGS PER SHARE

(a) Basic

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

	2009	**2008**
	US$'000	*US$'000*
Profit attributable to equity holders of the Company	15,220	11,829
Number of ordinary shares in issue *(thousands)*	992,500	992,500
Basic earnings per share *(US cents per share)*	1.5	1.2

There was no dilutive effect on earnings per share for both the years ended 31 December 2008 and 2009 since all outstanding share options were anti-dilutive.

31 DIVIDENDS

	2009	**2008**
	US$'000	*US$'000*
Interim dividend paid of US0.224 cent or equivalent to HK1.736 cents (2008: US0.213 cent) per ordinary share	2,223	2,114
Proposed final dividend of US0.236 cent or equivalent to HK1.831 cents (2008: US0.145 cent) per ordinary share	2,343	1,439
	4,566	3,553

The directors have recommended the payment of a final dividend of US cent of 0.236 per share, totalling US$2,343,000. 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 STATEMENT

	2009	2008
	US$'000	*US$'000*
Profit before income tax	21,531	21,960
Adjustments for:		
Share of losses of associated companies	15	16
Share of profits of jointly controlled entities	(371)	(1,386)
Finance income *(Note 27)*	(4,982)	(2,087)
Finance expense, net *(Note 27)*	3,225	4,609
Fair value losses on derivative financial instruments	22	2,199
Excess of the Group's interest in the fair values of identifiable net assets acquired over the cost of the acquisition	(625)	(1,303)
Impairment of intangible assets *(Note 8)*	119	—
Amortization of intangible assets *(Note 8)*	2,291	2,152
Amortization of leasehold land *(Note 6)*	229	163
Depreciation of property, plant and equipment *(Note 7)*	17,704	15,669
Write off/provision for impairment of property, plants and equipment	3,646	719
Write off the minority interest's share of net liabilities	276	—
(Gain)/loss on disposal of property, plant and equipment, net	(27)	261
Share based payment	203	425
Operating profit before working capital changes	43,256	43,397
Changes in working capital:		
Inventories	16,207	13,056
Properties under development	(16,653)	—
Trade and bills receivables	(1,498)	27,440
Amounts due from related companies	1,441	(968)
Amounts due from associated companies and jointly controlled entities	(3,608)	3,543
Deposits, prepayments and other receivables	1,677	(7,764)
Trade and bills payables	(16,017)	(17,951)
Amounts due to related companies	492	(2,020)
Amounts due to associated companies and jointly controlled entities	387	2,306
Other payables and accruals	5,105	6,324
Derivative financial instrument	(2,199)	—
Retirement benefit obligation	410	(704)
Cash generated from operations	29,000	66,659

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

	2009	2008
	US$'000	*US$'000*
Net book amount *(Note 7)*	1,370	1,582
Gain/(loss) on disposal of property, plant and equipment	27	(261)
Proceeds from disposal of property, plant and equipment	1,397	1,321

33 BUSINESS COMBINATIONS

On 1 July 2009, the Group acquired 70% interest in Lian Xin Garment Co. Ltd ("Lian Xin"). Lian Xin is engaged in the wholesale and retail of apparels and accessories. The acquired company contributed revenues of US$1,004,000 and net loss of US$750,000 to the Group for the period from 1 July 2009 to 31 December 2009. If the acquisition had occurred on 1 January 2009, the Group's revenue would have been US$775,576,000, and net profit for the year before allocations would have been US$18,215,000. These amounts have been calculated using the Group's accounting policies.

The assets and liabilities as of 1 July 2009 arising from the acquisition are as follows:

	Fair value	**Acquiree's carrying amount**
	US$'000	*US$'000*
Property, plant and equipment	390	390
Inventories	2,340	2,340
Cash and cash equivalents	977	977
Trade and bill receivables	152	152
Deposits, prepayments and other receivables	224	224
Trade and bill payables	(63)	(63)
Other payables and accruals	(4,190)	(4,190)
	(170)	
Minority interest (30%)	51	
Fair value of net liabilities acquired	(119)	
Goodwill *(Note 8)*	119	
Total purchase consideration	—	
Purchase consideration settled in cash		—
Cash and cash equivalents in subsidiary acquired		977
Cash inflow on acquisition		977

On 8 August 2008, the Group acquired 60% interest in Trinew. Trinew and its subsidiaries are engaged in the manufacturing and trading of laptop 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.

