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 **Luen Thai Holdings Limited**, you should at once hand this circular to the purchaser or other transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Luenthai

LUEN THAI HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 311)

MAJOR TRANSACTION IN RESPECT OF THE ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF OCEAN SKY GLOBAL (S) PTE. LTD.

29 April 2013

Pages

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

"Acquisition"	the acquisition of the Sale Shares by the Purchaser pursuant to the Share Purchase Agreement;
"Associate(s)"	shall have the meaning as ascribed to it under the Listing Rules;
"Board"	the board of Directors of the Company;
"Business"	the business of the Target Group comprising designing, manufacturing, sales and marketing of apparel and accessories in Vietnam, Cambodia, Singapore and Hong Kong as conducted by the Seller and its subsidiaries on the date of the Share Purchase Agreement and from time to time thereafter up till the date of Completion;
"Business Day"	a day (other than a Saturday or Sunday) when commercial banks are open for business in both Singapore and Hong Kong;
"Business Transfer Agreement"	the business transfer agreement entered into on or around 10 August 2012 between the Seller and the Target Company, and as amended, supplemented or modified by the supplemental deed dated 6 January 2013;
"Cambodian Land"	a parcel of land located at No. 8 and 9, Street Choam Chao, Sangkat Choam Chao, Khan Dangkor, Phnom Penh, Cambodia with Lot No. 650, Certificate of Real Estate Ownership No. 12050521-0650 and land area of approximately 122,097 square meters;
"Capital Glory"	Capital Glory Limited, the controlling shareholder of the Company;
"Company"	Luen Thai Holdings Limited, the shares of which are listed on the Stock Exchange;
"Completion"	completion of the sale and purchase of the Sale Shares in accordance with terms of the Share Purchase Agreement;
"Completion Accounts Date"	the earlier of the Completion Date or 31 March 2013, provided that if Completion does not take place on 31 March 2013 it shall be on such other later date as the Parties may agree in writing but in any event no later than the Long Stop Date. As at the Latest Practicable Date, the Completion Accounts Date has not yet been fixed by the Parties;

"Completion Date"	the date of Completion, being a date no later than 31 March 2013, provided that if the Conditions shall not have been satisfied or waived on or before such date, ten (10) Business Days after the day on which the last of the Conditions has been satisfied or waived or such other date as the Parties agree in writing, but in any event no later than the Long Stop Date;
"Completion NTA"	the consolidated tangible net asset value of the Target Group as at Completion Accounts Date, as shown in the Draft Completion Accounts or the Final Completion Accounts as the case may be;
"Conditions"	conditions precedent to Completion under the Share Purchase Agreement which are described in the section headed "Conditions precedent" in this circular;
"Connected Person"	shall have the meaning as ascribed to it under the Listing Rules;
"Consideration"	the aggregate consideration payable for the Sale Shares, which are set out in the section headed "Consideration" in this circular;
"Deposit"	the amount of US$2,750,000;
"Director(s)"	director(s) of the Company for the time being;
"Disclosure Letter"	the letter from the Seller to the Purchaser in the agreed terms and delivered to the Purchaser upon the execution of the Share Purchase Agreement, which sets out, among other things, the specific steps involved in the Reorganisation and the Restructuring that affect the warranties given by the Seller under the Share Purchase Agreement;
"Draft Completion Accounts"	the draft balance sheet of the Target Group as at the Completion Accounts Date;
"Due Diligence Period"	the period which shall commence from the date of the Share Purchase Agreement and end on the later of (i) (a) the date falling six (6) weeks from the date of the Share Purchase Agreement; or (b) the date when the Purchaser receives from the Seller the legal opinions issued in relation to the Vietnam Buildings and the properties on the Cambodian Land to (A) Ocean Sky Apparel (VN) Limited Company; and (B) Suntex Pte. Ltd. and Bright Sky Pte. Ltd., respectively, whichever is the later; or (ii) 15 February 2013. Pursuant to a letter agreement, the Parties agreed to extend the Due Diligence Period to 26 February 2013;
"Enlarged Group"	the Group immediately after the completion of the Acquisition;

"Escrow Agent"	UOB Kay Hian Private Limited;
"Escrow Agreement"	the escrow agreement dated 6 January 2013 as supplemented by a supplemental agreement dated 9 January 2013 entered into among the Seller, the Purchaser, the Company and the Escrow Agent;
"Final Completion Accounts"	the final balance sheet of the Target Group as at the Completion Accounts Date;
"Group"	the Company and its subsidiaries;
"Hong Kong Properties"	the properties located at (i) Flat D, 11/F., Tower 5, The Waterfront, 1 Austin Road West, Kowloon, Hong Kong and car parking space no. 267 on 2/F; and (ii) Duplex flat D, 33/F., Tower 5, The Waterfront, 1 Austin Road West, Kowloon, Hong Kong and car parking space no. 128 on basement 2;
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong;
"Independent Third Parties"	third parties who are independent of the Company and its Connected Persons;
"Initial Consideration"	the sum of US$35,750,000;
"Latest Practicable Date"	24 April 2013, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange;
"Long Stop Date"	30 April 2013 or such other date as the Parties may agree in writing;
"Net Debt"	the aggregate interest bearing liabilities of the Target Group with unrelated parties less the aggregate of (i) all cash and bank balances and (ii) fixed deposits of the Target Group as at the Completion Accounts Date, as shown in the Draft Completion Accounts or the Final Completion Accounts as the case may be;
"Ocean Sky Hong Kong"	Ocean Sky Marketing (H.K.) Limited (式佳工業(香港)有限公司) incorporated in Hong Kong;

"Ordinary Course of Business"	(i) entering into forward order contracts; (ii) factoring or discounting of debt or receivables as well as using trust receipts, import invoice loan or import invoice financing; (iii) financing business activities relating to hire-purchase agreements only and in which the sum involved does not exceed US$80,000 for one single transaction or does not exceed US$300,000 for all the transactions in aggregate; and (iv) any other non-financing business activities entered into in the course of business operations by the various Target Group Companies or with the Retained Group in relation to the Business;
"Party/Parties"	the party/parties to the Share Purchase Agreement;
"Pro Forma FY2012 Net Profit"	the audited consolidated net profit after tax (prepared in the business perspective in accordance with International Financial Reporting Standards) of the Target Group excluding one-time disposal of assets and extraordinary gains or losses and any discontinued operations (including but not limited to the reversal of provisions for tax, accounts receivable and inventory, etc), as shown in the audited consolidated accounts of the Target Group for the year ended 31 December 2012 and audited by the Purchaser's Accountant;
"Purchaser"	Sunny Force Limited, a company incorporated under the laws of the British Virgin Islands and an indirect wholly-owned subsidiary of the Company;
"Purchaser's Accountant"	PricewaterhouseCoopers, Hong Kong;
"Reorganisation"	the reorganisation of the Target Group Companies pursuant to the Business Transfer Agreement such that the Target Subsidiaries become wholly-owned subsidiaries of the Target Company;
"Restructuring"	the changes to the capital structure of any Target Group Company, including share buybacks, capital reductions, declaring dividends, distributions in specie, factoring of debts or receivables, assignment and/or transfer of debt or receivables, assigning, transferring or selling any aging inventory without active delivery orders and disposing of the Hong Kong Properties, with the purpose of effecting adherence to the Target Benchmarks (to the extent possible);

"Retained Group"	the Seller, its subsidiaries and subsidiary undertakings, any holding company of the Seller and all other subsidiaries and subsidiary undertakings of any such holding company from time to time (but excluding the Target Group);
"Sale Shares"	21,223,245 ordinary shares comprising the entire issued share capital of the Target Company;
"Seller"	Ocean Sky International Limited, a company incorporated in Singapore;
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
"Share Purchase Agreement"	a share purchase agreement dated 6 January 2013 and entered into between the Seller, the Purchaser and the Company in relation to the sale and purchase of the Sale Shares;
"Shareholders"	shareholders of the Company;
"Shares"	shares of the Company;
"Singapore"	the Republic of Singapore;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"Supplemental Disclosure Letter"	the disclosure letter which supplements the Disclosure Letter from the Seller to the Purchaser in the agreed terms and delivered to the Purchaser on Completion;
"Target Benchmarks"	(i) the Completion NTA value of US$40,000,000; and (ii) the Net Debt of US$2,400,000;
"Target Company"	Ocean Sky Global (S) Pte. Ltd., a company incorporated in Singapore;
"Target Group"	the Target Company and the Target Subsidiaries;
"Target Group Company(ies)"	any company/companies within the Target Group;
"Target Subsidiaries"	the companies which shall become the wholly-owned subsidiaries of the Target Company upon completion of the Reorganisation, comprising Sunglobe Pte. Ltd., Ocean Sky Apparel (VN) Limited Company, Suntex Pte. Ltd., Bright Sky Pte. Ltd., Bloom Time Embroidery Pte. Ltd., and Ocean Sky Hong Kong;

"Transaction Documents"	the Share Purchase Agreement, the Disclosure Letter and the Supplemental Disclosure Letter;
"US$"	United States dollars, the lawful currency of the United States of America; and
"Vietnam Buildings"	the buildings built and currently possessed by Ocean Sky Apparel (VN) Limited Company in Vietnam.

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
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

Hong Kong, 29 April 2013

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION IN RESPECT OF THE ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF OCEAN SKY GLOBAL (S) PTE. LTD.

Reference is made to the announcement of the Company dated 7 January 2013 in relation to the Share Purchase Agreement.

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

A. THE SHARE PURCHASE AGREEMENT

The Board announced that on 6 January 2013, the Company and the Purchaser entered into the Share Purchase Agreement with the Seller. The main terms of the Share Purchase Agreement are set out below.

Date: 6 January 2013

Parties:
(a) the Seller
(b) the Purchaser, an indirect wholly-owned subsidiary of the Company
(c) the Company

Assets to be acquired:

Pursuant to the Share Purchase Agreement, the Seller agreed to sell and the Purchaser agreed to purchase the Sale Shares, representing the entire issued share capital of the Target Company.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Seller and its ultimate beneficial owners are Independent Third Parties.

Consideration:

The consideration for the sale and purchase of the Sale Shares shall be:

(a) the payment by the Purchaser to the Seller at Completion of the Initial Consideration; and

(b) subject to the adjustments (if any) provided for in the paragraphs (i) to (iii) described below, the payment by the Purchaser to the Seller within 3 Business Days of the receipt by the Purchaser of the Final Completion Accounts of the sum of US$19,250,000.

The Consideration would fully be settled in cash.

The amount payable pursuant to paragraph (b) above shall, in any one or more of the following circumstances, be:

(i) reduced by US$1.00 for every US$1.00 that the Pro Forma FY2012 Net Profit is less than US$10,000,000;

(ii) reduced by US$1.00 for every US$1.00 that the Completion NTA is less than US$40,000,000; and

(iii) reduced by US$1.00 for every US$1.00 that the Net Debt exceeds US$2,400,000, provided that under paragraphs (ii) and (iii) above, the final amount payable pursuant to paragraph (b) above shall be determined after allowing any surplus to the Completion NTA or any shortfall to the Net Debt to be set off against any surplus to the Net Debt or any shortfall to the Completion NTA (as the case may be), subject to a maximum set off of US$2,000,000 each.

For the avoidance of doubt, the amount payable pursuant to paragraph (b) and paragraphs (i) to (iii) above shall not be less than US$1.00 and shall not exceed US$19,250,000.

The Consideration was determined after arm's length negotiations between the Parties on a willing-buyer, willing-seller basis with reference to factors including the unaudited consolidated financial results of the Target Group for the two years ended 31 December 2011 and nine months ended 30 September 2012 and the unaudited consolidated net asset value of the Target Group as at 30 September 2012.

Although the financial information of the Target Group for the two years ended 31 December 2011 and nine months ended 30 September 2012 has not taken into account the Reorganisation, the Board considers there is no material financial impact of the Reorganisation. The premium of the Consideration over the unaudited consolidated net asset value of the Target Group as at 30 September 2012 of approximately US$33.4 million is approximately 64.7%. Having taken into consideration on the then market conditions of the listed companies on Main Board of the Stock Exchange which are principally engaged in the manufacturing and sale of garments, the Board considers the price-to-earnings ratio and the price-to-book ratio of 4.5 and 1.7 of the Target Group as at 30 September 2012 respectively is fair and reasonable and the Acquisition is in the interest of the Company and the Shareholders as a whole.

The Company will finance the Acquisition by a term loan with a bank of US$35 million and the revolving facilities of US$15 million totalling US$50 million. The remaining US$5 million shall be financed by internal resources.

Escrow arrangement:

Pursuant to the Share Purchase Agreement, the Seller, the Purchaser and the Company have entered into the Escrow Agreement with the Escrow Agent. Pursuant to the Escrow Agreement, the Purchaser has paid to the Escrow Agent the Deposit, to be held and applied upon the terms and conditions contained in the Escrow Agreement, and on the following terms and conditions set out in the Share Purchase Agreement:

(a) the Deposit will upon Completion represent part payment of the Initial Consideration and shall be paid to the Seller upon Completion;

(b) the Deposit shall be refunded and released to the Purchaser upon demand by the Purchaser when the Share Purchase Agreement is rescinded or terminated within the Due Diligence Period, thereafter which subject to paragraph (c) below, the Deposit will (i) upon Completion represent part payment of the Initial Consideration; or (ii) in any other circumstances be released to the Seller.

if the Deposit is to be refunded and released to the Purchaser in the above manner, the Purchaser shall reimburse the Seller the costs and expenses actually incurred by the Seller in the negotiation, preparation and performance of the Share Purchase Agreement up to a maximum sum of US$500,000, and the remainder of the Deposit shall be released to the Purchaser.

The Seller shall execute and deliver to the Purchaser the Supplemental Disclosure Letter upon Completion. In the event that any information disclosed in the Supplemental Disclosure Letter shows that any change, event or circumstance has occurred which has a material adverse change in and effect on the business, assets, liabilities and financial condition of the Target Group, the Purchaser shall be entitled to have full refund of the Deposit and to terminate the Share Purchase Agreement forthwith.

(c) if the Due Diligence Period allowed for the due diligence investigation is extended by mutual agreement between the Seller and the Purchaser (the "**Extended Due Diligence Period**"), US$1 million of the Deposit shall become non-refundable and will either (i) upon Completion represent part payment of the Initial Consideration; or (ii) in any other circumstances be released to the Seller. The remaining US$1,750,000 of the Deposit (the "**Remaining Deposit**") shall be refunded and released to the Purchaser only if the Share Purchase Agreement is validly rescinded or terminated within the Extended Due Diligence Period, thereafter which the Remaining Deposit will either (i) upon Completion represent part payment of the Initial Consideration; or (ii) in any other circumstances be released to the Seller.

The Due Diligence Period was extended to 26 February 2013 by mutual agreement between the Parties. As at the Latest Practicable Date, the due diligence investigation conducted by the Purchaser covering the legal, financial, operational, tax, accounting and business aspects of the Target Group has been completed, and the results of which are satisfactory to the Purchaser. The Directors consider that there is no material adverse matter in the results of the due diligence investigation which needs to be brought to the attention of the Shareholders.

Since the Due Diligence Period was extended by mutual agreement between the Parties, the said sum of US$1 million of the Deposit has become non-refundable pursuant to the terms of the Share Purchase Agreement.

Conditions precedent:

The obligations of the Parties are in all respects conditional upon the satisfaction (or waiver, as the case may be,) of the following conditions precedent:

(1) The Seller and the Company having complied fully with their respective pre-completion obligations as provided in the Share Purchase Agreement. Such pre-completion obligations include that the Seller shall procure that from the date of the Share Purchase Agreement and up to and including the Completion Date, each Target Group Company will conduct its Business in the ordinary course, save for the Restructuring and/or the Reorganisation.

(2) The approval of the shareholders of the Seller being obtained at any necessary extraordinary general meeting of such shareholders for the sale of the Sale Shares by the Seller, on the terms and subject to the conditions of the Share Purchase Agreement.

(3) The approval of the shareholders of the Purchaser and the Company being obtained at any necessary extraordinary general meeting of such shareholders for the purchase of the Sale Shares by the Purchaser, on the terms and subject to the conditions of the Share Purchase Agreement.

(4) Up to and including the Completion Date, no injunction, restraining order or other order or any other legal or regulatory restraint or prohibition having been issued or made by any court of competent jurisdiction or any other person which prevents the consummation of the transactions contemplated by the Share Purchase Agreement.

(5) All necessary approvals having been obtained for the transactions contemplated under the Transaction Documents, whether pursuant to law, regulatory compliance or otherwise, and if such approvals are obtained subject to any conditions and where such conditions affect the Seller, such conditions being acceptable to the Seller, and if such conditions are required to be fulfilled before Completion, such conditions being fulfilled before Completion.

(6) The Reorganisation having been fully, validly and legally completed.

(7) The warranties given by the Seller under the Share Purchase Agreement being true and accurate in all material respects and not misleading at Completion.

(8) No change, event or circumstance having occurred which has a material adverse change in and effect on the business, assets, liabilities and financial condition of the Target Group.

(9) The Seller having used its reasonable endeavours to facilitate the Purchaser to undertake a legal, financial, operational, tax, accounting and business due diligence investigation in respect of the Target Group, and the results of

which being satisfactory to the Purchaser in its reasonable discretion within the Due Diligence Period. If the Purchaser is not satisfied with the results of the due diligence investigation by the end of the Due Diligence Period, the Seller may extend the Due Diligence Period by mutual agreement with the Purchaser.

(10) The Target Group and all its assets and properties having become free from all encumbrances, save for the Hong Kong Properties and encumbrances entered into in the Ordinary Course of Business.

(11) The Target Company having entered into a service contract with Mr Ang Boon Chong on terms acceptable to each of the Purchaser and Mr Ang Boon Chong.

(12) The Seller having provided to the Purchaser legal opinions issued by reputable professional firms to the Seller, in each case appointed by the Seller at the Seller's cost, in Cambodia, Singapore and Vietnam confirming that the Reorganisation has been validly and legally completed.

(13) The warranties given by the Purchaser and the Company under the Share Purchase Agreement being true and accurate in all material respects and not misleading at Completion.

The Purchaser may, to such extent as the Purchaser thinks fit and is legally entitled to do so, waive in whole or in part all or any of the Conditions, except the Conditions set out in paragraphs 1, 2, 3, 4, 5 and 13 above.

If any of the Conditions are not fulfilled or waived, on or before the Long Stop Date, any Party shall be entitled to treat the Share Purchase Agreement as terminated.

The Directors may consider waiving the Conditions (except the Conditions set out in paragraphs 1, 2, 3, 4, 5 and 13 above) only if it is fair and reasonable under the circumstances and in the interest of the Company and the Shareholders as a whole. The Directors currently has no intention to waive any of the Conditions.

With respect to the Condition set out in paragraph 3 above, the Company has obtained a written approval to the Acquisition from Capital Glory, the controlling shareholder of the Company, which is beneficially interested in approximately 61.16% of the issued share capital of the Company as at the Latest Practicable Date, which approved the Acquisition and the transactions contemplated in the Share Purchase Agreement so long as the Purchaser is satisfied with the due diligence investigation conducted pursuant to the Share Purchase Agreement and there has not been any breach of any term by the Seller under the Share Purchase Agreement. By reason of the written approval from the controlling shareholder of the Company, the Condition set out in paragraph 3 above is not applicable and an extraordinary general meeting of the Company to approve the Acquisition is not required pursuant to Rule 14.44 of the Listing Rules and will not be convened.

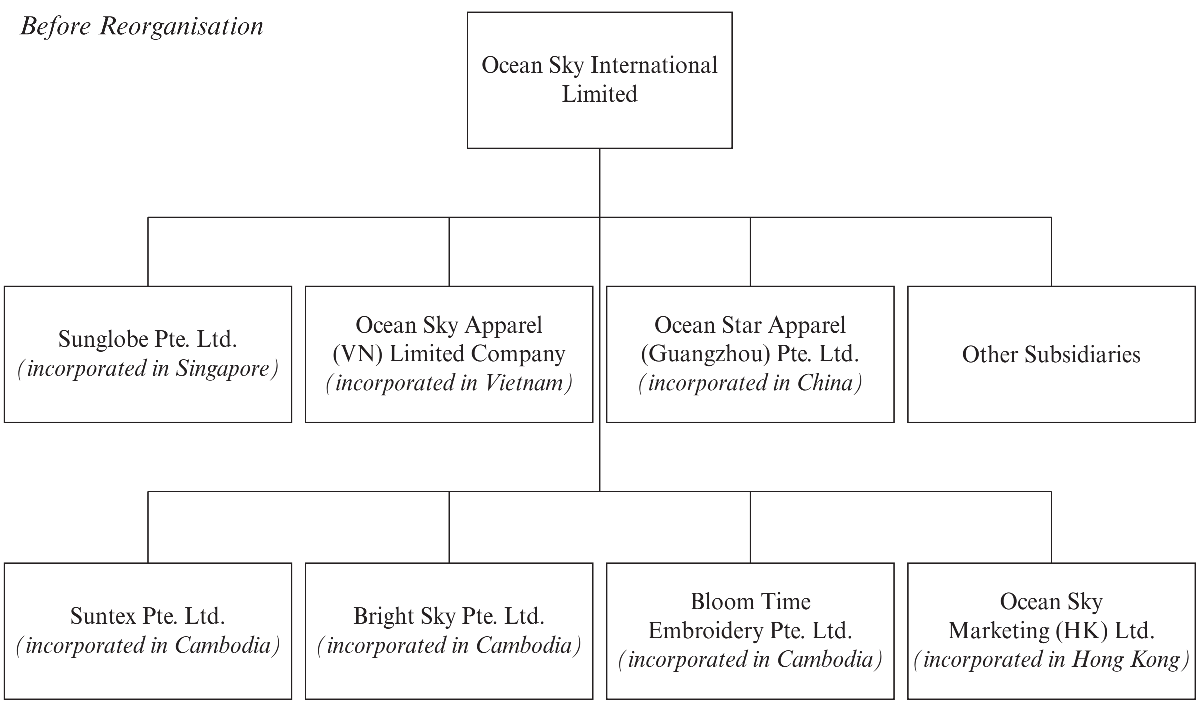
With respect to the Condition set out in paragraph 11 above, Mr. Ang Boon Chong is currently an executive director and chief operating officer of the Seller. He is well experienced in the apparel industry and plays a pivotal role in the Target Group's marketing, business development and customer relationship management. Pursuant to the terms of the Share Purchase Agreement and as one of the Conditions, the Target Company will enter into a service contract with Mr. Ang Boon Chong. It is expected that Mr. Ang Boon Chong will be engaged as a consultant to the Target Group pursuant to the service contract to assist in the transition of the business operations of the Target Group after the Acquisition. Mr. Ang Boon Chong will not be appointed as a Director after the Acquisition. Mr. Ang Boon Chong will be redesignated as a non-executive director of the Seller following completion of the Acquisition.

As at the Latest Practicable Date, the Conditions set out in paragraphs 2 and 9 above have been fulfilled.

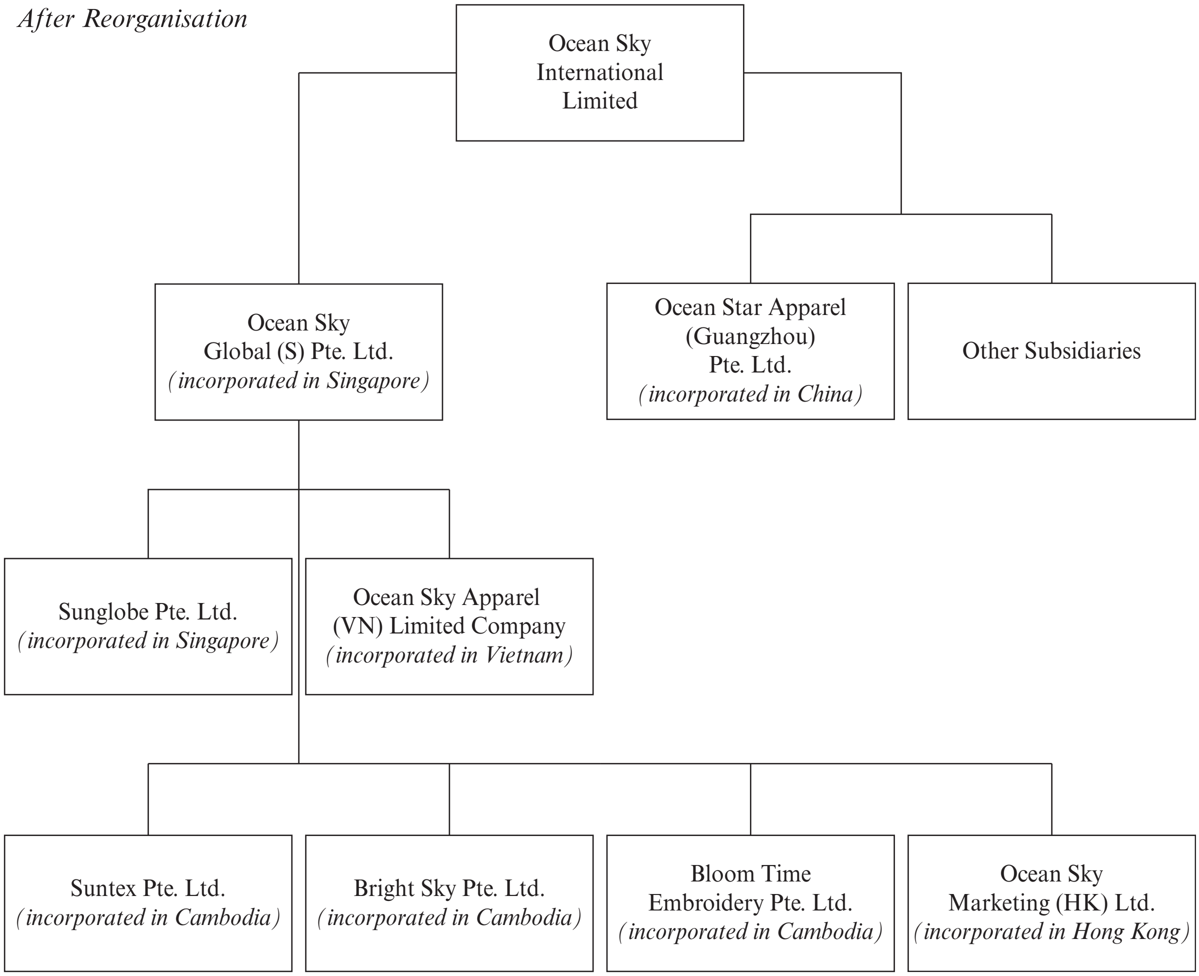
Reorganisation:

Pursuant to the terms of the Share Purchase Agreement, the Seller shall effect the Reorganisation such that the Target Subsidiaries shall become wholly-owned subsidiaries of the Target Company on or before Completion.

Before Reorganisation



After Reorganisation



Hong Kong Properties:

The Hong Kong Properties will not be included as part of the assets of the Target Group and will not be included in the transaction in the Share Purchase Agreement. In the event that Ocean Sky Hong Kong has legal title to any of the Hong Kong Properties on Completion, the Company and the Purchaser shall procure that Ocean Sky Hong Kong shall dispose of such Hong Kong Properties within twelve (12) months of Completion Date. Up to the Latest Practicable Date, Ocean Sky Hong Kong has completed the disposal of aforementioned properties in Hong Kong.

Indebtedness between the Target Group and the Retained Group:

Pursuant to the Share Purchase Agreement, the Seller has provided a warranty to the Purchaser that no material indebtedness in excess of US$1,000,000 will be outstanding between any Target Group Company and any member of the Retained Group as at the Completion Date.

Obligations of the Company:

To the extent permitted by the law, the Company shall procure the Purchaser to comply with its obligations under the Share Purchase Agreement, including doing and executing all such further acts, deeds, things and documents as may be reasonably necessary to give effect to the terms of the Share Purchase Agreement. The Company and the Purchaser shall also jointly and severally give warranties and undertakings to the Seller in relation to the obligations of the Purchaser under the Share Purchase Agreement.

B. INFORMATION ON THE TARGET GROUP

The Target Group is a global one-stop specialty apparel manufacturer with supply chain management ("SCM") capabilities. Headquartered in Singapore, the Target Group reaches out to customers globally through 4 strategically located production and sourcing operations in Singapore, Cambodia, Vietnam and Hong Kong after the Reorganisation. The Target Group has a portfolio of client base which includes well-known international apparel companies.

For the three years ended 31 December 2012, the Target Group manufactured a variety of specialty apparel for Men, Ladies, Kids, Babies and Infants in accordance with customers' requirements. The types of products of the Target Group included T-shirts, shorts, pants, skirts, dresses, jackets, cardigans, sleepwear, lounge wear, maternity wear, children's wear and baby wear. The Target Group is equipped to handle a wide assortment of fabrics such as interlock, fancy ribs, jacquard and French ferry. Turnover and profit before taxation of the Target Group during the three years ended 31 December 2012 were mainly attributable to the manufacture of specialty apparel and the provision of SCM services. Major markets of the Target Group were US and Canada markets which made up more than 73.8% to 88.9% of sales of the Target Group.

For the three years ended 31 December 2012, the turnover of the Target Group was US$228.3 million, US$291.1 million and US$254.3 million respectively.

For the three years ended 31 December 2012, the largest customer of the Target Group was an well-known international apparel company which accounted for 57%, 42% and 32% of the total sales respectively. Pursuant to the Reorganisation, over 7,800 full-time staff, comprising approximately 7,500 production staff and 300 office staff, were transferred to the Target Group as at 30 June 2012.

Pursuant to the terms of the Share Purchase Agreement, the Seller shall effect the Reorganisation such that the Target Subsidiaries shall become wholly-owned subsidiaries of the Target Company on or before Completion.

The further details of the Target Subsidiaries are as follows:

(a) Sunglobe Pte. Ltd. is a company incorporated in Singapore. Its principal activities are those of importing, exporting and trading of apparels.

(b) Ocean Sky Apparel (VN) Limited Company is a company incorporated in Vietnam. Its principal activities are processing and exporting garment products.

(c) Suntex Pte. Ltd. is a company incorporated in Cambodia. Its principal activity consists of contract manufacturing of garments.

(d) Bright Sky Pte. Ltd. is a company incorporated in Cambodia. Its principal activity consists of contract manufacturing of garments.

(e) Bloom Time Embroidery Pte. Ltd. is a company incorporated in Cambodia. Its principal activities consist of printing, embroidery and washing of garments.

(f) Ocean Sky Hong Kong is a company incorporated in Hong Kong. Its principal activity is the co-ordination of sales and sourcing of raw materials for its holding company.

Set out below are certain audited consolidated financial information of the Target Group for each of the three financial years ended 31 December 2010, 31 December 2011 and 31 December 2012 respectively assuming that the Reorganisation has been completed on 1 January 2010:

	For the year ended 31 December 2010	**For the year ended 31 December 2011**	**For the year ended 31 December 2012**
	US$ approximately	*US$ approximately*	*US$ approximately*
Net profits before tax	13.3 million	17.2 million	14.2 million
Net profits from continuing operations after tax	12.4 million	15.4 million	13.1 million

The audited consolidated net asset value of the Target Group as at 31 December 2012 is approximately US$37 million.

Upon completion of the Acquisition, the Target Company and the Target Subsidiaries will become indirect wholly-owned subsidiaries of the Company and their results will be consolidated into the Group's financial results.

C. REASONS FOR AND BENEFITS OF THE ACQUISITION

The Target Group is principally engaged in the designing, manufacturing, sales and marketing of apparel and accessories in Vietnam, Cambodia, Singapore and Hong Kong. Headquartered in Singapore, the Target Group has established production facilities in Cambodia and Vietnam and its customer portfolio included global apparel brands and retailers. The Board believes that through the proposed Acquisition, the Group can diversify its production bases outside China in countries with relatively low labour costs and expand its customer base, thereby increasing the competitiveness of the Group. The

Board further believes that the Group will be benefited from the expansion of the Group's production capacities in Cambodia as the Group has been requested by a European customer to consider expanding its production base to Cambodia which enjoys duty benefits in exporting goods to Europe. The Board considers that the proposed Acquisition would be beneficial to the long term development of the Group and in the commercial interest of the Group as a whole.

As discussed in the Company's interim report 2012, though the cost in China has not increased significantly during the said reporting period, it is still expected that the cost will continue to increase in the next few years. It is the Group's mission plan to continue to expand non China production base. The Acquisition is in line with this strategy.

Having regard to the above and in particular the price to earning ratio as implied from the Consideration and the unaudited consolidated net profits of the Target Group, the Directors (including the independent non-executive Directors) are of the view that the Acquisition, the terms of the Share Purchase Agreement and the transactions contemplated thereunder were negotiated on an arm's length basis between the Parties and are on normal commercial terms and fair and reasonable and in the interest of the Company and the Shareholders as a whole.

D. FINANCIAL EFFECT OF THE TRANSACTION

Upon Completion, the Target Group Companies will become the wholly-owned subsidiaries of the Company and the financial results of the Target Group Companies will be consolidated into the financial statements of the Group.

Assets

As at 31 December 2012, the audited consolidated total assets of the Group amounted to approximately US$687,248,000.

As set out in Appendix III to this circular, assuming completion of the Acquisition had taken place on 31 December 2012, the unaudited pro forma consolidated total assets of the Enlarged Group would be approximately US$778,688,000.

Liabilities

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

As at 31 December 2012, the audited consolidated total liabilities of the Group amounted to approximately US$342,274,000.

As set out in Appendix III to this circular, assuming the completion of the Acquisition had taken place on 31 December 2012, the unaudited pro forma consolidated total liabilities of the Enlarged Group would be approximately HK$435,214,000.

Cashflow

As the Acquisition will be mainly financed by a specific bank loan, it is expected that there would be no material negative impact to the cashflow of the Group.

Earnings

For the year ended 31 December 2012, the Group recorded profit attributable to the owners of the Company of approximately US$38,635,000. Meanwhile the Target Group recorded audited consolidated net profits from continuing operations after tax of US$13.1 million for the year ended 31 December 2012. Hence, our Directors consider that the Target Group will contribute positively to the revenue and earnings base of the Enlarged Group.

The unaudited pro forma financial information has been prepared for illustrative purpose only, based on the judgments and assumptions of the Directors, and, because of its hypothetical nature, it may not reflect the true financial position of the Enlarged Group as at the Completion Date or any future date. Moreover, since the actual fair values of the assets, liabilities and contingent liabilities of Target Company as at the Completion Date would be different from their estimated fair values used in the preparation of the audited financial statement as at 31 December 2012, the actual financial effects of the Acquisition might be materially different from the financial position as shown in Appendix III to this circular.

E. MANAGEMENT DISCUSSION AND ANALYSIS ON THE TARGET GROUP

Set out below is the management discussion and analysis on the Target Group for each of the three financial years ended 31 December 2012.

Business review

The Target Company was a company established in Singapore with limited liability. The Target Group are primarily engaged in the business of designing, manufacturing, sales and marketing of apparel in Vietnam, Cambodia, Singapore and Hong Kong.

Currently, the US is the Target Group's largest export market. The Target Group's sales and profitability will be affected by any economic, political, regulatory or social factors, or any domestic security concerns, which may result in a downturn in the US economy or affect our ability to export to the US. The Target Group will therefore continue to expand its market base to effectively reduce the Target Group's dependence on the US Market.

The Target Group's customers consisted of several international brands, such as Old Navy, Gap, Adidas, Columbia Sportswear and Banana Republic. The Target Group will continue to foster good relationship and build strategic partnerships with customers to ensure continuous growth with existing customers while increasing our customer base to effectively reduce our dependence on any single customer.

Revenue

The Target Group recorded revenue for each of the three financial years ended 31 December 2012 of approximately US$228,268,000, US$291,151,000 and US$254,330,000 respectively.

The Target Group's revenue has steadily increased in incremental amount between the years of 2010 and 2011. The steady growth in revenue was driven by increase in customer demand and successful new market expansion. However, due to the doom and gloom of the global economy and the decrease in FOB price as a result of the decrease in cotton price, the revenue for the year ended 31 December 2012 declined by 12.6% compared to year 2011.

Liquidity and financial resources

As at 31 December 2010, the Target Group had total assets of approximately US$134,968,000 and its current assets were approximately US$99,327,000. As at that date, the total liabilities and current liabilities of the Target Group were approximately US$67,778,000 and US$65,528,000 respectively and the shareholder's equity of the Target Group amounted to approximately US$67,190,000. The gearing ratio, which was defined as the net debt (represented by bank borrowings net of cash and cash equivalents) divided by shareholder's equity. As at 31 December 2010, the gearing ratio of the Target Group was 0.8%.

As at 31 December 2011, the Target Group had total assets of approximately US$131,571,000 and its current assets were approximately US$99,040,000. As at that date, the total liabilities and current liabilities of the Target Group were approximately US$60,529,000 and US$56,302,000 respectively and the shareholder's equity of the Target Group amounted to approximately US$71,042,000. As at 31 December 2011, the Target Group was in a net cash position, no gearing ratio of the Target Group could be presented.

As at 31 December 2012, the Target Group had total assets of approximately US$85,194,000 and its current assets were approximately US$66,559,000. As at that date, the total liabilities and current liabilities of the Target Group were approximately US$47,989,000 and US$47,708,000 respectively and the shareholder's equity of the Target Group amounted to approximately US$37,205,000. As at 31 December 2012, the Target Group was in a net cash position, no gearing ratio of the Target Group could be presented.

Capital structure

The Target Group's operations were mainly financed by internal resources and bank borrowings.

The Target Group had short term bank borrowings of US$30,973,000 as at 31 December 2010, US$18,322,000 as at 31 December 2011 and US$4,196,000 as at 31 December 2012. The interest was charged at floating rate.

As at 31 December 2010, 2011 and 2012, the Target Group had cash and bank balances of approximately US$32,398,000, US$39,856,000 and US$15,871,000 respectively.

Acquisition and disposal of subsidiaries

There were no material acquisitions or disposals of subsidiaries and associated companies during each of the three years ended 31 December 2012.

Employees and remuneration policy

As at 31 December 2010, 2011 and 2012, Target Group employed a total of 7,454, 7,792 and 8,446 employees respectively. The Target Group recruits and promotes individuals based on merit and their development potentials for the positions offered. When formulating staff remuneration and benefit policies, primary considerations are given to their performance and prevailing salary levels in the market. Benefits provided to the employees by the Target Group include training, medical coverage, bonus scheme and the statutory retirement scheme.

Foreign exchange exposure

The Target Group has foreign currency exposures arising from expenses or purchases that are denominated in a currency other than the respective functional currencies of Target Group entities, primarily the Singapore dollar and Hong Kong dollar.

The Target Group does not have a formal hedging policy against foreign exchange fluctuations. The Target Group continuously monitors the exchange rates on a daily basis so as to realise the currencies at the most favourable exchange rate.

Contingent liabilities and capital commitments

As at 31 December 2010, 2011 and 2012, the Target Group did not have any material contingent liabilities and capital commitments.

Pledge of assets

As at 31 December 2010, 2011 and 2012, certain leasehold land and buildings with carrying amounts of US$5,592,000, US$ 5,437,000 and nil, respectively, were pledged for the Target Group's borrowings.

As at 31 December 2010, 2011 and 2012, the Target Group has plant and equipment with carrying amounts of US$2,236,000, US$641,000 and US$446,000 respectively, purchased under finance lease arrangement.

Future plans for significant investment

There are no current plans for material investment of capital assets in the coming year.

F. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

As mentioned above, the Board believes that through the proposed Acquisition, the Group can diversify its production bases outside China in countries with relatively low labour costs and expand its customer base, thereby increasing the competitiveness of the Group. The Board further believes that the Group will be benefited from the expansion of the Group's production capacities in Cambodia, which would strengthen the Group's market position, increase the Group's income stream and bring a long term benefit to the Enlarged Group and its shareholders.

G. LISTING RULE IMPLICATIONS

As the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Acquisition exceed 25% but are less than 100%, the Acquisition constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is subject to reporting, announcement and shareholders' approval requirements.

To the best of the knowledge, information and belief of the Directors after having made all reasonable enquiries, no Shareholders or any of their respective Associates have any material interest in the Acquisition, and no Shareholder is required to abstain from voting if the Company were to convene an extraordinary general meeting of the Company to approve the Acquisition.

On 7 January 2013, the Company obtained a written approval to the Acquisition from Capital Glory, the controlling shareholder of the Company, which is beneficially interested in approximately 61.16% of the issued share capital of the Company as at the Latest Practicable Date, which approved the Acquisition and the transactions contemplated in the Share Purchase Agreement for so long as the Purchaser is satisfied with the due diligence investigation conducted pursuant to the Share Purchase Agreement and there has not been any breach of any term by the Seller under the Share Purchase Agreement. By reason of the written approval from the controlling shareholder of the Company, an extraordinary general meeting of the Company to approve the Acquisition is not required pursuant to Rule 14.44 of the Listing Rules and will not be convened.

H. GENERAL

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

The Purchaser is principally engaged in investment holding.