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 interest (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

34 COMMITMENTS

(a) Capital commitments

As at 31 December 2009, the Group had the following capital commitments:

	2009	2008
	US$'000	*US$'000*
Contracted but not provided for		
— Property, plant and equipment	851	1,248
— Properties under development	32,441	6,318
	33,292	7,566

(b) Operating lease commitments

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

	2009	2008
	US$'000	*US$'000*
Land and buildings		
— No later than 1 year	2,897	3,635
— Later than 1 year and no later than 5 years	5,568	6,141
— Later than 5 years	5,257	6,725
	13,722	16,501
Plant and equipment		
— No later than 1 year	77	224
— Later than 1 year and no later than 5 years	133	186
	210	410

The Company has no commitments as at 31 December 2008 and 31 December 2009.

35 SIGNIFICANT RELATED PARTY TRANSACTIONS

Capital Glory Limited, a company incorporated in the British Virgin Islands, owns 61.89% interest 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 and his close family members.

(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

	2009	2008
	US$'000	*US$'000*
Management fee income from		
— related companies	121	—
— a jointly controlled entity	77	343
	198	343
Commission income from a related company	769	1,350
Freight forwarding and logistics service income from		
— related companies	289	350
— an associated company	2	1
— a jointly controlled entity	210	130
	501	481
Sales to a jointly controlled entity	—	3,481
Rental income from a related company	100	148
Advance payment to		
— related companies	103	117
— a jointly controlled entity	197	—
	300	117
Subcontracting income from a jointly controlled entity	1,565	1,258
Recharge of material costs and other expenses from		
— a related company	2,819	—
— jointly controlled entities	7,305	3,209
	10,124	3,209

(ii) Purchases of goods and services

	2009	2008
	US$'000	*US$'000*
Rental expenses for occupying office premises, warehouses and staff quarters charged by related companies	1,346	1,585
Travelling related service fees charged by related companies	1	260
Professional and technological support service fees to related companies	2,192	2,117
Air ticket and hotel reservation services charged by related companies	212	200
Subcontracting fee charged by		
— a related company	—	3,459
— jointly controlled entities	4,565	2,158
	4,565	5,617
Commission expense charged by jointly controlled entities	1,876	6,065
Recharge of material costs and other expenses to jointly controlled entities	2,490	7,085
Purchase of materials from		
— a related company	7,324	—
— a jointly controlled entity	211	—
	7,535	—

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

(iii) On 17 February 2009, a subsidiary of the Company 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 Land"). Luen Thai Land Limited is beneficially owned by the Tan's family. Victory Land is principally engaged in property development business. The total consideration for this transaction was approximately US$6,318,000 (equivalent to HK$48,969,000).

(b) Key management compensation

	2009	2008
	US$'000	*US$'000*
Basic salaries and allowance	4,539	3,604
Bonus	3,723	2,047
Pension scheme contributions	93	158
	8,355	5,809

(c) Banking facilities

As at 31 December 2009, certain banking facilities of the Group were secured by:

(i) leasehold land and buildings owned by a minority shareholder; and

(ii) corporate guarantees given by the Company and personal guarantee given by a minority shareholder of a subsidiary.

The Company also provided corporate guarantees to the extent of US$11,613,000, equivalent to HK$90,000,000 (2008: US$11,613,000, equivalent to 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 2009, 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 2009, there was a loan from a minority shareholder of a subsidiary amounting to US$3,097,000 (2008: US$3,097,000). 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.

3. STATEMENT OF INDEBTEDNESS

Borrowings

As at the close of business on 30 April 2010, being the latest practicable date for the purpose of this indebtedness statement, the Group had outstanding bank and other borrowings analysed as below:

Secured bank borrowings	**Trust receipt bank loans**	**Bank loans**	**Total**
	US$'million	*US$'million*	*US$'million*
Short-term			
Repayable within 1 year	7	8	15

Unsecured bank borrowings	**Bank overdraft**	**Trust receipt bank loans**	**Bank loans**	**Total**
	US$'million	*US$'million*	*US$'million*	*US$'million*
Short-term				
Repayable within 1 year	6	15	5	26
Long-term				
Repayable between 1 and 2 years	—	—	5	5
Repayable between 2 and 5 years	—	—	14	14
Repayable after 5 years	—	—	7	7
	—	—	26	26
	6	15	31	52

Other borrowings

As at 30 April 2010, the Group also had an unsecured long-term loan of US$3 million from a minority shareholder.

In addition, the remaining consideration payable and financial liabilities arising from the acquisitions of certain subsidiaries (the "Consideration Payable") amounted to approximately US$31 million as at 30 April 2010.

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 certain non-wholly owned subsidiaries for the remaining interests held by these minority shareholders.