The Seller is listed on the main board of the Singapore Exchange Securities Trading Limited and is principally engaged in the designing, manufacturing, sales and marketing of apparel.

I. ADDITIONAL INFORMATION

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

Yours faithfully,
By Order of the Board
Luen Thai Holdings Limited
Tan Henry
Chief Executive Officer and Executive Director

1. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for each of the three years ended 31 December 2010, 2011 and 2012 are disclosed in the following documents which have been published on the website of the Stock Exchange (http://www.hkexnews.hk/) and the website of the Company (http://www.luenthai.com):

- annual report of the Company for the year ended 31 December 2010 published on 14 April 2011;
- annual report of the Company for the year ended 31 December 2011 published on 19 April 2012; and
- annual report of the Company for the year ended 31 December 2012 published on 18 April 2013.

2. INDEBTEDNESS STATEMENT

Borrowings

As at the close of business on 31 March 2013, being the latest practicable date for the purpose of this indebtedness statement, the Enlarged Group had outstanding borrowings of US$151 million, comprising long-term bank loans of US$5 million, current portion of long-term bank loans of US$23 million, bank overdrafts of US$2 million, short-term bank loans of US$77 million, trust receipt bank loans of US$39 million and a convertible bond of US$5 million. The bank borrowings of the Enlarged Group were secured by certain Enlarged Group's inventories of US$39 million, the Group's machineries of US$3 million and corporate guarantee provided by Luen Thai Holdings Limited.

Contingent liabilities and litigation

a) At the close of business on 31 March 2013, the Group was involved in various labour lawsuits and claims arising from the normal course of business. The directors believe that the Group has substantial legal and factual bases for their position and are of the opinion that losses arising from these lawsuits, if any, will not have a material adverse impact on the results of the operations or the financial position of the Group. Accordingly, no provision for such liabilities has been made in the financial statements.

b) At the close of business on 31 March 2013, a subsidiary of the Group 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, 2009/10 and 2010/11 demanding for tax totalling US$3,960,000 in respect of certain income, which the directors have regarded as being not subject to Hong Kong Profits Tax. The directors have thoroughly revisited the situations and have concluded that the subsidiary company has grounds to defend that the relevant profits are not subject to Hong Kong Profits Tax. In these circumstances, the directors have filed objections to these additional assessments/assessments and consider that sufficient tax provision has been made in the financial statements.

Save as aforesaid, and apart from intra-group liabilities, none of the companies in the Group had any material debt securities, borrowings or indebtedness in the nature of borrowing including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits or other similar indebtedness, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities at the close of business on 31 March 2013.

The Directors confirm that there are no material changes in the indebtedness or contingent liabilities of the Group since 31 March 2013.

3. WORKING CAPITAL

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

The following is the text of a report received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

pwc 羅兵咸永道

29 April 2013

The Directors
Luen Thai Holdings Limited

Dear Sirs,

We report on the financial information of Ocean Sky Global (S) Pte. Ltd. (the "Target Company") and its subsidiaries (together, the "Target Group"), which comprises the consolidated balance sheets of the Target Group as at 31 December 2010, 2011 and 2012, the balance sheets of the Target Company as at 31 December 2011 and 2012, and the consolidated income statements, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Target Group for each of the years ended 31 December 2010, 2011 and 2012 (the "Relevant Periods") and a summary of significant accounting policies and other explanatory information. This financial information has been prepared by the directors of Luen Thai Holdings Limited (the "Company") and is set out in Sections I to III below for inclusion in Appendix I to the circular of the Company dated 29 April 2013 (the "Circular") in connection with the proposed acquisition of the Target Company by a wholly owned subsidiary of the Company.

The Target Company was incorporated in Singapore on 28 February 2011 as a company with limited liability under the Companies Law of Singapore. Pursuant to a Target Group reorganisation as described in Note 1(b) of Section II headed "Reorganisation" below, which was completed on 1 October 2012, the Target Company has become the holding company of the subsidiaries now comprising the Target Group (the "Reorganisation").

As at the date of this report, the Target Company has direct and indirect interests in the subsidiaries as set out in Note 1(b) of Section II below.

PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

No audited financial statements have been prepared by the Target Company as it is newly incorporated and has not involved in any significant business transactions since its date of incorporation. The audited financial statements of the other companies now comprising the Target Group as at the date of this report for which there are statutory audit requirements have been prepared in accordance with the relevant accounting principles generally accepted in their respective places of incorporation. The information relating to the statutory auditors of these companies are set out in Note 1(b) of Section II.

The directors of the Target Company are responsible for the preparation of the consolidated financial statements of the Target Company and its subsidiaries now comprising the Target Group for the Relevant Periods that give a true and fair view in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") (the "Underlying Financial Statements"), and for such internal control as the directors determined is necessary to enable the preparation of the Underlying Financial Statements that are free from material misstatement, whether due to fraud or error. We have audited the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing (the "HKSAs") issued by the HKICPA pursuant to separate terms of engagement.

The financial information has been prepared based on the Underlying Financial Statements, with no adjustment made thereon, and on the basis set out in Note 1(c) of Section II below.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation of the financial information that gives a true and fair view in accordance with the basis of presentation set out in Note 1(c) of Section II below and in accordance with HKFRSs and accounting policies adopted by the Company and its subsidiaries (together, the "Group") as set out on page 27 to page 100 of the Circular.

REPORTING ACCOUNTANT'S RESPONSIBILITY

Our responsibility is to express an opinion on the financial information and to report our opinion to you. We carried out our procedures in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

OPINION

In our opinion, the financial information gives, for the purpose of this report and presented on the basis set out in Note 1(c) of Section II below, a true and fair view of the state of affairs of the Target Company as at 31 December 2011 and 2012 and of the consolidated state of affairs of the Target Group as at 31 December 2010, 2011 and 2012 and of the Target Group's consolidated results and cash flows for the Relevant Periods then ended.

OCEAN SKY GLOBAL (S) PTE. LTD.

I. INFORMATION OF THE TARGET GROUP

The following is the financial information of the Target Group prepared by the directors of the Company as at 31 December 2010, 2011 and 2012 and for each of the years ended 31 December 2010, 2011 and 2012 (the "Financial Information").

CONSOLIDATED BALANCE SHEETS

		As at 31 December		
		2010	**2011**	**2012**
	Note	*US$'000*	*US$'000*	*US$'000*
Non-current assets				
Property, plant and equipment	6	35,267	30,411	18,004
Intangible assets	7	—	—	—
Prepaid land lease	8	374	2,120	631
		35,641	32,531	18,635
Current assets				
Inventories	10	36,184	35,605	27,210
Trade and other receivables	11	30,745	22,103	17,572
Derivative financial instruments	12	—	216	—
Amount due from a fellow subsidiary	33(b)	—	—	624
Cash and cash equivalents	13	32,398	39,856	15,871
		99,327	97,780	61,277
Assets of disposal groups classified as held for sale	29	—	1,260	5,282
		99,327	99,040	66,559
Total assets		134,968	131,571	85,194
Equity attributable to equity holders of the Target Company				
Share capital	15	—	—	5,000
Other reserves	16	26,320	26,420	(23,572)
Retained earnings		40,870	44,622	55,777
Total equity		67,190	71,042	37,205

		As at 31 December		
		2010	2011	2012
	Note	*US$'000*	*US$'000*	*US$'000*
Non-current liabilities				
Borrowings	18	1,950	4,049	255
Deferred income tax liabilities	20	300	178	26
		2,250	4,227	281
Current liabilities				
Borrowings	18	30,973	18,322	4,196
Derivative financial instruments	12	129	—	—
Trade and other payables	17	33,088	35,663	32,564
Amount due to immediate holding company	33(b)	—	—	6,947
Amount due to a fellow subsidiary	29	—	192	—
Current income tax payable		1,338	1,918	783
		65,528	56,095	44,490
Liabilities of disposal groups classified as held for sale	29	—	207	3,218
		65,528	56,302	47,708
Total liabilities		67,778	60,529	47,989
Total equity and liabilities		134,968	131,571	85,194
Net current assets		33,799	42,738	18,851
Total assets less current liabilities		69,440	75,269	37,486

BALANCE SHEET

		As at 31 December	
		2011	2012
	Note	*US$'000*	*US$'000*
Non-current assets			
Investment in subsidiaries	9	—	20,973
Property, plant and equipment	6	—	1,200
		—	22,173
Current assets			
Inventories	10	—	20,195
Trade and other receivables	11	—	15,729
Amounts due from subsidiaries	9, 33(b)	—	16,815
Amount due from a fellow subsidiary	33(b)	—	624
Cash and cash equivalents	13	—	12,426
		—	65,789
Total assets		—	87,962
Equity attributable to equity holders of the Target Company			
Share capital	15	—	5,000
Retained earnings		—	7,074
Other reserve	16	—	35,297
Total equity		—	47,371
Non-current liabilities			
Borrowings	18	—	168
Deferred income tax liabilities	20	—	26
		—	194
Current liabilities			
Borrowings	18	—	4,150
Trade and other payables	17	—	27,851
Amount due to a subsidiary	9	—	687
Amount due to immediate holding company	33(b)	—	6,947
Current income tax payable		—	762
		—	40,397
Total liabilities		—	40,591
Total equity and liabilities		—	87,962
Net current assets		—	25,392
Total assets less current liabilities		—	47,565

CONSOLIDATED INCOME STATEMENTS

		Year ended 31 December		
		2010	2011	2012
	Note	*US$'000*	*US$'000*	*US$'000*
Continuing operations				
Revenue	5	228,268	291,151	254,330
Cost of sales	22	(195,918)	(249,655)	(209,795)
Gross profit		32,350	41,496	44,535
Other gains/(losses), net	21	1,007	(339)	323
Selling and distribution expenses	22	(4,139)	(5,316)	(10,659)
General and administrative expenses	22	(15,293)	(18,133)	(19,634)
Operating profit		13,925	17,708	14,565
Finance income	24	14	11	34
Finance costs	24	(661)	(515)	(362)
Finance costs, net	24	(647)	(504)	(328)
Profit before income tax		13,278	17,204	14,237
Income tax expenses	25	(833)	(1,762)	(1,124)
Profit from the continuing operations		12,445	15,442	13,113
Discontinued operations				
Loss from discontinued operations	29	(4,112)	(6,302)	(1,958)
Profit for the year		8,333	9,140	11,155
Profit attributable to equity holders of the Target Company		8,333	9,140	11,155
Profit/(loss) attributable to equity holders of the Target Company arises from:				
Continuing operations		12,445	15,442	13,113
Discontinued operations		(4,112)	(6,302)	(1,958)
		8,333	9,140	11,155
Earnings per share from continuing and discontinued operations attributable to equity holders of the Target Company	27			
Basic earnings per share				
From continuing operations		2.49	3.09	2.62
From discontinued operations		(0.82)	(1.26)	(0.39)
		1.67	1.83	2.23
Diluted earnings per share				
From continuing operations		2.49	3.09	2.62
From discontinued operations		(0.82)	(1.26)	(0.39)
		1.67	1.83	2.23

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended 31 December		
	2010	**2011**	**2012**
	US$'000	*US$'000*	*US$'000*
Profit for the year	8,333	9,140	11,155
Other comprehensive income:			
Currency translation differences	452	100	93
	8,785	9,240	11,248
Attributable to:			
Equity holders of the Target Company	8,785	9,240	11,248
Total comprehensive income/loss attributable to equity holders of the Target Company from:			
Continuing operations	12,445	15,442	13,113
Discontinued operations	(3,660)	(6,202)	(1,865)
	8,785	9,240	11,248

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

		Attributable to equity holders of the Target Group			
		Share capital	Other reserves	Retained earnings	Total
	Note	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Balance as at 1 January 2010		—	25,863	37,587	63,450
Profit for the year		—	—	8,333	8,333
Currency translation differences	16(iii)	—	452	—	452
Total comprehensive income		—	452	8,333	8,785
Transactions with owners					
Contribution from equity holders on share option scheme	16(iv)	—	4	—	4
Share-based payment	16(iv)	—	1	—	1
Dividends paid	28	—	—	(5,050)	(5,050)
Total transactions with owners		—	5	(5,050)	(5,045)
Balance as at 31 December 2010		—	26,320	40,870	67,190
Balance as at 1 January 2011		—	26,320	40,870	67,190
Profit for the year		—	—	9,140	9,140
Currency translation differences	16(iii)	—	100	—	100
Total comprehensive income		—	100	9,140	9,240
Transactions with owners					
Dividends paid	28	—	—	(5,388)	(5,388)
Total transactions with owners		—	—	(5,388)	(5,388)
Balance as at 31 December 2011		—	26,420	44,622	71,042

		Attributable to equity holders of the Target Group			
		Share capital	Other reserves	Retained earnings	Total
	Note	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Balance as at 1 January 2012		—	26,420	44,622	71,042
Profit for the year		—	—	11,155	11,155
Currency translation differences	16(iii)	—	93	—	93
Total comprehensive income		—	93	11,155	11,248
Transactions with owners					
Issue of shares	15	5,000	(5,000)	—	—
Contribution from equity holders on share option scheme	16(iv)	—	61	—	61
Contribution from equity holders	16(v)	—	2,468	—	2,468
Transfer of the Apparel Business from immediate holding company to be settled by ordinary shares	16(vi)	—	(47,614)	—	(47,614)
Total transactions with owners		5,000	(50,085)	—	(45,085)
Balance as at 31 December 2012		5,000	(23,572)	55,777	37,205

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Year ended 31 December		
		2010	2011	2012
	Note	*USD'000*	*USD'000*	*USD'000*
Cash flow from operating activities				
Cash generated from operations	31	8,814	28,612	17,185
Interest paid	24	(661)	(515)	(362)
Income tax paid		(276)	(1,371)	(1,952)
Net cash generated from operating activities		7,877	26,726	14,871
Cash flow from investing activities				
Purchase of property, plant and equipment		(1,934)	(2,500)	(1,232)
Proceeds from sales of property, plant and equipment		293	51	354
Deposit received for disposal of a subsidiary	32	—	800	—
Disposal of a subsidiary, net of cash disposed	32	—	—	238
Increase in prepaid land lease	8	(158)	(1,774)	(158)
Interest received	24, 29	19	26	67
Transfer of a subsidiary pursuant to the Reorganisation	1(b)(ii)	—	—	(1,057)
Net cash used in investing activities		(1,780)	(3,397)	(1,788)
Cash flow from financing activities				
Increase/(decrease) in trust receipt bank loans		2,543	(3,453)	(13,412)
Net decrease in finance lease liabilities		(560)	(577)	(103)
Increase in bank borrowings		6,000	—	—
Repayment of bank borrowings		(2,832)	(6,336)	(1,000)
Repayment of collateralized borrowings		(156)	(186)	(187)
Deemed distribution to equity holders upon the completion of the Reorganisation	16(vi)	—	—	(24,962)
Dividends paid to equity holders	28	(5,050)	(5,388)	—
Contribution from equity holders		4	—	2,529
Net cash used in financing activities		(51)	(15,940)	(37,135)
Net increase/(decrease) in cash and cash equivalents		6,046	7,389	(24,052)
Cash and cash equivalents at the beginning of the year		25,993	32,398	39,871
Effect of foreign exchange rate changes		359	84	52
Cash and cash equivalents at the end of the year	13	32,398	39,871	15,871

II. NOTES TO THE FINANCIAL STATEMENTS

1 Corporate information, Target Group reorganisation and basis of presentation

(a) General information

Ocean Sky Global (S) Pte. Ltd. (the "Target Company") was incorporated in Singapore on 28 February 2011 as a company with limited liability under the Companies Law of Singapore. The address of its registered office is 5 Tampines Central 1, #03-03 Tampines Plaza, Singapore 529541.

The Target Company and its subsidiaries are collectively referred to as the "Target Group". The principal activity of the Target Group is that of a one-stop fully integrated apparel service provider with global end-to-end supply chain management capabilities from design to distribution (the "Apparel Business") before and after the completion of the Target Group reorganisation (the "Reorganisation") as set out in Note 1(b) below.

The Financial Information is presented in US dollars (US$), unless otherwise stated.

(b) Reorganisation

Prior to the Reorganisation (as defined below), the Apparel Business was principally conducted through Ocean Sky International Limited ("OSIL"), Ocean Sky Marketing (HK) Limited, Suntex Pte. Ltd., Bright Sky Pte. Ltd., Bloom Time Embroidery Pte. Ltd., Sunglobe Pte. Ltd., Ocean Sky Apparel (VN) Limited Company and Ocean Star Apparel (Guangzhou) Pte. Ltd. (together, the "Transferred Subsidiaries").

In connection with the proposed acquisition of the Target Company by a wholly owned subsidiary of the Company, the Target Group underwent the Reorganisation by way of the following steps:

(i) Pursuant to the business transfer agreement entered into between OSIL and the Target Company on 10 August 2012, OSIL transferred its relevant assets and liabilities of the Apparel Business and all the equity interests in Bloom Time Embroidery Pte. Ltd., Bright Sky Pte. Ltd., Suntex Pte. Ltd., Sunglobe Pte. Ltd., Ocean Sky Apparel (VN) Limited Company, Ocean Sky Marketing (HK) Limited, and Ocean Star Apparel (Guangzhou) Pte. Ltd. to the Target Company at a consideration of US$37,240,657.

(ii) On 1 October 2012, certain assets, including cash and cash equivalents of approximately US$1,057,000, and the equity interest in Ocean Star Apparel (Guangzhou) Pte. Ltd. were transferred back from the Target Company to OSIL at a consideration of US$21,017,412.

(iii) The net consideration of the above transfers was US$16,223,245 and will be satisfied by the allotment and issue of 16,223,245 shares of the Target Company to OSIL upon the completion of the transaction.

As at the date of this report, the above reorganisation steps excluding step (iii) above were completed. The legal structure of the Target Group was formed and the Apparel Business was transferred to the Target Group.

Upon completion of the Reorganisation and as at the date of this report, the Target Company has direct and indirect interests in the following subsidiaries:

Name	Place and date of incorporation/ establishment	Principal activities and place of operations	Legal status	Particulars of issued or registered/paid-up capital	Effective interest held as at 31 December			
					2010	2011	2012	*Note*
Bloom Time Embroidery Pte. Ltd.	Cambodia, 24 October 1996	Manufacturing of apparel products in Cambodia	Limited liability company	1,000 ordinary shares of US$1,000 each	100%	100%	100%	(i)
Bright Sky Pte. Ltd.	Cambodia, 20 February 2004	Manufacturing of apparel products in Cambodia	Limited liability company	1,000 ordinary shares of US$1,000 each	100%	100%	100%	(i)
Suntex Pte. Ltd.	Cambodia, 24 October 1996	Manufacturing of apparel products in Cambodia	Limited liability company	100 ordinary shares of US$12,000 each	100%	100%	100%	(i)
Sunglobe Pte. Ltd.	Singapore, 10 April 1992	Trading of apparel products in Singapore	Limited liability company	310,000 ordinary shares of issued and paid-up capital of S$310,000	100%	100%	100%	(ii)
Ocean Sky Apparel (VN) Limited Company	Vietnam, 23 October 2006	Manufacturing of apparel products in Vietnam	Limited liability company	Registered capital of US$6,000,000 and paid -up capital of US$1,800,000	100%	100%	100%	(iii)
Ocean Sky Marketing (HK) Ltd.	Hong Kong, 29 November 1999	Marketing and supporting services	Limited liability company	10,000 ordinary shares of HK$1 each	100%	100%	100%	(iv)

Notes:

(i) The statutory financial statements of the subsidiaries for the years ended 31 December 2010, 2011 and 2012 where applicable were audited by BDO (Cambodia) Limited, certified public accountants in Cambodia.

(ii) The statutory financial statements of the subsidiary for the years ended 31 December 2010, 2011 and 2012 where applicable, were audited by BDO LLP, certified public accountants in Singapore.

(iii) The statutory financial statements of the subsidiary for the years ended 31 December 2010, 2011 and 2012 where applicable, were audited by KPMG Limited, certified public accountants in Vietnam.

(iv) The statutory financial statements of the subsidiary for the years ended 31 December 2010, 2011 and 2012 where applicable, were audited by BDO Limited, certified public accountants in Hong Kong.

(c) Basis of presentation

OSIL controlled the companies now comprising the Target Group before the Reorganisation and continues to control these companies after the Reorganisation. Pursuant to the Reorganisation, the Apparel Business was transferred to and held by the Target Company. The Target Company has not been involved in any other business prior to Reorganisation. The Reorganisation is merely a reorganisation of the Apparel Business with no change in management and the ultimate owner. Accordingly, the consolidated financial information of the companies now comprising the Target Group is presented using the historical carrying values of the Apparel Business for all periods presented.

The consolidated balance sheets, the consolidated income statements, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Target Group for the Relevant Periods have been prepared as if the current group structure had been in existence throughout the Relevant Periods.

The Financial Information has been prepared in accordance with HKFRS and under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss, which are carried at fair value.

2 Summary of significant accounting policies

2.1 Basis of preparation

2.1.1 New and amended standards have been issued but are not effective for the financial year beginning 1 January 2012 and have not been early adopted

HKAS 1 (Amendment)	Financial statements presentation regarding other comprehensive income(1)
HKAS 19 (2011)	Employee benefits(2)
HKAS 27 (revised 2011)	Separate financial statements(2)
HKAS 28 (revised 2011)	Associates and joint ventures(2)
HKAS 32 (Amendment)	Financial instruments: Presentation on asset and liability offsetting(3)
HK(IFRIC) — Int 20	Stripping costs in the production phrase of a surface mine(2)
HKFRS 1 (Amendment)	First time adoption, on government loans(2)
HKFRS 7 (Amendment)	Financial instruments: Disclosures on asset and liability offsetting(2)
HKFRS 9	Financial instruments(4)
HKFRS 7 and 9 (Amendment)	Mandatory effective date and transition disclosures(4)
HKFRS 10	Consolidated financial statements(2)
HKFRS 11	Joint arrangements(2)
HKFRS 12	Disclosure of interests in other entities(2)
HKFRS 13	Fair value measurement(2)
Amendment to HKFRSs 10, 11 and 12	Transition guidance(2)
Annual improvements 2011	Annual Improvements 2009-2011 cycle(2)

Note:

(1) Effective for the Target Group for financial period beginning on 1 July 2012
(2) Effective for the Target Group for financial period beginning on 1 January 2013
(3) Effective for the Target Group for financial period beginning on 1 January 2014
(4) Effective for the Target Group for financial period beginning on 1 January 2015

The Target Group will apply these new and revised standards, interpretations and amendments to existing standards in the period of initial application. The Target Group is currently assessing the impact of the adoption of the above new and revised standards, interpretations and amendments and does not expect there will be a significant impact on the Target Group's financial information.

2.2 Subsidiaries

2.2.1 Consolidation

Subsidiaries are all entities over which the Target 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 Target Group controls another entity.

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

Inter-company transactions, balances, income and expenses on transactions between Target Group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognized in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Target Group.

(a) Business combinations

Except for the Reorganisation as described in note 1(b) above, the Target Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Target Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Target Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognized in profit or loss.

Any contingent consideration to be transferred by the Target Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions — that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

When the Target Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Target Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Target Company on the basis of dividend and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary 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.

2.3 Segment reporting

Operating segments are reported in a manner 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 executive directors that makes strategic decisions.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Target Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial information is presented in US dollars ("US$"), which is the Target Company's functional and the Target 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 income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

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

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analyzed between translation differences resulting from changes in the amortized cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortized cost are recognized in profit or loss, and other changes in carrying amount are recognized in other comprehensive income.

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

(c) Target Group companies

The results and financial position of all the Target Group entities (none of which has the currency of a hyper-inflationary 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 statement of comprehensive income 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 rate on the dates of the transactions); and

(iii) All resulting exchange differences are recognized in other comprehensive income.

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

2.5 Property, plant and equipment

Land and buildings comprise mainly factories, offices and hostel for employees. Leasehold land classified as finance lease and all other property, plant and equipment is stated at historical cost less depreciation. 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 Target Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Leasehold land classified as finance lease commences amortization from the time when the land interest becomes available for its intended use. Freehold land is not depreciated. Amortization on leasehold land classified as finance lease and depreciation on other assets is calculated using the straight-line method over their estimated useful lives, as follows:

Leasehold land	Over the terms of lease
Building	Over the terms of leases from 5 to 39 years
Plant, machinery and equipment	5–10 years
Motor vehicles	3–5 years
Furniture, fittings and other equipment	3–5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within 'Other (losses)/gains — net' in the income statement.

2.6 *Intangible assets*

Goodwill

Goodwill arising on the acquisition of a subsidiary represents the excess of the consideration transferred over the Target Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognized immediately as an expense and is not subsequently reversed.

2.7 *Impairment of non-financial assets*

Assets that have an indefinite useful life — for example, goodwill are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization 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). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.8 Non-current assets or disposal groups held-for-sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. The disposal groups are stated at the lower of carrying amount and fair value less costs to sell. Deferred tax assets, assets arising from employee benefits, financial assets (other than investments in subsidiaries and associates) and investment properties, even if held for sale, would continue to be measured in accordance with the policies set out elsewhere in note 2.

The assets and liabilities of the disposal group have been classified as "assets held-for-sale "and "liabilities held-for-sale" in the consolidated balance sheet at the balance sheet date. The comparative figures have not been restated. The post-tax profit or loss of the discontinued operations has been presented in a single amount in the consolidated income statement. The comparatives figures have been restated to be consistent.

A discontinued operation is a component of the Target Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Target Group and which represents a separate major line of business or geographic area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

When an operation is classified as discontinued, a single amount is presented in the income statement, which comprises the post-tax profit or loss of the discontinued operation and the post-tax gain or loss recognized on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal groups constituting the discontinued operation.

2.9 Financial assets

2.9.1 Classification

The Target Group classifies its financial assets in the following categories: at fair value through profit or loss and loan and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines 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 if expected to be settled within 12 months; otherwise, they are classified as non-current.

(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 the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Target Group's loans and receivables comprise "trade and other receivables" and "cash and cash equivalents" in the consolidated balance sheet (notes 2.14 and 2.15).

2.9.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognized on the trade-date — the date on which the Target 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. Loans and receivables are subsequently carried at amortized cost using the effective interest method.

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 Target Group has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

2.10 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

2.11 Impairment of financial assets — Assets carried at amortized cost

The Target 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.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, 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 statements of comprehensive income. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Target Group may measure impairment on the basis of an instrument's fair value using an observable market price.

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 statements of comprehensive income.

2.12 Derivative financial instruments

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument.

2.13 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 design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.14 Trade and other receivables

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

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

2.15 Cash and cash equivalents

In the consolidated statements of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks and other short term highly liquid investments with original maturities of three months or less.

2.16 Share capital

Ordinary shares are classified as equity.

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

2.17 Trade and bills payable

Trade and bills payable 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 (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

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

2.18 Borrowings

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

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Target Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.19 Borrowing costs

All borrowing costs are recognized in the consolidated income statements in the period in which they are incurred.

2.20 Current and deferred income tax

The tax expense for the Relevant Periods comprises current and deferred tax. Tax is recognized in the consolidated statements of comprehensive income, 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.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries 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. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Inside basis differences

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, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill, 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 asset is realized or the deferred income tax liability is settled.

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

Outside basis difference

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

(c) Offsetting

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.

2.21 Employee benefits

(a) Pension obligations

Target Group companies operate various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds. The Target Group has defined contribution plan.

A defined contribution plan is a pension plan under which the Target Group pays fixed contributions into a separate entity. The Target 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.

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

(b) Employee leaves entitlements

Employee entitlements to annual leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognized until the time of leave.

(c) Termination benefits

Termination benefits are payable when employment is terminated by the Target Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Target Group recognises termination benefits when it is demonstrably committed to a termination when the entity has a detailed formal plan to terminate the employment of current employees without possibility of withdrawal. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

2.22 *Share-based payments*

Equity-settled share-based payment transactions

OSIL operates an equity-settled, share-based compensation plan, under which the Target Group receives services from employees as consideration for equity instruments (options) of OSIL. 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 (for example, an entity's share price);

— 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 performance and service 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.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognizing the expense during the period between service commencement period and grant date.

At the end of each reporting period, the Target Group revises its estimates of the number of options that are expected to vest based on the non-marketing performance and service conditions. It recognizes the impact of the revision to original estimates, if any, in the consolidated income statement, with a corresponding adjustment to equity.

When the options are exercised, OSIL issues new shares. The proceeds received net of any directly attributable transaction costs are credited to equity.

2.23 *Provisions*

Provisions are recognized when: Target 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. Restructuring provisions comprise lease termination penalties and employee termination payments. 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 expenditures 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.

2.24 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 Target Group and the Target 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.

2.25 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts returns and value added taxes. The Target Group recognizes revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Target Group's activities, as described below. The Target Group bases its estimates of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) 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.

(b) Interest income

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

2.26 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 consolidated income statement on a straight-line basis over the period of the lease.

The Target Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Target Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the consolidated income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

2.27 Dividend distribution

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

3 Financial risk management

3.1 Financial risk factor

The Target Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow interest rate risk), credit risk and liquidity risk. The Target Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Target Group's financial performance. The Target Group uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by a central treasury department (Target Group Treasury) under policies approved by the Board of Directors. The Target Group Treasury identifies, evaluates and hedge financial risks in close co-operation with the Target Group's operating units. The board provides guidance for overall risk management.

(a) Market risk

(i) Foreign exchange risk

The Target Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Hong Kong dollar ("HK$"), Singapore dollar ("S$") and 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 Target Group enters into foreign exchange forward contracts with external financial institutions to partially hedge against such foreign exchange risk. The Target Group also mitigates this risk by maintaining HK$, S$ and RMB bank accounts which are used by the Target Group to pay for the transactions denominated in these currencies.

HK$ is pegged to US$ and thus foreign currency exposure is considered as minimal and is not hedged.

As at 31 December 2010, 2011 and 2012, if US$ had strengthened/weaken by 5% against S$ with all variables held constant, the net profit for each year would have changed mainly as a result of foreign exchange gains/losses on translation of S$-denominated trade payables, borrowings and cash and cash equivalents.

	Year ended 31 December		
	2010	**2011**	**2012**
	US$'000	*US$'000*	*US$'000*
Year end:			
Net profit increase/(decrease)			
— Strengthened by 5%	134	110	37
— Weakened by 5%	(134)	(110)	(37)

As at 31 December 2010, 2011 and 2012, if US$ had strengthened/weaken by 5% against RMB with all variables held constant, the net profit for each year would have changed mainly as a result of foreign exchange gains/losses on translation of RMB-denominated trade receivables, trade payables and cash and cash equivalents.

	Year ended 31 December		
	2010	**2011**	**2012**
	US$'000	*US$'000*	*US$'000*
Year end:			
Net profit increase/(decrease)			
— Strengthened by 5%	49	52	(1)
— Weakened by 5%	(49)	(52)	1

(ii) Cash flow interest rate risk

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

The Target Group's interest rate risk arises from bank borrowings. As at 31 December 2010, 2011 and 2012, borrowings were primarily at floating rates.

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

As at 31 December 2010, 2011 and 2012, 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$320,000, US$219,000 and US$73,000 lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

(b) Credit risk

Credit risk of the Target 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 and other receivables. The carrying amount of these balances in the consolidated balance sheets represents the Target Group's maximum exposure to credit risk in relation to its financial assets.

A majority of the Target 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.

A majority of the Target Group's cash at banks are deposited in major financial institutions located in Singapore, Cambodia and the PRC, which are of high credit rating. Management does not expect any losses arising from non-performance by these counterparties.

The table below shows the details of bank deposit balances maintained at different banks at the respective balance sheet dates:

	Ratings	As at 31 December		
		2010	2011	2012
		US$'000	*US$'000*	*US$'000*
Cash at banks and short term bank deposits				
The Hongkong and Shanghai Banking Corporation Limited	A+	8,330	11,058	7,037
Bank of America Merrill Lynch	A	13,726	6,977	1,648
Chinatrust Commercial Bank Co. Ltd	A	—	13,000	—
Maybank	A-	4,077	562	867
United Overseas Bank Limited	AA-	924	2,621	2,389
Australia and New Zealand Banking Group Limited	AA-	794	731	359
Vattanac Bank	N/A	925	1,793	1,355
Bank of China Limited	A	1,283	1,283	—
DBS Bank Ltd	AA-	282	896	713
Oversea-Chinese Banking Corporation Limited	AA-	817	398	761
Others		1,084	412	653
		32,242	39,731	15,782

Note:

(i) The rating represents long-term credit rating provided by Standard and Poor's, an internationally recognized credit rating agency. A rating within the "A" category is related to banks with strong capacity to meet financial commitments as defined under the rating regime of Standard and Poor's.

Debtors of the Target 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. Deteriorating 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 Target Group has policies in place to ensure that sales of products are made to customers with appropriate credit histories.

As at 31 December 2010, 2011 and 2012, the Target Group had a concentration of credit risk given that the top 5 customers account for 30%, 27% and 44% of the Target Group's total year end trade receivable balances respectively. However, the Target 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 Target Group performs periodic credit evaluations of its customers. The Target 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 and other receivables is minimal after considering the financial conditions of these entities. Management has performed assessment over the recoverability of these balances and 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 Target Group's liquidity reserve which comprises undrawn borrowing facilities (Note 18) and cash and cash equivalents (Note 13) on the basis of expected cash flows. Surplus cash held by grouping 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 following tables show the Target Group's non-derivative financial liabilities and net-settled derivative financial liabilities into relevant maturity grouping based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the balance sheet date) and the earliest date the Target Group can be required to pay.

Specifically, for bank loans which contain a repayment on demand clause which can be exercised at the bank's sole discretion, the analysis shows the cash outflow based on the earliest period in which the entity can be required to pay, that is if the lenders were to invoke their unconditional rights to call the loans with immediate effect. The maturity analysis for other bank borrowings is prepared based on the scheduled repayment dates.

	On demand US$'000	Within 1 year US$'000	After 1 year but within 5 years US$'000	After 5 years US$'000	Total US$'000
Target Group					
As at 31 December 2010					
Trade and other payables	—	26,701	—	—	26,701
Borrowings excluding finance lease liabilities *(Note 18)*	3,591	26,810	1,500	—	31,901
Interest payable on borrowings	50	164	21	—	235
Finance lease liabilities *(Note 19)*	—	634	433	84	1,151
Derivative financial instruments *(Note 12)*	—	129	—	—	129
	3,641	54,438	1,954	84	60,117

	On demand US$'000	Within 1 year US$'000	After 1 year but within 5 years US$'000	After 5 years US$'000	Total US$'000
Target Group					
As at 31 December 2011					
Trade and other payables	—	28,128	—	—	28,128
Borrowings excluding finance lease liabilities *(Note 18)*	—	18,209	1,281	2,436	21,926
Interest payable on borrowings	—	126	165	201	492
Finance lease liabilities *(Note 19)*	—	130	369	14	513
Amount due to a fellow subsidiary	192	—	—	—	192
	192	46,593	1,815	2,651	51,251
Target Group					
As at 31 December 2012					
Trade and other payables	—	27,091	—	—	27,091
Borrowings excluding finance lease liabilities *(Note 18)*	—	4,109	—	—	4,109
Interest payable	—	13	—	—	13
Finance lease liabilities *(Note 19)*	—	98	269	14	381
Amount due to immediate holding company *(Note 33(b))*	6,947	—	—	—	6,947
	6,947	31,311	269	14	38,541

	On demand	Within 1 year	After 1 year but within 5 years	After 5 years	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Target Company					
As at 31 December 2012					
Trade and other payables	—	24,440	—	—	24,440
Borrowing excluding finance lease liabilities *(Note 18)*	—	4,109	—	—	4,109
Interest payable	—	13	—	—	13
Finance lease liabilities *(Note 19)*	—	45	172	13	230
Amount due to a subsidiary *(Note 33(b))*	687	—	—	—	687
Amount due to immediate holding company *(Note 33(b))*	6,947	—	—	—	6,947
	7,634	28,607	172	13	36,426

3.2 *Capital management*

The Target Group's primary objectives when managing capital are to safeguard the Target Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders, to support the Target Group's stability and growth; to earn a margin commensurate with the level of business and market risks in the Target Group's operation and to maintain a net cash position.

The Target Group's management considers capital comprises issued capital and reserves. In order to maintain or adjust the capital structure, the Target Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Target Group monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt — adjusted capital. Net debt is calculated as total interest-bearing liabilities less cash and cash equivalents. Adjusted capital comprises all components of equity (i.e. share capital, reserves and retained earnings.)

	As at 31 December		
	2010	2011	2012
	US$'000	*US$'000*	*US$'000*
Total borrowings *(Note 18)*	32,923	22,371	4,451
Less: Cash and cash equivalents *(Note 13)*	(32,398)	(39,856)	(15,871)
Net debt/(cash)	525	(17,485)	(11,420)
Adjusted capital	67,190	71,042	37,205
Debt-to-adjusted capital ratio	0.01	N/A	N/A

N/A — Not meaningful as cash and cash equivalents is higher than total borrowings.

The Target Group and the Target Company are in compliance with all externally imposed capital requirements for the years ended 31 December 2010, 2011 and 2012.

3.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- 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 following table presents the Target Group's assets and liabilities that are measured at fair value as at 31 December 2010, 2011 and 2012.

	Level 1	**Level 2**	**Level 3**	**Total**
	US$'000	*US$'000*	*US$'000*	*US$'000*
As at 31 December 2010				
Assets				
— Derivative financial instruments	—	—	—	—
Liabilities				
— Derivative financial instruments	—	129	—	129

	Level 1	**Level 2**	**Level 3**	**Total**
	US$'000	*US$'000*	*US$'000*	*US$'000*
As at 31 December 2011				
Assets				
— Derivative financial instruments	—	216	—	216
Liabilities				
— Derivative financial instruments	—	—	—	—

	Level 1	**Level 2**	**Level 3**	**Total**
	US$'000	*US$'000*	*US$'000*	*US$'000*
As at 31 December 2012				
Assets				
— Derivative financial instruments	—	—	—	—
Liabilities				
— Derivative financial instruments	—	—	—	—

The carrying amounts of the Target Group's financial assets and liabilities approximate their fair values due to their short maturity.

4 Critical accounting judgements and key sources of estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates and assumptions

The Target 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 addressed below.

(a) Income taxes

The Target Group is subject to income taxes in numerous 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. The Target Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made. Please refer to Note 25 for details.

(b) Useful lives of property, plant and equipment

The Target Group's management determines the estimated useful lives, and related depreciation for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will increase the depreciation 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 lives and therefore depreciation expense in future periods.

(c) Impairment of property, plant and equipment

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable such as declines in asset's market value and significant increase in interest rates that may affect the discount rate used in calculating the asset's recoverable amount. 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.

(d) 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 the end of reporting periods.

(e) Impairment of trade and other receivables

The Target Group's management determines the provision for impairment of trade 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 the end of reporting periods.

5 Segment reporting

The Target Group is principally engaged in the manufacturing and trading of apparels. Revenue consists of sales revenue of causal, fashion and life-style apparels.

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.

The Target Group has only one business segment which is the provision of one-stop fully integrated apparel service with global end-to end supply chain management capabilities from design to distribution. The Target Company is domiciled in Singapore.

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies. There is no asymmetrical allocation to reportable segments.

	Singapore	Cambodia and others	Total
	US\$'000	*US\$'000*	*US\$'000*
For the year ended 31 December 2010			
Revenue from external customers	226,553	1,715	228,268
Carrying amount of non-current assets	1,632	34,009	35,641
Carrying amount of total assets	52,471	82,497	134,968
Additions to property, plant and equipment *(Note 6)*	345	1,679	2,024
Depreciation of property, plant and equipment *(Note 6)*	431	4,938	5,369
Amortization of prepaid land lease *(Note 8)*	—	69	69

	Singapore	Cambodia and others	Total
	US\$'000	*US\$'000*	*US\$'000*
For the year ended 31 December 2011			
Revenue from external customers	289,468	1,683	291,151
Carrying amount of non-current assets	1,420	31,111	32,531
Carrying amount of total assets	53,654	77,917	131,571
Additions to property, plant and equipment *(Note 6)*	355	2,145	2,500
Depreciation of property, plant and equipment *(Note 6)*	418	4,704	5,122
Amortization of prepaid land lease *(Note 8)*	—	28	28
Impairment of property, plant and equipment *(Note 6)*	—	100	100

	Singapore	Cambodia and others	Total
	US$'000	*US$'000*	*US$'000*
For the year ended 31 December 2012			
Revenue from external customers	252,537	1,793	254,330
Carrying amount of non-current assets	1,113	17,522	18,635
Carrying amount of total assets	29,380	55,814	85,194
Additions to property, plant and equipment *(Note 6)*	195	1,037	1,232
Depreciation of property, plant and equipment *(Note 6)*	381	4,301	4,682
Amortization of prepaid land lease *(Note 8)*	—	109	109

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 Target Group's revenues are mainly derived from customers located in the United States of America ("United States"), while the Target Group's business activities are conducted predominantly in Singapore, Hong Kong and Cambodia. An analysis of the Target Group's revenue by location which the transaction took place is as follows:

	Target Group Year ended 31 December		
	2010	2011	2012
	US$'000	*US$'000*	*US$'000*
United States	160,700	191,748	176,332
Canada	42,152	27,576	11,464
Europe	15,989	55,023	54,191
Others	9,427	16,804	12,343
	228,268	291,151	254,330

For the years ended 31 December 2010, 2011 and 2012, revenue from a customer of the Target Group represented approximately US$129,887,000, US$121,090,000 and US$82,584,000 respectively and was substantially generated from the United States.