Collateral

As at the close of business on 30 April 2010, 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 guarantees from the Company and certain subsidiaries of the Company amounting to US$44 million;

(b) certain properties with carrying value of US$8 million of the Group;

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

(d) a personal guarantee from a minority shareholder of certain subsidiaries of the Company amounting to US$14 million; and

(e) a bank deposit of a subsidiary of the Company amounting to US$1 million.

Contingent liabilities, litigation and guarantee

a) At the close of business on 30 April 2010, 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 30 April 2010.

Disclaimers

Save as aforesaid and apart from intra-group liabilities, as at the close of business on 30 April 2010, 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 30 April 2010.

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

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 of the Company:

Name of Director	Capacity	Number of ordinary shares	Approximate percentage of interest in Company
Tan Siu Lin	Trustee *(Note 1)*	66,493,000	6.70%
	Interest of controlled corporation *(Note 1)*	10,000,000	1.01%
Tan Henry	Beneficiary *(Note 1)*	66,493,000	6.70%
	Beneficial owner *(Notes 3 and 4)*	450,000	0.05%
	Interest of controlled corporation *(Note 2)*	615,200,000	61.97%

Name of Director	Capacity	Number of ordinary shares	Approximate percentage of interest in Company
Tan Willie	Beneficiary *(Note 1)*	66,493,000	6.70%
	Beneficial owner *(Notes 3 and 6)*	1,450,000	0.14%
Tan Cho Lung, Raymond	Beneficiary *(Note 1)*	66,493,000	6.70%
	Beneficial owner *(Notes 3, 4 and 7)*	1,550,000	0.15%
Tan Sunny	Beneficiary *(Note 1)*	66,493,000	6.70%
	Beneficial owner *(Notes 3, 4 and 8)*	1,022,000	0.10%
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 of the Company (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 of the Company (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 of the Company (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 61.88% interest in the issued share capital of the Company. Mr. Tan

Henry also controls and has the interest in Double Joy Investment Limited, a company incorporated in the British Virgin Islands which directly owns 950,000 shares of the Company (or approximately 0.09% of 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 of the Company 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 of the Company acquired by his associate.

7. A total of 1,250,000 shares of the Company were acquired by an associate of Mr. Tan Cho Lung, Raymond in 2006, 2008 and 2009. He is therefore deemed under Part XV of the SFO to be interested in all of the 1,250,000 shares acquired by his associate.

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

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

Name of Director	Name of associated corporation	Capacity	Number of 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%

Name of Director	Name of associated corporation	Capacity	Number of ordinary shares	Approximate percentage of attributable interest in corporation
	Eldex Del Golfo, SA de CV *(Note 3)*	Trustee *(Note 4)*	11,819	100%
	Servicios Textiles Mexicanos, SA *(Note 3)*	Trustee *(Note 4)*	50	100%
	Hanium Industries Limited *(Note 3)*	Trustee *(Note 4)*	1	100%
	Integrated Solutions Technology Inc. *(a HK corporation) (Note 3)*	Trustee *(Note 4)*	2	100%
	Integrated Solutions Technology Inc. *(a BVI corporation) (Note 3)*	Trustee *(Note 4)*	1	100%
	Integrated Solutions Technology Inc. *(a Philippines corporation) (Note 3)*	Trustee *(Note 4)*	1	100%
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%
	Servicios Textiles Mexicanos, SA *(Note 3)*	Beneficiary *(Note 6)*	50	100%

Name of Director	Name of associated corporation	Capacity	Number of ordinary shares	Approximate percentage of attributable interest in corporation
	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%
	Servicios Textiles Mexicanos, SA *(Note 3)*	Beneficiary *(Note 6)*	50	100%
	Hanium Industries Limited *(Note 3)*	Beneficiary *(Note 6)*	1	100%

Name of Director	Name of associated corporation	Capacity	Number of ordinary shares	Approximate percentage of attributable interest in corporation
	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%
	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%

Name of Director	Name of associated corporation	Capacity	Number of ordinary shares	Approximate percentage of attributable interest in corporation
	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 TSL Bahamas Trust, which directly holds 1,500 issued shares (or 30% interest) in Helmsley. As the settlor and trustee of the TSL Bahamas Trust, 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 TSL Bahamas Trust 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 TSL Bahamas Trust, 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 TSL Bahamas Trust 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 TSL Bahamas Trust, 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 TSL Bahamas Trust 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.

(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 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	61.88%
Helmsley Enterprises Limited *(Note 1)*	Interest of controlled corporation	614,250,000	61.88%

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. Both of Mr. Tan Siu Lin and Mr. Tan Henry are directors in each of Capital Glory Limited and Helmsley Enterprises Limited, companies which have interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

(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 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 95%-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 2009, acquired or disposed of by or leased to any member of the Group or proposed to be acquired or disposed of by or leased to any member of the Group.

4. SERVICE CONTRACTS

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

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) 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, 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;

(b) 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 Trinew Option Deed and the Second Trinew Option Deed (both as defined in paragraphs 5(g) and (h) below) shall not exceed HK$900 million;

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

(d) 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**");

(e) 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;

(f) 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;

(g) 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 Trinew Option Deed**");

(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 second 200 shares (or 20% interest) in Trinew Limited ("**Second Trinew Option Deed**");

(i) 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;

(j) 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;

(k) 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;

(l) 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;

(m) 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;

(n) 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 a parcel of land located in Qingyuan City with a site area of approximately 79,703.36 sq.m;

(o) the construction contract entered into between 廣東中城建設集團有限公司 and Luen Thai (Qingyuan) Real Estate Limited (聯泰(清遠)房地產有限公司) on 14 August 2009 for the construction work of the project known as "**The LUXRIVER**" for the redevelopment of certain land into residential/commercial development;

(p) a sale and purchase agreement dated 19 April 2010 and entered into among Fortune Investment as the purchaser, Ospella as the vendor, Mr. Inglis and Luen Thai Overseas Limited in relation to the acquisition of 400 shares of Trinew, representing 40% interest in the issued share capital of Trinew at a consideration of HK$57,000,000;

(q) the assignment of the account receivable in the sum of US$226,151.75 due from UPLA to Desk Top Limited and all related sureties dated 4 June 2010 and executed by Desk Top Limited to Ospella in relation to the sale and purchase agreement dated 19 April 2010 as referred to in item (p) above;

(r) a charge over account dated 4 June 2010 executed by Ospella in favour of Fortune Investment as security for certain obligations and liabilities from time to time and at any time owing by Ospella and Mr. Inglis to Fortune Investment and Trinew Limited and its subsidiaries pursuant to the sale and purchase agreement dated 19 April 2010 as referred to in item (p) above; and

(s) a supplemental deed to a deed of tax Indemnity dated 4 June 2010 executed by Ospella, Mr Inglis, Trinew Limited, Fortune Investment, Desk Top Limited, Desk Top Bags (Mfg) Ltd., DLuxe Bags Limited, 東莞星系手袋廠有限公司 (Dongguan Xingxi Handbags Factory Co., Limited) and 東莞星浩手袋有限公司 (Dongguan Xing Hao Handbags Factory Co., Limited) in relation to the sale and purchase agreement dated 19 April 2010 as referred to in item (p) above.

6. EXPERT QUALIFICATION AND CONSENT

The following is the qualification of the expert who has made statement in this circular:

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

Partners Capital has no shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities of any member in the Group.

Partners Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter/opinion dated 14 June 2010 and references to its name in the form and context in which they are included.

7. EXPERTS' INTERESTS

As at the Latest Practicable Date,

(a) Partners Capital did not have any direct or indirect interest in any asset which had since 31 December 2009, being the date to which the latest published audited financial statements of the Company were made up, been acquired or disposed of by, or leased to, any member of the Group, or was proposed to be acquired or disposed of by, or leased to, any member of the Group; and

(b) Partners Capital was not beneficially interested in the share capital of any member of the Group or did they have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

8. 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 2009, being the date to which the latest published audited financial statements of the Group were made up.

9. CONTINGENT LIABILITIES AND 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.

10. MISCELLANEOUS

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

(b) The principal share registrar and transfer office of the Company is 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.

11. DOCUMENTS AVAILABLE FOR INSPECTION

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

(a) the letter from the Board, the text of which is set out on pages 4 to 9 of this circular;

(b) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on page 10 of this circular;

(c) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders dated 14 June 2010, the text of which is set out on pages 11 to 16 of this circular;

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

(e) this circular;

(f) the circular dated 20 May 2010 issued by the Company pursuant to the requirements set out in Chapters 14 and/or 14A of the Listing Rules which has been issued since 31 December 2009 (the date to which the latest published audited financial statements of the Company were made up);

(g) the written consent as referred to in the paragraph headed "6. Expert Qualification and Consent" in this Appendix II;

(h) the Termination Agreement;

(i) the Sale and Purchase Agreement;

(j) the First Option Deed;

(k) the Second Option Deed;

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

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

(n) the annual reports of the Company for each of the two years ended 31 December 2008 and 2009.