6 Property, plant and equipment

	Target Group					
	Freehold land	Land and buildings	Plant, machinery and equipment	Motor vehicles	Furniture, fittings and other equipment	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Cost						
As at 1 January 2010	803	21,100	31,036	1,974	11,061	65,974
Additions	—	826	702	145	351	2,024
Disposals/write-off	—	(205)	(1,256)	(116)	(226)	(1,803)
Reclassification	—	(109)	88	21	—	—
Exchange differences	—	76	54	6	48	184
As at 31 December 2010	803	21,688	30,624	2,030	11,234	66,379
Accumulated depreciation						
As at 1 January 2010	—	4,911	14,333	525	6,976	26,745
Depreciation charges *(Note 22)*	—	1,328	2,793	199	1,049	5,369
Disposals/write-off	—	(84)	(792)	(49)	(198)	(1,123)
Reclassification	—	(74)	66	8	—	—
Exchange differences	—	58	28	3	32	121
As at 31 December 2010	—	6,139	16,428	686	7,859	31,112
Net book value						
As at 31 December 2010	803	15,549	14,196	1,344	3,375	35,267
Cost						
As at 1 January 2011	803	21,688	30,624	2,030	11,234	66,379
Additions	—	586	1,068	112	734	2,500
Disposals/write-off	—	(884)	(3,659)	(31)	(634)	(5,208)
Transfer to disposal groups classified as held for sale *(Note 29)*	—	(951)	(2,578)	(174)	(494)	(4,197)
Exchange differences	—	89	87	11	73	260
As at 31 December 2011	803	20,528	25,542	1,948	10,913	59,734

	Target Group					
	Freehold land	Land and buildings	Plant, machinery and equipment	Motor vehicles	Furniture, fittings and other equipment	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Accumulated depreciation and impairment						
As at 1 January 2011	—	6,139	16,428	686	7,859	31,112
Depreciation charges *(Note 22)*	—	1,076	2,878	216	952	5,122
Impairment loss	—	—	100	—	—	100
Disposals/write-off	—	(715)	(2,704)	(18)	(440)	(3,877)
Transfer to disposal groups classified as held for sale *(Note 29)*	—	(908)	(1,878)	(100)	(425)	(3,311)
Exchange differences	—	68	50	6	53	177
As at 31 December 2011	—	5,660	14,874	790	7,999	29,323
Net book value						
As at 31 December 2011	803	14,868	10,668	1,158	2,914	30,411
Cost						
As at 1 January 2012	803	20,528	25,542	1,948	10,913	59,734
Additions	—	160	414	354	304	1,232
Disposals/write-off	—	(39)	(1,653)	(291)	(2,010)	(3,993)
Transfer of a subsidiary pursuant to the Reorganisation *(Note 1(b))*	—	(1,471)	(2,417)	(225)	(1,319)	(5,432)
Deemed distribution to equity holders upon completion of Reorganisation *(Note 16 (vi))*	(803)	—	—	—	—	(803)
Transfer to disposal group classified as held for sale *(Note 29)*	—	(6,042)	—	—	—	(6,042)
Exchange differences	—	(9)	(10)	(2)	(8)	(29)
As at 31 December 2012	—	13,127	21,876	1,784	7,880	44,667

	Target Group					
	Freehold land	**Land and buildings**	**Plant, machinery and equipment**	**Motor vehicles**	**Furniture, fittings and other equipment**	**Total**
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Accumulated depreciation						
As at 1 January 2012	—	5,660	14,874	790	7,999	29,323
Depreciation charges *(Note 22)*	—	995	2,747	193	747	4,682
Disposals/write-off	—	(35)	(1,016)	(143)	(1,861)	(3,055)
Transfer of a subsidiary pursuant to the Reorganisation *(Note 1(b))*	—	(1,287)	(1,121)	(146)	(954)	(3,508)
Transfer to disposal group classified as held for sale *(Note 29)*	—	(760)	—	—	—	(760)
Exchange differences	—	(8)	(6)	(1)	(4)	(19)
As at 31 December 2012	—	4,565	15,478	693	5,927	26,663
Net book value						
As at 31 December 2012	—	8,562	6,398	1,091	1,953	18,004

	Target Company				
	Buildings	**Plant, machinery and equipment**	**Motor vehicles**	**Furniture, fittings and other equipment**	**Total**
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Cost					
As at 1 January 2012	—	—	—	—	—
Additions	30	925	649	807	2,411
Disposal	—	—	(39)	(4)	(43)
Transfer of a subsidiary pursuant to the Reorganisation *(Note 1(b))*	—	(835)	—	(118)	(953)
As at 31 December 2012	30	90	610	685	1,415
Accumulated depreciation					
As at 1 January 2012	—	—	—	—	—
Depreciation charges	2	65	55	174	296
Disposal	—	—	(3)	—	(3)
Transfer of a subsidiary pursuant to the Reorganisation *(Note 1(b))*	—	(57)	(7)	(14)	(78)
As at 31 December 2012	2	8	45	160	215
Net book value					
As at 31 December 2012	28	82	565	525	1,200

For the year ended 31 December 2011, the Target Group recognized an impairment loss of US$100,000 in respect of certain plant, machinery and equipment upon management's assessment on their recoverable amounts based on fair value less cost to sell determined on the basis of an arm's length market transaction. The impairment loss had been included in "Other gains/(losses), net" in profit or loss (Note 21).

As at 31 December 2010, 2011 and 2012, certain leasehold land and buildings with carrying amount of US$5,592,000, US$ 5,437,000 and nil, respectively, were pledged for the Target Group's borrowings (Note 18).

As at 31 December 2010, 2011 and 2012, the Target Group has plant and equipment with carrying amounts of US$2,236,000, US$641,000 and US$446,000 respectively, purchased under finance lease arrangement (Note 19).

Depreciation of property, plant and equipment has been charged to the consolidated income statement as follows:

	Target Group Year ended 31 December		
	2010	**2011**	**2012**
	US$'000	*US$'000*	*US$'000*
Cost of sales	4,010	3,855	3,566
General and administrative expenses	1,359	1,267	1,116
	5,369	5,122	4,682

7 Intangible assets

		Target Group As at 31 December		
		2010	**2011**	**2012**
	Note	*US$'000*	*US$'000*	*US$'000*
Goodwill	i	—	—	—

Note (i):

	Target Group As at 31 December		
	2010	**2011**	**2012**
	US$'000	*US$'000*	*US$'000*
Beginning of year	359	—	—
Impairment loss	(359)	—	—
End of year	—	—	—

For the year ended 31 December 2010, the Target Group recognized an impairment loss on goodwill attributable to Bloom Time Trading (2002) Pte. Ltd. Group ("Bloom Time Group"). The impairment assessment was made with reference to the value-in-use of Bloom Time Group which was nil in view that it had ceased operations. The impairment loss had been included in "Other gains/(losses), net" in consolidated income statement (Note 21).

8 Prepaid land lease

The Target Group's interests in prepaid land lease represent prepaid operating lease payments for land located in Cambodia and Vietnam and their book values are analyzed as follows:

	Target Group		
	As at 31 December		
	2010	2011	2012
	US$'000	*US$'000*	*US$'000*
Outside Hong Kong, held on:			
Leases of between 15 to 46 years	374	2,120	631

	Target Group		
	As at 31 December		
	2010	2011	2012
	US$'000	*US$'000*	*US$'000*
Opening balance	285	374	2,120
Additions	158	1,774	158
Amortization expense of prepaid land lease *(Note 22)*	(69)	(28)	(109)
Deemed distribution to equity holders upon the completion of the Reorganisation *(Note 16(vi))*	—	—	(1,538)
Ending balance	374	2,120	631

Amortization of prepaid land lease has been charged to the consolidated income statement as follows:

	Target Group		
	Year ended 31 December		
	2010	2011	2012
	US$'000	*US$'000*	*US$'000*
Cost of sales	67	27	28
General and administrative expenses	2	1	81
	69	28	109

9 Investment in subsidiaries — Target Company

	Target Company
	As at
	31 December 2012
	US$'000
Unlisted shares/investments, at cost	20,973
Amounts due from subsidiaries	16,815
Amount due to a subsidiary	(687)
	37,101

Particulars of the principal subsidiaries as at 31 December 2012:

Name	Place of incorporation	Principal activities and place of operation	Particulars of issued or registered/paid-up capital	Interest held
Ocean Sky Marketing (HK) Ltd.	Hong Kong	Marketing and supporting services, Hong Kong	10,000 ordinary shares of HK$1 each	100%
Suntex Pte. Ltd.	Cambodia	Manufacturing of apparel products, Cambodia	100 ordinary shares of US$12,000 each	100%
Bright Sky Pte. Ltd.	Cambodia	Manufacturing of apparel products, Cambodia	1,000 ordinary shares of US$1,000 each	100%
Bloom Time Embroidery Pte. Ltd.	Cambodia	Manufacturing of apparel products, Cambodia	1,000 ordinary shares of US$1,000 each	100%
Ocean Sky Apparel (VN) Limited Company	Vietnam	Manufacturing of apparel products, Vietnam	Registered capital of US$6,000,000 and paid-up capital of US$1,800,000	100%
Sunglobe Pte. Ltd.	Singapore	Trading of apparel products, Singapore	310,000 ordinary shares issued and paid-up capital of S$310,000	100%

10 Inventories

	Target Group As at 31 December		
	2010	**2011**	**2012**
	US$'000	*US$'000*	*US$'000*
Raw materials	14,270	10,592	6,731
Work-in-progress	14,119	16,518	15,559
Finished goods	7,795	8,495	4,920
	36,184	35,605	27,210

	Target Company As at 31 December 2012 US$'000
Raw materials	6,731
Work-in-progress	8,544
Finished goods	4,920
	20,195

The cost of inventories recognized as expense and included in cost of sales amounted to US$166,933,000, US$218,863,000 and US$179,994,000 of the Target Group for the years ended 31 December 2010, 2011 and 2012 respectively (Note 22).

Inventories amounting to US$20,474,000, US$17,021,000 and US$3,609,000 of the Target Group were held under trust receipt bank loan arrangement as at 31 December 2010, 2011 and 2012, respectively (Note 18).

11 Trade and other receivables

	Target Group As at 31 December		
	2010	**2011**	**2012**
	US$'000	*US$'000*	*US$'000*
Trade receivables	24,731	20,901	15,679
Less: provision for impairment	(750)	(750)	—
	23,981	20,151	15,679
Advance payments to suppliers	4,374	—	—
Other receivables	865	1,261	1,296
Deposits	474	295	301
Prepayments	1,051	396	296
	30,745	22,103	17,572

The carrying amounts of trade and other receivables approximate their fair value.

As at 31 December 2010 and 2011, trade receivables of US$750,000 were impaired and fully provided for impairment loss. The individually impaired receivables mainly relate to certain overseas customers, which are in unexpectedly difficult economic situations.

As at 31 December 2010, 2011 and 2012, trade receivables of US$11,573,000, US$5,868,000 and US$4,143,000 were past due but not impaired. These relate to the customers which have good trading records with the Target Group. Based on past experiences, the directors believe that no impairment allowance is necessary in respect of these balances as there has not been a significant change in their credit quality and the balances are considered fully recoverable. The ageing analysis of these trade receivables past due but not impaired at respective balance sheet dates is as follows:

	Target Group		
	As at 31 December		
	2010	2011	2012
	US$'000	*US$'000*	*US$'000*
Current	12,408	14,283	11,536
1 to 30 days	9,441	4,568	2,061
31 to 60 days	1,420	683	1,797
61 to 90 days	337	262	267
91 to 120 days	110	1	—
Over 120 days	265	354	18
Amount past due but not impaired	11,573	5,868	4,143
	23,981	20,151	15,679

The credit granted by the Target Group to its customers is generally from 30 to 60 days, 14 to 90 days and 14 to 90 days for the years ended 31 December 2010, 2011 and 2012 respectively. The aging analysis of trade receivables, net of provision for impairment based on the invoiced dates, as at 31 December 2010, 2011 and 2012 as follows:

	Target Group		
	As at 31 December		
	2010	2011	2012
	US$'000	*US$'000*	*US$'000*
1 to 30 days	10,678	9,274	11,481
31 to 60 days	9,648	6,982	2,670
61 to 90 days	2,158	1,812	1,311
Over 90 days	1,497	2,083	217
	23,981	20,151	15,679

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

	Target Group		
	As at 31 December		
	2010	2011	2012
	US$'000	*US$'000*	*US$'000*
US$	23,910	20,008	15,662
Euro	13	143	17
S$	58	—	—
	23,981	20,151	15,679

The carrying amounts of trade and other receivables approximate their fair value.

	Target Company As at 31 December 2012 US$'000
Trade receivables	15,420
Other receivables	47
Deposits	180
Prepayments	82
	15,729

The ageing analysis of the trade receivables based on due date, net of provision is as follows:

	Target Company As at 31 December 2012 US$'000
Current	11,314
1 to 30 days	2,058
31 to 60 days	1,789
61 to 90 days	259
Amount past due but not impaired	4,106
	15,420

The ageing analysis of trade receivables, net of provision for impairment based on the invoiced dates, as at 31 December 2012 is as follows:

	Target Company As at 31 December 2012 US$'000
0 to 30 days	11,338
31 to 60 days	2,583
61 to 90 days	1,309
Over 90 days	190
	15,420

The carrying amounts of the Target Company's trade receivables are denominated in USD as at 31 December 2012.

12 Derivative financial instruments

	Assets			Liabilities		
	As at 31 December			As at 31 December		
	2010	**2011**	**2012**	**2010**	**2011**	**2012**
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Interest rate swaps	—	—	—	129	—	—
Forward foreign exchange contracts	—	216	—	—	—	—
	—	216	—	129	—	—

13 Cash and cash equivalents

	Target Group		
	As at 31 December		
	2010	**2011**	**2012**
	US$'000	*US$'000*	*US$'000*
Cash and bank balances	32,398	24,215	15,871
Short term bank deposits	—	15,641	—
	32,398	39,856	15,871

The effective interest rate on short term bank deposits was 1.33% per annum as at 31 December 2011 and these deposits have maturities of less than 3 months.

The analysis of bank and cash balances for the purpose of the consolidated statement of cash flows is as follows:

	Target Group		
	Year ended 31 December		
	2010	**2011**	**2012**
	US$'000	*US$'000*	*US$'000*
Cash and cash equivalents	32,398	39,871	15,871
Less: assets classified as held for sales *(note 29)*	—	(15)	—
	32,398	39,856	15,871

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

	Target Group		
	As at 31 December		
	2010	2011	2012
	US$'000	*US$'000*	*US$'000*
US$	28,013	34,817	14,267
RIEL	322	132	172
RMB	1,348	1,318	14
S$	2,259	2,269	1,144
Other currencies	456	1,320	274
	32,398	39,856	15,871

	Target Company
	As at 31 December
	2012
	US$'000
Cash and bank balances	12,426

The Target Company's cash and bank balances are denominated in the following currencies:

	Target Company
	As at 31 December
	2012
	US$'000
US$	11,265
RMB	13
S$	1,109
Other currencies	39
	12,426

14 Financial instruments by category

The Target Group's financial instruments include the following:

Target Group	**Loans and receivables** *US$'000*	**Derivatives** *US$'000*	**Total** *US$'000*
As at 31 December 2010			
Assets as per consolidated balance sheets			
Trade and other receivables excluding prepayments *(Note 11)*	29,694	—	29,694
Cash and cash equivalents *(Note 13)*	32,398	—	32,398
	62,092	—	62,092
As at 31 December 2011			
Assets as per consolidated balance sheets			
Trade and other receivables excluding prepayments *(Note 11)*	21,707	—	21,707
Derivative financial instruments *(Note 12)*	—	216	216
Cash and cash equivalents *(note 13)*	39,856	—	39,856
	61,563	216	61,779
As at 31 December 2012			
Assets as per consolidated balance sheets			
Trade and other receivables excluding prepayments *(Note 11)*	17,276	—	17,276
Cash and cash equivalents *(Note 13)*	15,871	—	15,871
Amount due from a fellow subsidiary *(Note 33(b))*	624	—	624
	33,771	—	33,771

Target Group	Derivatives *US$'000*	Other financial liabilities at amortized cost *US$'000*	Total *US$'000*
As at 31 December 2010			
Liabilities as per consolidated balance sheets			
Trade and other payables	—	26,701	26,701
Borrowings excluding finance lease liabilities *(Note 18)*	—	31,901	31,901
Finance lease liabilities *(Note 19)*	—	1,022	1,022
Derivative financial instruments *(Note 12)*	129	—	129
	129	59,624	59,753
As at 31 December 2011			
Liabilities as per consolidated balance sheets			
Trade and other payables	—	28,128	28,128
Borrowings excluding finance lease liabilities *(Note 18)*	—	21,926	21,926
Finance lease liabilities *(Note 19)*	—	445	445
Amount due to a fellow subsidiary *(Note 33(b))*	—	192	192
	—	50,691	50,691
As at 31 December 2012			
Liabilities as per consolidated balance sheets			
Trade and other payables	—	27,091	27,091
Borrowings excluding finance lease liabilities *(Note 18)*	—	4,109	4,109
Finance lease liabilities *(Note 19)*	—	342	342
Amount due to immediate holding company *(Note 33 (b))*	—	6,947	6,947
	—	38,489	38,489

The Target Company's financial instruments include the following:

Target Company	Loans and receivables *US$'000*
As at 31 December 2012	
Assets as per balance sheet	
Trade and other receivables excluding prepayments *(Note 11)*	15,647
Cash and cash equivalents *(Note 13)*	12,426
Amount due from a fellow subsidiary	624
	28,697

Target Company	Other financial liabilities at amortized cost *US$'000*
As at 31 December 2012	
Liabilities as per balance sheet	
Trade and other payables	24,440
Borrowings excluding finance lease liabilities *(Note 18)*	4,109
Finance lease liabilities *(Note 19)*	209
Amount due to a subsidiary *(Note 33(b))*	687
Amount due to immediate holding company *(Note 33(b))*	6,947
	36,392

15 Share capital

	Nominal value of ordinary shares *US$'000*	Number of ordinary shares	*US$'000*
Authorised and issued:			
As at 1 January 2012			
Transfer of one share to OSIL *(note (b))*	—	1	—
Issue of shares to OSIL *(note (c))*	5,000	4,999,999	5,000
As at 31 December 2012	5,000	5,000,000	5,000

The Target Company was incorporated in Singapore on 28 February 2011 with an authorized share capital of US$1, divided into 1 share of US$1 each.

Notes:

(a) On 1 March 2012, 1 share was acquired by OSIL at par value of US$1 at consideration of US$1.

(b) On 2 May 2012, 4,999,999 shares were allotted and issued at par value of US$1 each to OSIL at consideration of US$4,999,999.

Since the Target Company had not been legally incorporated as at 31 December 2010, there was no share capital presented as at 31 December 2010.

16 Other reserves — Target Group and Target Company

	Target Group				
	Merger reserve	**Other reserve**	**Share based compensation reserves**	**Exchange reserves**	**Total**
	(Note i)		*(Note ii)*	*(Note iii)*	
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
As at 1 January 2010	26,789	—	39	(965)	25,863
Contribution from immediate holding company on share option scheme *(note iv)*	5	—	(1)	—	4
Share-based payment *(note iv)*	—	—	1	—	1
Currency translation differences	—	—	—	452	452
As at 31 December 2010	26,794	—	39	(513)	26,320
As at 1 January 2011	26,794	—	39	(513)	26,320
Currency translation differences	—	—	—	100	100
As at 31 December 2011	26,794	—	39	(413)	26,420
As at 1 January 2012	26,794	—	39	(413)	26,420
Issue of shares *(Note 15)*	(5,000)	—	—	—	(5,000)
Contribution from equity holders on share option scheme *(note iv)*	82	—	(21)	—	61
Contribution from equity holders *(note v)*	2,468	—	—	—	2,468
Transfer of the Apparel Business from immediate holding company to be settled by ordinary shares *(note vi)*	(82,911)	35,297	—	—	(47,614)
Currency translation differences	—	—	—	93	93
As at 31 December 2012	(58,567)	35,297	18	(320)	(23,572)

	Target Company
	US$'000
As at 1 January 2012	—
Transfer of the Apparel Business from immediate holding company to be settled by ordinary share *(note vii)*	35,297
As at 31 December 2012	35,297

Note:

(i) The Target Company was incorporated during the year ended 31 December 2011 and was acquired by OSIL during the year ended 31 December 2012. For the purpose of the consolidated financial statements, merger reserve represents the share capital of OSIL.

(ii) Share based compensation reserve represents the equity-settled share options granted to certain employees and a Director of the Target Company. The reserve is made up of the cumulative value of services received from certain employees and a Director recorded on grant of equity-settled share options.

(iii) The foreign currency translation reserve is used to record the exchange differences arising from the translation of financial statements of foreign operations whose functional currencies are different from that of the Target Group's presentation currency as well as exchange differences on monetary items forming parts of net investments in foreign operations.

(iv) Share option plan — OSIL

OSIL has adopted a share option scheme (the "Scheme") which is effective commencing 30 January 2003 pursuant to a written resolution of the then sole shareholder of the Target Company on 30 January 2003.

Under the Scheme, the Target Company may grant options to selected full-time employees and directors of the Target Company and its subsidiaries to subscribe for shares in OSIL.

The aggregate number of shares over which the committee may grant options on any date, when added to the number of shares issuable in respect of all options granted under the Scheme, shall not exceed 15% of the issued shares of the OSIL on the day preceding that date.

The options may be exercised in whole or in part as follows:

(a) up to 50% of the share options at any time within the period from 22 January 2010 till 21 January 2011;

(b) up to 80% of the share options at any time within the period from 22 January 2011 till 21 January 2012: and

(c) up to 100% of the share options at any time within the period from 22 January 2012 till 21 January 2016.

All unexercised options will expire after 21 January 2016.

The share options outstanding at 31 December 2010, 2011 and 2012 have remaining contractual life of 6 years, 5 years and 4 years, respectively.

The fair value of the share options granted on 22 January 2009 was S$0.03.

The fair value was calculated using the Binomial Pricing Model. The inputs into the model were as follows:

Share price *(S$)*	0.08
Weighted average exercise price *(S$)*	0.08
Expected life of share options *(years)*	7
Expected volatility *(%)*	30
Dividend yield *(%)*	0

The expected life of share options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

Movement in the number of share options granted by OSIL to the employees of the Target Group, the outstanding options and exercise price is as follows:

	Target Group Year ended 31 December					
	2010		**2011**		**2012**	
	Number of share options	**Exercise price** *S$*	**Number of share options**	**Exercise price** *S$*	**Number of share options**	**Exercise price** *S$*
Outstanding at beginning of the financial year or grant date, if later	2,167,000	0.08	1,740,000	0.08	1,657,000	0.08
Exercised during the financial year	(70,000)	0.08	—	—	(946,000)	0.08
Forfeited during the financial year	(357,000)	0.08	(83,000)	0.08	(346,000)	0.08
Outstanding as at year end	1,740,000	0.08	1,657,000	0.08	365,000	0.08
Exercisable at year end	835,000	0.08	1,311,600	0.08	365,000	0.08

(v) On 6 March 2012, OSIL entered into a share placement agreement with Maybank Kim Eng Corporate Finance Pte. Ltd. to procure the subscription of up to 23,630,000 new ordinary shares in the capital of OSIL at an issue price of S$0.1443 per share. The fair value of the shares issued amounted to US$2,741,000. The related transaction costs amounted to US$273,000. The net proceeds from this share placement were treated as contribution from equity holders.

(vi) As at 1 October 2012, the net assets of OSIL and its subsidiaries amounted to US$82,911,000. Pursuant to the Reorganisation as described in Note 1(b), OSIL retained certain assets and liabilities amounted to US$26,597,000 and certain assets and the equity interest in Ocean Star Apparel (Guangzhou) Pte. Ltd. of US$21,017,000 and transferred the other assets and liabilities relating to the Apparel Business and all the equity interests in Bloom Time Embroidery Pte. Ltd., Bright Sky Pte. Ltd., Suntex Pte. Ltd., Sunglobe Pte. Ltd., Ocean Sky Apparel (VN) Limited Company, Ocean Sky Marketing (HK) Limited with carrying value of US$35,297,000 to the Target Company. The assets and liabilities retained by OSIL are detailed as follows:-

	As at 1 October 2012
	US$'000
Property, plant and equipment	803
Prepaid land lease *(Note 8)*	1,538
Cash and cash equivalents	24,962
Trade and other receivables	73
Trade and other payables	(371)
Tax payable	(408)
Amounts retained by OSIL	26,597

The other reserve represents the net asset value of the Target Group at the date of the Reorganisation, and shall be satisfied by the issue and allotment of 16,223,245 shares of the Target Company.

17 Trade and other payables

	Target Group As at 31 December		
	2010	**2011**	**2012**
	US$'000	*US$'000*	*US$'000*
Trade and bills payable	25,749	26,970	26,214
Other payables and accruals			
— accrued employee benefits	6,290	6,635	5,473
— provision for Directors' fee	97	100	—
— Deposit received	—	800	—
— Others	952	1,158	877
	33,088	35,663	32,564

The ageing analysis of the trade and bills payable based on invoice date is as follows:

	Target Group		
	As at 31 December		
	2010	2011	2012
	US$'000	*US$'000*	*US$'000*
0 to 30 days	8,256	12,094	8,571
31 to 60 days	7,846	4,105	7,932
61 to 90 days	1,432	1,895	4,943
Over 90 days	8,215	8,876	4,768
	25,749	26,970	26,214

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

	Target Group		
	As at 31 December		
	2010	2011	2012
	US$'000	*US$'000*	*US$'000*
US$	24,841	25,771	25,188
S$	253	338	204
HK$	156	417	376
RMB	372	279	38
RIEL	111	165	152
Other currencies	16	—	256
	25,749	26,970	26,214

The carrying amounts of the Target Group's trade, bills and other payables approximate their fair values.

	Target Company
	As at
	31 December
	2012
	US$'000
Trade and bills payable	24,200
Other payables and accruals	
— accrued employee benefits	3,411
— others	240
	27,851

The ageing analysis of the trade and bills payable based on invoice date is as follows:

	Target Company As at 31 December 2012 *US$'000*
0 to 30 days	7,362
31 to 60 days	7,630
61 to 90 days	5,159
Over 90 days	4,049
	24,200

The carrying amounts of the Target Company's trade and bills payable are denominated in the following currencies:

	Target Company As at 31 December 2012 *US$'000*
US$	23,656
HK$	331
RMB	6
S$	197
Other currencies	10
	24,200

18 Borrowings

	Target Group		
	As at 31 December		
	2010	**2011**	**2012**
	US$'000	*US$'000*	*US$'000*
Non-current			
Bank borrowings — non-secured	1,500	500	—
Collateralized borrowings *(Note i)*	—	3,217	—
Finance lease liabilities *(Note 19)*	450	332	255
	1,950	4,049	255
Current			
Bank borrowings — non-secured	6,336	1,000	500
Collateralized borrowings *(Note i)*	3,591	188	—
Finance lease liabilities *(Note 19)*	572	113	87
Trust receipt bank loans *(Note ii)*	20,474	17,021	3,609
	30,973	18,322	4,196
	32,923	22,371	4,451

	Target Group		
	As at 31 December		
	2010	**2011**	**2012**
	US$'000	*US$'000*	*US$'000*
Non-current borrowings			
— Secured	450	3,549	255
— Non-secured	1,500	500	—
	1,950	4,049	255
Current borrowings			
— Secured	24,637	17,322	3,696
— Non-secured	6,336	1,000	500
	30,973	18,322	4,196
	32,923	22,371	4,451

	Trust receipt bank loans			Bank borrowings			Collateralized borrowings		
	As at 31 December			As at 31 December			As at 31 December		
	2010	2011	2012	2010	2011	2012	2010	2011	2012
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Within 1 year	20,474	17,021	3,609	6,336	1,000	500	185	188	—
Bank borrowings due for repayment after one year *(Note a)*:									
After 1 year but within 2 years	—	—	—	1,000	500	—	185	188	
After 2 years but within 5 years	—	—	—	500	—	—	584	593	—
After 5 years	—	—	—	—	—	—	2,637	2,436	—
	—	—	—	1,500	500	—	3,406	3,217	—
	20,474	17,021	3,609	7,836	1,500	500	3,591	3,405	—

The Target Group's borrowings were repayable as follows:

	Trust receipt bank loans			Bank borrowings			Collateralized borrowings		
	As at 31 December			As at 31 December			As at 31 December		
	2010	2011	2012	2010	2011	2012	2010	2011	2012
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Wholly repayable within 5 years	20,474	17,021	3,609	7,836	1,500	500	3,591	—	—
Wholly repayable after 5 years	—	—	—	—	—	—	—	3,405	—
	20,474	17,021	3,609	7,836	1,500	500	3,591	3,405	—

Note a: The amounts due are based on the repayment schedule set out in the loan agreements and ignore the effect of any repayment on demand clause.

The carrying amounts of the Target Group's borrowings are denominated in the following currencies:

	Target Group		
	As at 31 December		
	2010	2011	2012
	US$'000	*US$'000*	*US$'000*
US$	28,635	18,521	4,109
HK$	3,679	3,466	133
S$	609	384	209
	32,923	22,371	4,451

	Target Company As at 31 December 2012 *US$'000*
Non-current	
Finance lease liabilities *(Note 19)*	168
Current	
Trust receipt bank loans	3,609
Bank borrowings	500
Finance lease liabilities *(Note 19)*	41
	4,150
	4,318

	Target Company As at 31 December 2012 *US$'000*
Non-current borrowings	
— Secured	168
Current borrowings	
— Secured	41
— Non-secured	4,109
	4,150
	4,318

The carrying amounts of the Target Company's borrowings are denominated in the following currencies:

	Target Company As at 31 December 2012 *US$'000*
US$	4,109
S$	209
	4,318

The effective interest rates at 31 December 2010, 2011 and 2012 are as follows:

	As at 31 December 2010		As at 31 December 2011		As at 31 December 2012	
	US$	*HK$*	*US$*	*HK$*	*US$*	*HK$*
Bank loans	1.52%	—	1.49%	—	1.14%	—
Trust receipt bank loans	1.51%	—	1.34%	—	1.92%	—
Collateralized borrowings	—	2.46%	—	1.42%	—	1.56%

The carrying amounts of the borrowings approximate their fair values.

As at 31 December 2010, 2011 and 2012, the Target Group had aggregate banking facilities of approximately US$176,118,000, US$179,163,000 and US$157,196,000 for overdrafts, loans, trade financing, bank guarantees and unused facilities as at the same date amounted to approximately US$126,419,000, US$145,993,000 and US$141,896,000, respectively.

During the Relevant Periods, the Target Group's banking facilities were secured by the following:

Notes:

(i) Pledge of the Target Group's certain land and buildings with total net book value of US$5,592,000, US$5,437,000 and nil as at 31 December 2010, 2011 and 2012, respectively (Note 6).

(ii) Inventories amounting to US$20,474,000, US$17,021,000 and US$3,609,000 of the Target group where held under trust receipt bank loan arrangement as at 31 December 2010, 2011 and 2012, respectively (Note 10).

19 Finance lease liabilities

	Target Group As at 31 December		
	2010	**2011**	**2012**
	US$'000	*US$'000*	*US$'000*
Minimum lease payments due:			
Within one year	634	130	98
After one year but within five years	433	369	269
After five years	84	14	14
	1,151	513	381
Future finance charges	(129)	(68)	(39)
Present value of finance lease liabilities	1,022	445	342

The carrying amount of the finance lease liabilities approximates their fair values. The Target Group has property, plant and equipment under finance leases with a total net book value of US$2,236,000, US$641,000 and US$446,000 as at 31 December 2010, 2011 and 2012, respectively (Note 6).

	Target Company As at 31 December 2012
	US$'000
Minimum lease payments due:	
Within one year	45
After one year but within five years	172
After five years	13
	230
Future finance charges	(21)
Present value of finance lease liabilities	209

20 Deferred income tax

The analysis of deferred tax assets is as follows:

	Target Group As at 31 December		
	2010	**2011**	**2012**
	US$'000	*US$'000*	*US$'000*
Deferred income tax liabilities:			
— Deferred income tax liabilities to be recovered within 12 months	122	152	26
— Deferred income tax liabilities to be recovered after more than 12 months	178	26	—
	300	178	26

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

	Target Group As at 31 December		
	2010	**2011**	**2012**
	US$'000	*US$'000*	*US$'000*
Accelerated tax depreciation:			
Beginning of year	616	300	178
Credited to the consolidated income statements *(Note 25)*	(316)	(122)	(152)
End of the year	300	178	26

	Target Company As at 31 December 2012
	US$'000
Accelerated tax depreciation:	
Beginning of year	—
Charged to the income statement	26
End of the year	26

21 Other gains/(losses), net

	Target Group Year ended 31 December		
	2010	**2011**	**2012**
	US$'000	*US$'000*	*US$'000*
From continuing operations:			
Fair value gain on forward contracts *(Note 12)*	—	216	—
Net gain on foreign exchange forward contracts	72	248	281
Net loss on interest rate swap	(343)	(151)	—
Net loss on fund linked swap	(45)	—	—
Net foreign exchange gain/(loss)	150	(552)	42
Insurance gain	1,532	—	—
Impairment loss on goodwill *(Note 7)*	(359)	—	—
Impairment loss on property, plant and equipment *(Note 6)*	—	(100)	—
	1,007	(339)	323
From discontinued operations:			
Net foreign exchange loss *(Note 29)*	107	12	25

Note:

The insurance gain represented the compensation for business operation loss in 2010 as a result of a fine incident in Cambodia in 2009.

22 Expenses by nature

The following items have been included in arriving at the profit before income tax:

	Target Group Year ended 31 December 2010 *US$'000*	2011 *US$'000*	2012 *US$'000*
From continuing operations:			
Raw materials and consumables used	156,665	211,645	181,474
Changes in inventories of finished goods and work in progress	6,897	3,576	(3,082)
Employee benefit expenses *(Note 23)*	24,689	29,133	33,386
Gain/(loss) on disposal of property, plant and equipment	76	(25)	(93)
Auditors' remuneration	165	161	195
Amortization of land use rights *(Note 8)*	69	28	109
Depreciation of property, plant and equipment *(Note 6)*	3,709	3,662	4,187
Plant and equipment written off	156	838	510
Write-down/(reversal of write-down) of inventories	3,366	2,051	(402)
Operating lease expenses	518	501	684
Transportation	2,919	3,980	6,293
Communication and utilities	4,362	4,646	4,462
Other expenses	11,759	12,908	12,365
	215,350	273,104	240,088
From discontinued operations:			
Raw materials and consumables used	4,235	4,118	1,629
Changes in inventories of finished goods and work in progress	(864)	(476)	(27)
Employee benefit expenses *(Note 23)*	13,446	12,220	4,869
Depreciation of property, plant and equipment *(Note 6)*	1,660	1,460	495
Other expenses	5,040	5,242	1,645
	23,517	22,564	8,611

	Target Group Year ended 31 December		
	2010	2011	2012
	US$'000	*US$'000*	*US$'000*
From continuing operations:			
Representing:			
Cost of sales	195,918	249,655	209,795
Selling and distribution expenses	4,139	5,316	10,659
General and administrative expenses	15,293	18,133	19,634
	215,350	273,104	240,088
From discontinued operations:			
Representing:			
Cost of sales	16,794	16,481	6,060
Selling and distribution expenses	1,149	1,051	149
General and administrative expenses	5,574	5,032	2,402
	23,517	22,564	8,611

23 Employee benefit expenses — including Directors' emoluments

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

	Target Group Year ended 31 December		
	2010	2011	2012
	US$'000	*US$'000*	*US$'000*
Wages, salaries and allowances	35,513	39,007	36,428
Termination benefits	1,407	999	921
Share options granted to directors and employees *(Note 16)*	1	—	—
Pension costs			
— Defined contribution plans	1,214	1,347	906
	38,135	41,353	38,255

(b) Directors' emoluments

The emoluments of the Directors for the years ended 31 December 2010, 2011 and 2012 are set out below:

	Year ended 31 December		
	2010	**2011**	**2012**
	US$'000	*US$'000*	*US$'000*
Directors' emoluments	88	96	192
Basic salaries, other allowances and benefits in kind	1,047	1,147	1,142
Discretionary bonuses	1,049	1,538	1,699
Pension scheme contributions	22	25	25
	2,206	2,806	3,058

The emoluments of the directors fell within the following bands:

	Year ended 31 December		
	2010	**2011**	**2012**
Emolument bands			
US$129,032 to US$193,548 (equivalent to HK$1,000,001 to HK$1,500,000)	1	—	—
US$193,549 to US$258,064 (equivalent to HK$1,500,001 to HK$2,000,000)	—	1	1
US$967,739 to US$1,032,255 (equivalent to HK$7,500,001 to HK$8,000,000)	2	—	—
US$1,225,803 to US$1,290,319 (equivalent to HK$9,500,001 to HK$10,000,000)	—	2	—
US$1,290,320 to US$1,354,835 (equivalent to HK$10,000,001 to HK$10,500,000)	—	—	2
	3	3	3

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Target Group for the years ended 31 December 2010, 2011 and 2012 included three directors respectively whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two individuals are as follows:

	Year ended 31 December		
	2010	**2011**	**2012**
	US$'000	*US$'000*	*US$'000*
Basic salaries, other allowances and benefits in kind	228	242	250
Discretionary bonuses	27	67	110
Pension scheme contributions	11	18	19
	266	327	379

The emoluments of these remaining individuals fell within the following emolument bands:

	Number of individuals Year ended 31 December		
	2010	2011	2012
Emolument bands			
US$129,032 to US$193,548 (equivalent to HK$1,000,001 to HK$1,500,000)	2	2	2

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

24 Finance costs, net

	Target Group Year ended 31 December		
	2010	2011	2012
	US$'000	*US$'000*	*US$'000*
From continuing operations:			
Interest expense			
— bank borrowings	564	453	312
— Interest element of finance leases	97	62	50
Finance costs	661	515	362
Finance income			
Interest income on bank deposits	(14)	(11)	(34)
Finance costs, net	647	504	328
From discontinued operations:			
Finance income *(Note 29)*	(5)	(15)	(33)

25 Income tax expenses

Singapore profits tax has been provided at the rate of 17% on the estimated assessable profit for the Relevant Periods.

The Target Group's Operations in the Cambodia are subject to the Cambodia corporate income tax. The standard Cambodia corporate income tax was 20% for the Relevant Periods.

Taxation incorporated in other places is subject to tax rates of 15% to 25% prevailing in the places in which the Target Group operated throughout the Relevant Periods.

	Target Group Year ended 31 December		
	2010	2011	2012
	US$'000	*US$'000*	*US$'000*
Singapore profits tax			
— Current year	1,227	1,393	1,188
— Under-provision in prior years	14	22	—
	1,241	1,415	1,188
Overseas taxation			
— Current year	18	467	181
— (Over)/under-provision in prior years	(110)	2	(93)
	(92)	469	88
Deferred income tax			
Origination and reversal of temporary difference *(Note 20)*	(316)	(122)	(152)
Income tax expense	833	1,762	1,124

The tax on the Target 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:

	Target Group Year ended 31 December		
	2010	**2011**	**2012**
	US$'000	*US$'000*	*US$'000*
Profit before income tax including discontinued operation	9,166	10,902	12,279
Tax at the applicable tax rate of 17%	1,558	1,853	2,087
Effect of different taxation rates in other jurisdictions	7	(80)	81
Singapore income tax at concessionary rate	(614)	(798)	(658)
Income not subject to tax	(460)	(220)	(3,269)
Tax losses for which no deferred income tax asset was recognized	140	212	2,315
Expenses not deductible	944	1,348	1,733
(Over)/under-provision in prior years	(165)	56	(271)
Utilization of previously unrecognized tax losses	(441)	(614)	(476)
Others	(136)	5	(418)
Income tax expenses	833	1,762	1,124
Weighted average applicable tax rates	9%	16%	9%

The effective tax rate is lower than Singapore profits tax rate of 17% since certain subsidiaries of the Target Group enjoyed preferential income tax rates throughout the Relevant Periods as foreign investment enterprises in the PRC and Cambodia, and have obtained approval from the relevant tax authorities for their entitlement to exemption from income tax. The Target Company has been awarded the "Global Trader Programme" status whereby its profits derived from qualifying trading transactions of approved products are taxed at a concessionary rate of 10% for a period of 5 years with effect from 1 January 2009, subject to compliance with certain terms and conditions.

Bright Sky Pte. Ltd., a subsidiary of the Target Company was initially granted a three-year tax exemption with effect from 22 February 2006 to 22 February 2009 as approved by the Ministry of Economy and Finance (MoEF) in Cambodia. Bright Sky Pte. Ltd. also received an extension of tax holiday period of 2 years to 1 January 2011.

The changes in the weighted average applicable tax rate were mainly due to the changes in the proportion of the taxable profit/(loss) of the respective companies attributable to the Target Group which were subject to different applicable tax rates.

As at 31 December 2010, 2011 and 2012, the Target Group had unrecognized tax losses of approximately US$20,375,000, US$17,636,000 and US$26,088,000, respectively to carry forward against future taxable income. The related deferred tax assets have not been recognized because it is uncertain that future taxable profits will be available against which the Target Group can utilize the benefits. The unrecognized tax losses will expire as follows:

	Target Group		
	As at 31 December		
	2010	**2011**	**2012**
	US$'000	*US$'000*	*US$'000*
With no expiry date	311	109	—
Expiry year:			
— 2012	3,101	119	—
— 2013	7,907	8,020	5,694
— 2014	6,228	6,149	5,521
— 2015	2,828	2,828	2,828
—After 2015	—	411	12,045
	20,375	17,636	26,088

On 1 October 2012, the Target Company transferred the entire interest in Ocean Star Apparel (Guangzhou) Pte. Ltd. to OSIL pursuant to the Reorganisation (Note 1(b)). Approximately US$2,051,000 of the tax losses carried forward by Ocean Sky Apparel (Guangzhou) Pte. Ltd. has also been transferred out.

In December 2012, Ocean Sky International Limited, immediate holding company, received notices of additional assessments from the Inland Revenue Authority of Singapore (the "IRAS") for the years of assessments 2006 and 2008 demanding for protective assessment of tax totalling S$1,848,259 in respect of certain income, which the directors have regarded as subject to concessionary Singapore corporate income tax instead of Standard corporate income tax. The directors have thoroughly revisited the situations and have concluded that this related company has strong grounds to vigorously defend that the relevant profits should be subject to Singapore concessionary corporate income tax. In these circumstances, the directors have lodged objections to these additional assessments and consider that sufficient tax provision has been made in the consolidated financial statements.

Ocean Sky International Limited, immediate holding company, has provided an indemnity to the Target Group that any claims on tax charges against the Target Group in relation to periods prior to the completion of the Reorganisation in the key countries where the Target Group is operating.

26 Profit attributable to owners of the Target Company

The profit attributable to owners of the Target Company is dealt with in the financial statements of the Target Company to the extent of approximately US$Nil and US$7,074,000 for the years ended 31 December 2011 and 2012 respectively.

27 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Target Company by the weighted average number of ordinary shares in issue during the Relevant Periods. In determining the weighted average number of ordinary shares in issue during the Relevant Period, 5,000,000 shares of the Company, which were resulted from the issue and allotment of 5,000,000 shares by the Company in connection with the Reorganisation, had been treated as if those shares were in issue since 1 January 2010.

	Target Group As at 31 December		
	2010	**2011**	**2012**
Profit from continuing operations attributable to owners of the Target Company *(US$'000)*	12,445	15,442	13,113
Profit from discontinued operations attributable to owners of the Target Company *(US$'000)*	(4,112)	(6,302)	(1,958)
	8,333	9,140	11,155
Weighted average number of ordinary shares in issue *(thousands)*	5,000	5,000	5,000
Basic earnings per share *(US$ per share)*	1.67	1.83	2.23

The Target Company did not have any potential ordinary shares outstanding during the Relevant Periods. Diluted earnings per share is equal to basic earnings per share. The above calculation has not taken into account the ordinary shares of 16,223,246 to be issued by the Target Company as described in note 1(b).

28 Dividends

	Year ended 31 December		
	2010	**2011**	**2012**
	S$'000	*S$'000*	*S$'000*
Interim dividend paid of S$ *(Note (i))*	3,399	3,399	—
Proposed final dividend of S$ *(Note (ii))*	3,399	—	—
	6,798	3,399	—

Note:

(i) In October 2010, an interim tax-exempt dividend in respect of the financial year ended 31 December 2010 at S$0.008 per ordinary share amounting to S$3,399,000 (or US$2,566,000 equivalent) was paid to shareholders.

In October 2011, an interim tax-exempt dividend in respect of the financial year ended 31 December 2011 at S$0.008 per ordinary share amounting to S$3,399,000 (or US$2,609,000 equivalent) was paid to shareholders.

(ii) In May 2010, a final tax exempt dividend in respect of the financial year ended 31 December 2009 as at S$0.008 per ordinary share amounting to S$3,398,000 (or US$2,484,000 equivalent) was paid to shareholders.

In May 2011, a final tax exempt dividend in respect of the financial year ended 31 December 2010 as at S$0.008 per ordinary share amounting to S$3,399,000 (or US$2,779,000 equivalent) was paid to shareholders.

29 Assets/Liabilities classified as held for sales and discontinued operations

(a) In December 2011, OSIL had entered into an agreement with a third party to dispose of its entire equity interest in a subsidiary, Ocean Sky Apparel (SV) S.A. de C.V., for a cash consideration of US$1,053,000, net of discount. The sale transaction was completed in January 2012.

(b) Following the internal discussions among the Board of Directors of OSIL before 31 December 2012 and pursuant to the sales and purchase agreement entered into between OSIL and the Company on 6 January 2013, OSIL is going to dispose of the entire equity interest in the Target Company, which conducts the Apparel Business since 1 June 2012 as mentioned in Note 1(b), to the Company. Such disposal excludes the property, plant and equipment and the associated bank borrowings as set out in the table below.

The major classes of assets and liabilities comprising the disposal groups classified as held for sale were as follows:

		Target Group	
		As at 31 December 2011	**As at 31 December 2012**
		Note (a)	*Note (b)*
	Note	*US$'000*	*US$'000*
Property, plant and equipment	6	886	5,282
Trade and other receivables		167	—
Cash and bank balances	13	15	—
Amount due from immediate holding company		192	—
Total assets classified as held for sale		1,260	5,282
Less:			
Trade and other payables		207	—
Borrowings		—	3,218
Total liabilities classified as held for sales		207	3,218
Net assets of disposal groups classified as held for sale		1,053	2,064

The results of the discontinued operations arising from the disposal of Ocean Sky Apparel (SV) S.A. de C.V. (Note 29(a)) and the transfer of Ocean Star Apparel (Guangzhou) Pte. Ltd. pursuant to the Reorganisation (Note 1(b)) included in the consolidated income statements are set out below:

		Target Group Year ended 31 December		
		2010	**2011**	**2012**
	Note	*US$'000*	*US$'000*	*US$'000*
Revenue		19,507	16,259	6,645
Expenses	22	(23,517)	(22,564)	(8,611)
Other losses, net	21	(107)	(12)	(25)
Finance income	24	5	15	33
Loss before tax for the year from discontinued operations		(4,112)	(6,302)	(1,958)
Income tax expenses		—	—	—
Loss for the year from discontinued operations		(4,112)	(6,302)	(1,958)

The cash flows of the discontinued operations included in the consolidated statements of cash flows are set out below:

	Target Group Year ended 31 December		
	2010	**2011**	**2012**
	US$'000	*US$'000*	*US$'000*
Net cash flow from operating activities	1,902	346	(250)
Net cash flow from investing activities	(1,015)	(117)	23
Net cash flow from financing activities	(31)	(798)	6
Net cash flow generated from discontinued operations	856	(569)	(221)

30 Commitments

(a) Capital commitments

	As at 31 December		
	2010	**2011**	**2012**
	US$'000	*US$'000*	*US$'000*
Contracted but not provided for — Property, plant and equipment	—	—	248

(b) Operating lease commitments

The future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings are as follows:

	Target Group		
	As at 31 December		
	2010	**2011**	**2012**
	US$'000	*US$'000*	*US$'000*
Within one year	1,673	973	1,411
Within two to five years	1,648	701	3,977
After five years	—	—	6,840
	3,321	1,674	12,228

	Target Company As at 31 December
	2012
	US$
Within one year	399
Within two to five years	780
After five years	—
	1,179

Leases for office premises and employees' hostel are negotiated for a term of 1 to 3 years with no arrangement on contingent rents. Lease for land is negotiated for a term of 46 years and the full-term rentals are payable over 10 years. The Target Group and the Target Company are given an option to renew the leases before expiry. Lease payments are usually increased upon renewals to reflect market rentals.

31 Cash generated from operations

(a) Reconciliation of profit before income tax to net cash generated from operations

	Year ended 31 December		
	2010	**2011**	**2012**
	US$'000	*US$'000*	*US$'000*
Cash flow from operating activities			
Profit before income tax including discontinued operations	9,166	10,902	12,279
Adjustments for:			
Depreciation of property, plant and equipment *(Note 6)*	5,369	5,122	4,682
Amortization of land use rights *(Note 8)*	69	28	109
Loss/(gain) on disposals of property, plant and equipment	137	(14)	(93)
Property, plant and equipment written-off	250	1,294	677
Fair value gain on derivative financial instruments *(Note 21)*	—	(216)	—
Write-down/(reversal of write-down) of inventories *(Note 22)*	3,366	2,051	(402)
Impairment loss of goodwill *(Note 21)*	359	—	—
Impairment loss of property, plant and equipment *(Note 21)*	—	100	—
Share option expense *(Note 23 (a))*	1	—	—
Interest expense *(Note 24)*	661	515	362
Interest income *(Note 24)*	(19)	(26)	(67)
	19,359	19,756	17,547
Changes in operating assets and liabilities:			
Trade and other receivables	(4,330)	8,475	(15,748)
Amount due to immediate holding company	—	—	6,947
Amount due from a fellow subsidiary	—	—	(624)
Amount due to a fellow subsidiary	—	—	(192)
Inventories	(13,366)	(1,472)	8,681
Trade and other payables	7,176	1,982	358
Derivative financial instruments	(25)	(129)	216
Cash generated from operations	8,814	28,612	17,185

(b) In the consolidated statements of cashflows, proceeds from sale of property, plant and equipment companies:

	Year ended 31 December		
	2010	**2011**	**2012**
	US$'000	*US$'000*	*US$'000*
Net book amount *(Note 6)*	680	1,331	938
(Loss)/gain on disposal of property, plant and equipment	(137)	14	93
Property, plant and equipment written-off	(250)	(1,294)	(677)
Proceeds from disposal of property, plant and equipment	293	51	354

32 Disposal of a subsidiary

Disposal of interest in a subsidiary

In January 2012, the Target Group disposed of its 100% equity interest in one of the subsidiaries, Ocean Sky Apparel (SV) S.A. de C.V., for a cash consideration of US$1,053,000. The completion of disposal has taken place in January 2012. The net assets of Ocean Sky Apparel (SV) S.A. de C.V. at date of disposal are here as follows:

	Year ended 31 December 2012
	US$'000
Total consideration satisfied by:	
Cash consideration	1,053
Net assets disposed of:	
Property, plant and equipment	886
Other receivables	167
Amount due from immediate holding company	192
Cash and cash equivalents	15
Other payables and accruals	(207)
Net assets at the date of disposal	1,053
Gain on disposal of interest in subsidiary	—

Analysis of net cash inflow of cash and cash equivalents in respect of the disposal of interest in subsidiary:

	US$'000
Cash consideration received in 2011 *(Note 17)*	800
Cash consideration received in 2012	253
Less: cash and cash equivalents disposed	(15)
Net cash inflow in respect of the disposal of interest in subsidiary	1,038
Gain on disposal of interests in subsidiary	—

33 Related-party transactions

Related parties refer to entities in which the Target Company has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions, or directors or officers of the Target Company and its subsidiaries.

Save as disclosed elsewhere in the Financial Information, the Target Group had the following related party transactions during the Relevant Periods.

(a) Transactions with related parties

The following are the significant transactions carried out with related parties during the Relevant Periods:

		Target Group		
		Year ended 31 December		
		2010	**2011**	**2012**
	Note	*US$'000*	*US$'000*	*US$'000*
Prepayment of land lease to a related party	(i)	—	1,618	—
Rental fee to a fellow subsidiary	(ii)	—	—	180
Subcontracting fee to a fellow subsidiary	(iii)	—	—	1,845

Note:

(i) The Target Group prepaid land lease in respect of land located in Cambodia, from a related party controlled by controlling shareholders of the Target Group. It was charged based on mutual agreement.

(ii) Rental fee paid to a fellow subsidiary was charged at rates based on mutual agreed terms.

(iii) Subcontracting fee paid to a fellow subsidiary has charged at rates based on mutually agreed terms.

(b) Balance with related parties

	Target Group		
	As at 31 December		
	2010	**2011**	**2012**
	US$'000	*US$'000*	*US$'000*
Amount due from a fellow subsidiary	—	—	624
Amount due to a fellow subsidiary	—	192	—
Amount due to immediate holding company	—	—	6,947

As at 31 December 2012, the outstanding balances with the subsidiary and immediate holding company were interest-free, unsecured and repayable on demand.

	Target Company
	As at
	31 December
	2012
	US$'000
Amounts due from subsidiaries	16,815
Amount due to a subsidiary	687
Amount due to immediate holding company	6,947

As at 31 December 2012, the outstanding balances with the subsidiaries and immediate holding company were interest-free, unsecured and repayable on demand.

(c) Key management compensation

Key management includes directors and senior management. The compensation paid or payable to key management for employee service is shown as below:

		Year ended 31 December	
	2010	**2011**	**2012**
	US$'000	*US$'000*	*US$'000*
Basic salaries, other allowances and benefits in kind	1,665	1,656	1,677
Discretionary bonuses	1,147	1,602	1,966
Pension scheme contributions	77	64	81
	2,889	3,322	3,724

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Company or its subsidiaries in respect of any period subsequent to 31 December 2012 up to the date of this report. No dividend or distribution has been declared or made by Target Company or its subsidiaries in respect of any period subsequent to 31 December 2012.

Yours faithfully,

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong

The following is the text of the unaudited pro forma financial information of the Enlarged Group for the sole purpose of inclusion in this circular, received from the reporting accountant, PricewaterhouseCoopers.

A. THE UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP

Introduction

The following is the unaudited pro forma statement of assets and liabilities of the Enlarged Group (the "Unaudited Pro Forma Financial Information") which has been prepared in accordance with paragraph 4.29 of Listing Rules for the purpose of illustrating the effect on the financial position of the Enlarged Group as if the proposed acquisition of the entire issued share capital of the Target Company had been completed on 31 December 2012.

To provide additional financial information, the Unaudited Pro Forma Financial Information of the Enlarged Group as at 31 December 2012 has been prepared based on:

(a) the historical audited consolidated balance sheet of the Group as at 31 December 2012 which has been extracted from the published annual report for the year ended 31 December 2012 of the Company;

(b) the audited consolidated balance sheet of the Target Group as at 31 December 2012 which has been extracted from Appendix II to this Circular; and

(c) after taking into account of the unaudited pro forma adjustments as described in the notes thereto to demonstrate how the Acquisition might have affected the historical financial information in respect of the Group as if the Acquisition had been completed on 31 December 2012.

The Unaudited Pro Forma Financial Information of the Enlarged Group should be read in conjunction with the financial information contained in this circular and the Accountant's Report on the Target Group as set out in Appendix II to this circular.

The Unaudited Pro Forma Financial Information of the Enlarged Group has been prepared by the Company's Directors for illustrative purposes only and is based on a number of assumptions, estimates, uncertainties and currently available information. Because of its hypothetical nature, the Unaudited Pro Forma Financial Information may not reflect the true picture of the financial position of the Enlarged Group as at 31 December 2012 or at any future date.

UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP AS AT 31 DECEMBER 2012

	The Group as at 31 December 2012	The Target Group as at 31 December 2012	Unaudited pro forma adjustments						Unaudited Pro forma statement of assets and liabilities of the Enlarged Group
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
	Note 1	*Note 2*	*Note 3*	*Note 4*	*Note 5*	*Note 6*	*Note 7*	*Note 8*	
ASSETS									
Non-current assets									
Leasehold land and land use rights	12,011	—							12,011
Property, plant and equipment	112,746	18,004			1,930				132,680
Intangible assets	61,985	—			17,686				79,671
Interest in an associated company	559	—							559
Interests in jointly controlled entities	43,918	—							43,918
Deferred income tax assets	726	—							726
Other non-current assets	4,255	631							4,886
Total non-current assets	236,200	18,635							274,451
Current assets									
Inventories	96,348	27,210							123,558
Trade and other receivables	184,340	17,572							201,912
Amount due from fellow subsidiaries	—	624							624
Prepaid income tax	4,772	—							4,772
Cash and bank balances	165,588	15,871	(5,947)	(52,141)				50,000	173,371
	451,048	61,277							504,237
Assets of disposal groups classified as held for sale	—	5,282					(5,282)		—
Total current assets	451,048	66,559							504,237
Total assets	687,248	85,194							778,688
LIABILITIES									
Non-current liabilities									
Bank borrowings	4,643	255						35,000	39,898
Retirement benefit obligations	7,898	—							7,898
Convertible bond	5,020	—							5,020
Deferred income tax liabilities	5,160	26			2,616				7,802
Total non-current liabilities	22,721	281							60,618
Current liabilities									
Trade and other payables	199,884	32,564				1,500			233,948
Bank borrowings	108,415	4,196						15,000	127,611
Derivative financial instruments	1,174	—							1,174
Amount due to immediate holding company	—	6,947	(5,947)						1,000
Current income tax liabilities	10,080	783							10,863
	319,553	44,490							374,596
Liabilities of disposal groups classified held for sale	—	3,218					(3,218)		—
Total current liabilities	319,553	47,708							374,596
Total liabilities	342,274	47,989							435,214
Net assets	344,974	37,205							343,474

Notes:

1 The balances were extracted from the audited consolidated balance sheet of the Group as at 31 December 2012 as set out in the Company's published annual report for the year ended 31 December 2012.

2 The balances were extracted from the audited consolidated balance sheet of the Target Company as at 31 December 2012 as set out in Appendix II to this circular.

3 As at 31 December 2012, the Target Group recorded an amount due to its immediate holding company of US$6,947,000. According to the Share Purchase Agreement, the Seller has provided a warranty to the Purchaser that no material indebtedness in excess of US$1,000,000 will be outstanding between any Target Group Company and any member of the Retained Group as at the Completion Date and therefore the Target Group will settle the amount due to its immediate holding company of US$5,947,000 by cash upon the Completion.

4 Pursuant to the Share Purchase Agreement, the consideration for the Acquisition is US$55,000,000. Upon the release of the final completion accounts, the consideration payable shall be adjusted in any one or more of the following circumstances, be:

(i) reduced by US$1.00 for every US$1.00 that the Pro Forma FY2012 Net Profit is less than US$10,000,000;

(ii) reduced by US$1.00 for every US$1.00 that the Completion NTA is less than US$40,000,000; and

(iii) reduced by US$1.00 for every US$1.00 that the Net Debt exceeds US$2,400,000, provided that under paragraphs (i) and (ii) above, the final amount payable above shall be determined after allowing any surplus to the Completion NTA or any shortfall to the Net Debt to be set off against any surplus to the Net Debt or any shortfall to the Completion NTA (as the case may be), subject to a maximum set off of US$2,000,000 each.

As at 31 December 2012, the NTA of the Target Group amounted to US$37,205,000. After taking into account the excluded assets/liabilities in Note 7 below, the adjusted NTA will be US$35,141,000, representing US$37,205,000 minus US$2,064,000. Therefore, there was a shortfall of US$4,859,000 to the minimum NTA of US$40,000,000. Since the Target Group has no Net Debt as at 31 December 2012, it allows a maximum set off of US$2,000,000 based on paragraph (iii) above. The consideration will be adjusted from US$55,000,000 to US$52,141,000. Since the Completion NTA and the Net Debt as at the Completion Date may be materially different from their respective values used in the preparation of the Unaudited Pro Forma Financial Information, the actual amount of the adjustment upon completion may be materially different from the estimated amount shown in this Appendix.

5 The carrying amounts of the net assets of the Target Group as at the date of valuation, i.e. 31 December 2012, were approximately US$37,205,000. The Group's has appointed an independent valuer to carry out the purchase price allocation exercise in accordance with HKFRS3 (Revised) "Business Combination" including the assessment of fair value of the acquired assets and liabilities of the Target Group. The fair values and carrying amounts of the assets and liabilities of the Target Group as at 31 December 2012 and the financial effect of the transactions described in Note 3 and Note 7 are analysed as follows:

	Carrying value	Fair Value Adjustment	Fair value
	US$'000	*US$'000*	*US$'000*
Other non-current assets	631	—	631
Property, plant and equipment	18,004	1,930	19,934
Intangible assets	—	13,118	13,118
Inventories	27,210	—	27,210
Trade and other receivables	17,572	—	17,572
Assets of disposal groups classified as held for sale	5,282	—	5,282
Amount due from fellow subsidiaries	624	—	624
Cash and bank balances	15,871	—	15,871
Bank borrowings	(4,451)	—	(4,451)
Deferred income tax liabilities	(26)	(2,616)	(2,642)
Trade and other payables	(32,564)	—	(32,564)
Amount due to immediate holding company	(6,947)	—	(6,947)
Current income tax liabilities	(783)	—	(783)
Liabilities of disposal groups classified held for sale	(3,218)	—	(3,218)
Total	37,205		49,637
Less: Excluded assets/liabilities (See Note 7 below)	(2,064)		(2,064)
Net assets acquired by the Group	35,141		47,573
Consideration			52,141
Goodwill			4,568

Since the fair values and the carrying amounts of the identifiable net assets of the Target Group as at the Completion Date may be materially different from their respective values used in the preparation of the Unaudited Pro Forma Financial Information, the actual amounts of the assets, liabilities and goodwill to be recorded in the consolidated financial statements of the Group upon completion may be materially different from the estimated amounts shown in this Appendix.

6 The adjustment represents the estimated amounts regarding the legal and professional fees and other expenses incurred for the Acquisition of approximately US$1,500,000.

7 Pursuant to the Share Purchase Agreement, certain assets and liabilities included in the consolidated balance sheet of the Target Group are excluded assets/liabilities in the Acquisition. The adjustments represent the exclusion of these assets and liabilities with a carrying amount of US$5,282,000 and US$3,218,000 as at 31 December 2012 respectively, which will be disposed of at their respective carrying amounts upon completion of the Acquisition and the proceeds will be returned to the Seller.

8 The Group is in the process of arranging for the bank loan of US$50,000,000 to finance the acquisition of the Target Group.

9 No other adjustments have been made to reflect any trading result or other transactions of the Group and the Target Group entered into subsequent to 31 December 2012.

B. REPORT FROM THE REPORTING ACCOUNTANT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

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

pwc 羅兵咸永道

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

We report on the unaudited pro forma financial information set out on pages 101 to 105 under the heading of "Unaudited Pro Forma Financial Information of the Enlarged Group" (the "Unaudited Pro Forma Financial Information") in Appendix III of the circular dated 29 April 2013 (the "Circular") of Luen Thai Holdings Limited (the "Company"), in connection with the proposed acquisition of Ocean Sky Global (S) Ptd. Ltd. (the "Acquisition") by a wholly owned subsidiary of the Company. The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company, for illustrative purposes only, to provide information about how the Acquisition might have affected the relevant financial information of the Company and its subsidiaries (hereinafter collectively referred to as the "Group"). The basis of preparation of the Unaudited Pro Forma Financial Information is set out on pages 101 to 105 of the Circular.

Respective Responsibilities of Directors of the Company and the Reporting Accountant

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

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

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T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

Basis of Opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the audited consolidated statement of assets and liabilities of the Group as at 31 December 2012 as set out in the "Pro forma Financial Information of the Enlarged Group" section of this circular with the audited consolidated balance sheet of the Group as at 31 December 2012 as set out in the 2012 annual report of the Company, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company.

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

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Group as at 31 December 2012 or any future date.

Opinion

In our opinion:

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

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

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

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 29 April 2013

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 or short positions of the Directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code") contained in the Listing Rules, to be notified to the Company and Stock Exchange, are as follows:

Long positions in the shares:

Name of Director	Capacity	Number of ordinary shares	Approximate percentage of interest in Company
Tan Siu Lin	Trustee *(Note 1)*	6,500,000	0.65%
	Interest of controlled corporation *(Note 1)*	26,300,000	2.62%
Tan Henry	Interest of controlled corporation *(Note 2)*	685,200,000	68.22%
Tan Willie	Beneficial owner *(Notes 3)*	1,000,000	0.10%
Tan Cho Lung, Raymond	Beneficial owner *(Note 4)*	2,103,000	0.21%
Mok Siu Wan, Anne	Beneficial owner *(Note 5)*	2,000,000	0.20%

Notes:

1. Dr. Tan Siu Lin as a trustee indirectly controls the entire issued capital of Wincare International Company Limited, which in turn holds directly 6,500,000 shares of the Company. Dr. Tan Siu Lin also controls and is a subscriber and founding member of Tan Siu Lin Foundation Limited, which in turn owns directly 26,300,000 shares of the Company.

2. Mr. Tan Henry is the beneficial owner of 3,500 issued shares (representing 70% interests) in Helmsley Enterprises Limited ("Helmsley"), a company incorporated in the Commonwealth of the Bahamas. Helmsley wholly owns Capital Glory and indirectly owns Hanium Industries Limited, which own 614,250,000 shares of the Company and 17,100,000 shares of the Company respectively.

   Mr. Tan Henry is the beneficial owner of 5,543,668 issued shares (representing 35% interests) in Tan Holdings Corporation. Tan Holdings Corporation wholly owns Union Bright Limited, which in turn owns 43,650,000 shares of the Company.

   Mr. Tan Henry also controls and has the interests in Double Joy Investment Limited, a company incorporated in the British Virgin Islands ("BVI"), which directly owns 10,200,000 shares of the Company.

3. A total of 1,000,000 shares of the Company were acquired by an associate of Mr. Tan Willie in 2012. He is therefore deemed under Part XV of the SFO to be interested in all of the 1,000,000 shares acquired by his associate.

4. A total of 2,103,000 shares of the Company were acquired by an associate of Mr. Tan Cho Lung, Raymond between 2006 and 2013. He is therefore deemed under Part XV of the SFO to be interested in all of the 2,103,000 shares acquired by his associate.

5. Ms. Mok Siu Wan, Anne has 2,000,000 share options granted by the Company on 21 April 2008 and she exercised 800,000 and 1,200,000 share options in 2012 and 2013 respectively.

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 Henry	Helmsley *(Note 1)*	Beneficial owner *(Note 4)*	3,500	100%
	Capital Glory *(Note 2)*	Interest of controlled corporation *(Note 4)*	1	100%
	Justintime Development Limited *(Note 5)*	Beneficial owner *(Note 4)*	1	100%
	Tripletrio International Limited *(Note 3)*	Interest of controlled corporation *(Note 4)*	42,500	100%
	Newtex International Limited *(Note 3)*	Interest of controlled corporation *(Note 4)*	2	100%
	Torpedo Management Limited *(Note 3)*	Interest of controlled corporation *(Note 4)*	1	100%
	Integrated Solutions Technology Inc. (a Cayman Islands corporation) *(Note 3)*	Interest of controlled corporation *(Note 4)*	1	100%
	Eldex Del Golfo, SA de CV *(Note 3)*	Interest of controlled corporation *(Note 4)*	11,819	100%
	Servicios Textiles Mexicanos, SA *(Note 3)*	Interest of controlled corporation *(Note 4)*	50	100%
	Hanium Industries Limited *(Note 3)*	Interest of controlled corporation *(Note 4)*	1	100%
	Integrated Solutions Technology Inc. (a HK corporation) *(Note 3)*	Interest of controlled corporation *(Note 4)*	2	100%
	Integrated Solutions Technology Inc. (a BVI corporation) *(Note 3)*	Interest of controlled corporation *(Note 4)*	1	100%
	Integrated Solutions Technology Inc. (a Philippines corporation) *(Note 3)*	Interest of controlled corporation *(Note 4)*	1	100%

Notes:

1. Helmsley is the holding company of Capital Glory, 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 is the holding company of the Company. It is therefore an associated corporation of the Company.

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

4. Mr. Tan Henry directly holds 3,500 issued shares (or 70% interest) in Helmsley. He is therefore deemed under Part XV of the SFO to be interested in the interests of Helmsley and its subsidiaries.

5. Mr. Tan Henry is beneficial own Justintime Development Limited. Justintime Development Limited is therefore an associated corporation of the Company as defined under Part XV of the SFO.

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

(ii) Interests of Substantial Shareholders

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

Name	Capacity	Number of ordinary shares	Approximate percentage of shareholding
Capital Glory *(Notes 1 & 2)*	Beneficial owner	614,250,000	61.16%
Helmsley *(Notes 1 & 2)*	Interest of controlled corporation	631,350,000	62.86%
Pou Chen Corporation *(Note 3)*	Interest of controlled corporation	89,100,000	8.87%
Wealthplus Holdings Limited *(Note 3)*	Interest of controlled corporation	89,100,000	8.87%
Yue Yuen Industrial (Holdings) Limited *(Note 3)*	Interest of controlled corporation	89,100,000	8.87%
Pou Hing Industrial Co. Ltd. *(Note 3)*	Interest of controlled corporation	89,100,000	8.87%
Great Pacific Investments Limited *(Note 3)*	Beneficial owner	89,100,000	8.87%

Notes:

1. Capital Glory, a company incorporated in the British Virgin Islands with limited liability, is a wholly owned subsidiary of Helmsley. Helmsley is therefore deemed to be interested in the interests of Capital Glory held in the Company.

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

3. Based on the information recorded in the register required to be kept under section 336 of the SFO, Great Pacific Investments Limited directly holds 89,100,000 shares of the Company. Great Pacific Investments Limited is 100% directly owned by Pou Hing Industrial Co. Ltd. In turn, Pou Hing Industrial Co. Ltd. is 100% directly owned by Yue Yuen Industrial (Holdings) Limited. Wealthplus Holdings Limited directly holds 46.88% interests in Yue Yuen Industrial (Holdings) Limited. In turn, Wealthplus Holdings Limited is 100% directly owned by Pou Chen Corporation.

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

3. DIRECTORS' INTERESTS IN CONTRACTS, ASSETS AND COMPETING BUSINESSES

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

There are no contracts or arrangements subsisting as at the Latest Practicable Date in which a Director is materially interested or which is significant in relation to any business of the Enlarged Group.

As at the Latest Practicable Date, no Director has any interest, direct or indirect, in any assets which have been, since 31 December 2012, acquired or disposed of by or leased to any member of the Enlarged Group or proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

4. SERVICE CONTRACTS

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

5. EXPERTS' QUALIFICATION AND CONSENT

(a) The following are the name and qualification of the expert who has given opinion or advice, which are contained or referred to in this circular:

Name	**Qualification**
PricewaterhouseCoopers ("PwC")	Certified Public Accountants

(b) PwC has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its report and reference to its name in the form and context in which they are included.

6. EXPERT'S INTERESTS

As at the Latest Practicable Date,

(a) PwC did not have any direct or indirect interest in any asset which had since 31 December 2012 (being the date to which the latest published audited financial statements of the Company were made up) been acquired or disposed of by, or leased to, any member of the Enlarged Group, or was proposed to be acquired or disposed of by, or leased to, any member of the Enlarged Group; and

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

7. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial position or trading position of the Group since 31 December 2012 (being the date to which the latest published audited financial statements of the Group was made up).

8. LITIGATION

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

9. MATERIAL CONTRACTS

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

(a) a subscription and share purchase agreement dated 9 June 2011 ("Subscription and Share Purchase Agreement") in relation to subscription of shares and formation of a joint venture in Chang Jia International Limited ("Chang Jia") and entered into among: (a) Shiny New Limited ("Shiny New"), an indirect wholly-owned subsidiary of the Company; (b) Shan Ying Limited ("Shan Ying"), a wholly-owned subsidiary of Luen Thai Land Limited ("LTL"); (c) Chang Jia; (d) the Company; (e) LTL; (f) 陽光壹佰置業集團有限公司 (Sunshine 100 Real Estate Group Co., Ltd.) ("Sunshine 100"); and (g) Keyasia Investments Limited ("Keyasia"). Pursuant to the Subscription and Share Purchase Agreement, Chang Jia (formerly a subsidiary of the Group before completion of the Subscription and Share Purchase Agreement) has issued and allotted shares in Chang Jia ("CJ Shares") upon completion to the following parties in the following manner: (i) Keyasia has subscribed for 55 CJ Shares (representing 55% of Chang Jia's enlarged share capital immediately after completion) and the total consideration payable by Keyasia was RMB180 million; (ii) Shiny New has sold to Chang Jia the entire issued shares in Lofty Talent Limited upon completion in consideration of the issue of 23 CJ Shares (representing 23% of Chang Jia's enlarged share capital immediately after completion) to Shiny New and the payment by Chang Jia in the aggregate sum of RMB354,699,414 (subject to adjustment); and (iii) Shan Ying has sold to Chang Jia the entire issued shares in Eminent Star Group Limited upon completion in consideration of the issue of 21 CJ Shares (representing 21% of Chang Jia's enlarged share capital immediately after completion) to Shan Ying and the payment by Chang Jia in the aggregate sum of RMB301,693,858 (subject to adjustment);

(b) a corporate guarantee dated 29 November 2011 executed by Sunshine 100 in favour of Shiny New, pursuant to which Sunshine 100, in consideration of Shiny New agreeing to sell the entire issued shares in Lofty Talent Limited to Chang Jia pursuant to the Subscription and Share Purchase Agreement, guaranteed the repayment of up to 55% of all the obligations and indebtedness owed by Chang Jia to Shiny New under the Subscription and Share Purchase Agreement;

(c) a corporate guarantee dated 29 November 2011 executed by Sunshine 100 in favour of Shan Ying, pursuant to which Sunshine 100, in consideration of Shan Ying agreeing to sell the entire issued shares in Eminent Star Group Limited to Chang Jia pursuant to the Subscription and Share Purchase Agreement, guaranteed the repayment of up to 55% of all the obligations and indebtedness owed by Chang Jia to Shan Ying under the Subscription and Share Purchase Agreement;

(d) a share charge dated 29 November 2011 executed by Chang Jia, pursuant to which Chang Jia, in consideration of Shiny New agreeing to sell the entire issued shares in Lofty Talent Limited to Chang Jia pursuant to the Subscription and Share Purchase Agreement, charged the entire issued share capital in Lofty Talent Limited in favour of Shiny New as security for all the obligations and indebtedness owed by Chang Jia to Shiny New under the Subscription and Share Purchase Agreement;

(e) a share charge dated 29 November 2011 executed by Chang Jia, pursuant to which Chang Jia, in consideration of Shan Ying agreeing to sell the entire issued shares in Eminent Star Group Limited to Chang Jia pursuant to the Subscription and Share Purchase Agreement, shall charge the entire issued share capital in Eminent Star Group Limited in favour of Shan Ying as security for all the obligations and indebtedness owed by Chang Jia to Shan Ying under the Subscription and Share Purchase Agreement;

(f) a share charge dated 29 November 2011 executed by Keyasia, pursuant to which Keyasia, in consideration of: (i) Shiny New agreeing to sell the entire issued shares in Lofty Talent Limited to Chang Jia and (ii) Shan Ying agreeing to sell the entire issued shares in Eminent Star Group Limited to Chang Jia pursuant to the Subscription and Share Purchase Agreement, charged 55 shares in Chang Jia (representing 55% of Chang Jia's share capital) in favour of Shiny New as agent for and on behalf of Shiny New and Shan Ying as security for up to 55% of all the obligations and indebtedness owed by Chang Jia to Shiny New and Shan Ying under the Subscription and Share Purchase Agreement;

(g) the shareholders' agreement dated 29 November 2011 entered into by and among Keyasia, Shiny New, Shan Ying and Chang Jia pursuant to and upon completion of the Subscription and Share Purchase Agreement for regulating the rights and obligations of the shareholders of Chang Jia;

(h) a sale and purchase agreement dated 30 January 2012 entered into between Sunny Force Limited ("Sunny Force"), an indirect wholly-owned subsidiary of the Company, and Profitable Concepts Limited ("Profitable Concepts"), pursuant to which Sunny Force agreed to sell and Profitable Concepts agreed to purchase the entire issued share capital of Luen Thai Garment (Cambodia) Co., Ltd. at a consideration of US$1,670,000;

(i) a sale and purchase agreement dated 1 February 2012 entered into between Fortune Investment Overseas Limited ("Fortune Investment"), an indirect wholly-owned subsidiary of the Company, and Opelbond Management Limited and Ms. So Suk Ling ("Vendors") as the vendors, pursuant to which the Vendors agreed to sell and Fortune Investment agreed to purchase the entire issued share capital of Tien-Hu Knitting Company (Hong Kong) Limited at a total consideration of HK$46,500,000;

(j) a sale and purchase agreement dated 27 April 2012 ("YT Sale and Purchase Agreement") entered into among the Company, Luen Thai Overseas Limited ("Luen Thai Overseas"), a wholly-owned subsidiary of the Company, and Great Pacific Investments Limited ("Great Pacific"), pursuant to which Great Pacific agreed to sell and Luen Thai Overseas agreed to purchase: (a) 50% interest in the issued share capital of Yuen Thai Industrial Company Limited and (b) 50% interest in the issued share capital of Yuen Thai Holdings Limited, at a total consideration of US$4,600,000;

(k) a convertible bond dated 31 May 2012 issued by the Company to Great Pacific in the aggregate principal amount of US$4,600,000 in satisfaction of the consideration payable by Luen Thai Overseas to Great Pacific pursuant to the YT Sale and Purchase Agreement;

(l) a sale and purchase agreement dated 30 May 2012 entered into between Luen Thai Overseas and Luen Thai Enterprises Limited ("Luen Thai Enterprises"), pursuant to which Luen Thai Enterprises agreed to sell and Luen Thai Overseas agreed to purchase the entire issued share capital of Luen Thai Industrial Company Limited at a total consideration of RMB88,109,763;

(m) a sale and purchase agreement dated 8 January 2013 between Ocean Sky Hong Kong and Mr. Sit Loi Keung in respect of the sale of property located at Duplex Flat D on the 33rd floor of Tower V, The Waterfront, No 1 Austin Road West, Kowloon, Hong Kong with car parking space no. 128 on basement two of The Waterfront (which are part of the Hong Kong Properties as referred to in the "Letter from the Board" on page 14 of this circular, and which will not be included as part of the assets of the Target Group pursuant to the Share Purchase Agreement) at the consideration of HK$40,580,000;

(n) a sale and purchase agreement dated 12 December 2012 between Ocean Sky Hong Kong and Ms. Chong Chiak Yee in respect of the sale of property located at Flat D on the 11th floor of Tower V, The Waterfront, No 1 Austin Road West, Kowloon, Hong Kong with car parking space no. 267 on the 2nd floor of The Waterfront (which are part of the Hong Kong Properties as referred to in the "Letter from the Board" on page 14 of this circular, and which will not be included as part of the assets of the Target Group pursuant to the Share Purchase Agreement) at the consideration of HK$16,500,000;

(o) a Business Transfer Agreement between the Target Company and Ocean Sky International Limited ("OSIL") where OSIL shall transfer to the Target Company (the "Assets Transfer") as a going concern the business of designing, manufacturing, sales and marketing of apparel as engaged by OSIL and certain of its subsidiaries as at the time of completion of the Assets Transfer, namely Ocean Sky Hong Kong, Suntex Pte. Ltd., Bright Sky Pte. Ltd., Bloom Time Embroidery Pte. Ltd., Sunglobe Pte. Ltd., Ocean Star Apparel (Guangzhou) Pte. Ltd., and Ocean Sky Apparel (VN) Limited Company (the "Transferred Subsidiaries"), with effect from 1 June 2012, at a consideration of US$37,240,657;

(p) a supplemental deed dated 6 January 2013 (the "Supplemental Deed") to vary the terms of the BTA, pursuant to which the Target Company shall transfer to OSIL with effect on and from 1 October 2012 all legal and/or beneficial interests in Ocean Star Apparel (Guangzhou) Pte. Ltd., certain fixed assets, inter-company balances, accounts receivables and inventories as specified in the Supplemental Deed, at a consideration of US$21,017,412; and

(q) the Share Purchase Agreement.

10. MISCELLANEOUS

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

(b) The principal share registrar and transfer office of the Company is 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) The English text of this circular shall prevail over the Chinese text, in case of any inconsistency.

11. DOCUMENTS AVAILABLE FOR INSPECTION

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

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

(b) the annual reports of the Company for the two years ended 31 December 2012;

(c) the material contracts as referred to under the paragraph headed "Material Contracts" in this appendix;

(d) circular of the Company dated 20 June 2012;

(e) the written consents of the experts referred to in the paragraph headed "Experts Qualifications and Consent" in this Appendix;

(f) the accountant's report on Target Group prepared by PricewaterhouseCoopers, the text of which is set out in Appendix II to this circular;

(g) the unaudited pro forma financial information of the Enlarged Group set out in Appendix III to this circular; and

(h) this circular.