Luenthai

Luen Thai Holdings Limited

聯泰控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 311)

Design | Product Development | Manufacturing | Social Compliance | Supply Chain

Annual Report 2009

CONTENTS

CORPORATE INFORMATION

EXECUTIVE DIRECTORS
Dr. TAN Siu Lin, *Chairman*
TAN Henry, *Chief Executive Officer and President*
TAN Cho Lung Raymond
MOK Siu Wan Anne, *Chief Merchandizing Officer*
TAN Sunny, *Chief Financial Officer*

NON-EXECUTIVE DIRECTORS
TAN Willie
LU Chin Chu

INDEPENDENT NON-EXECUTIVE DIRECTORS
CHAN Henry
CHEUNG Siu Kee
SEING Nea Yie

COMPANY SECRETARY
CHIU Chi Cheung

REGISTERED OFFICE
Cricket Square, Hutchins Drive,
P.O. Box 2681, Grand Cayman
KY1-1111, Cayman Islands

PRINCIPAL PLACE OF BUSINESS
5/F, Nanyang Plaza
57 Hung To Road
Kwun Tong, Kowloon
Hong Kong

WEBSITE
http://www.luenthai.com

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
HSBC Trustee (Cayman) Limited
P.O. Box 484 HSBC House,
68, West Bay Road,
Grand Cayman, KY1-1106,
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
Computershare Hong Kong Investor Services Limited
Shops 1712–1716
17th Floor, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS
Bank of China (Hong Kong) Limited
Citibank, N.A.
Hang Seng Bank Limited
Standard Chartered Bank (Hong Kong) Limited
The Bank of East Asia, Limited
The Hongkong and Shanghai Banking Corporation Limited

AUDITORS
PricewaterhouseCoopers
Certified Public Accountants
22nd Floor, Prince's Building
Central, Hong Kong

LEGAL ADVISORS
Deacons
5th Floor, Alexandra House
18 Chater Road
Central, Hong Kong

BUSINESS PROFILE

Luen Thai Holdings Limited (the "Company") together with its subsidiaries (collectively, "Luen Thai" or the "Group") is one of the leading apparel manufacturing and supply chain services providers worldwide. We have close partnership with brands and retailers globally, which include adidas, Dillard's, Esprit, Fast Retailing, Limited Brands, Polo Ralph Lauren and Targus among others. We produce approximately 73 million pieces of garments and accessories annually with products ranging from casual wear, ladies' wear (career, intimate and fashion wear), sports and activewear, sweaters, outerwear, children's wear and laptop bags, luxury and fashionable bags.

As a total apparel and accessories manufacturing and services group, Luen Thai has developed a business model "design-to-store" ("D2S") providing a one-stop shop supply chain platform for partnership, including design and development, materials management, production and logistics. D2S answers our customers' needs for a wide range of products and services, and faster response at a competitive cost, making it the right business model in today's apparel and accessories industry. Through D2S, Luen Thai can offer speed-to-market solutions that will help our customers improve their supply chain through shortening total lead time, lowering of total sourcing costs and reducing retail mark-down. In 2007, Luen Thai launched its lean initiative in the Dongguan Supply Chain City through Project Add+. This project aims to implement the concept of lean manufacturing in the organization and extending it beyond the production floor to include all levels of the business operation. The project was further expanded and rolled out in Luen Thai Philippines in 2008. Ultimately, Project Add+ will enable Luen Thai to build a lean supply chain with its customers.

Unlike traditional apparel manufacturers focusing mostly on production, Luen Thai offers a hybrid model of multiproduct manufacturing and outsourcing. First of its kind in the industry, Luen Thai set up its first Supply Chain City in Dongguan, People's Republic of China ("China") with dedicated development centers allowing customers to work with our team in all phases of the supply chain process. Along with our customers, Luen Thai has been committed to compliance to corporate social responsibilities.

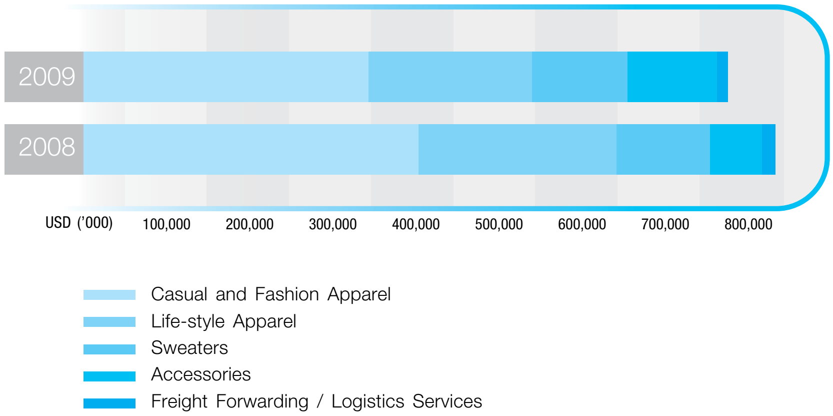
Headquartered in Hong Kong, Luen Thai has production and outsourcing partner facilities in China, the Philippines, Indonesia, India and Bangladesh. Our sales, design and logistics offices are located in Asia Pacific, the United States and Europe. With annual revenue of approximately US$775 million, Luen Thai employs over 20,000 people worldwide.

KEY FINANCIAL HIGHLIGHTS

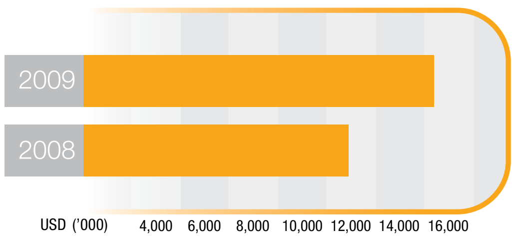
	2009 US$'000	2008 US$'000
Revenue	**774,892**	832,002
Gross Profit	**143,020**	154,289
As a percentage of revenue	**18.5%**	18.5%
Operating Profit	**19,418**	23,112
As a percentage of revenue	**2.5%**	2.8%
Profit Attributable to the Equity Holders of the Company	**15,220**	11,829
As a percentage of revenue	**2.0%**	1.4%
Earnings Per Share	**US1.5 cent**	US1.2 cent
Dividend Per Share		
— Final	**US0.236 cent**	US0.145 cent
— Interim	**US0.224 cent**	US0.213 cent
Capital and Reserves		
Attributable to the Equity Holders of the Company	**234,355**	221,562

KEY FINANCIAL HIGHLIGHTS

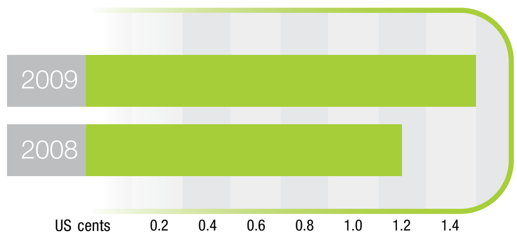
REVENUE



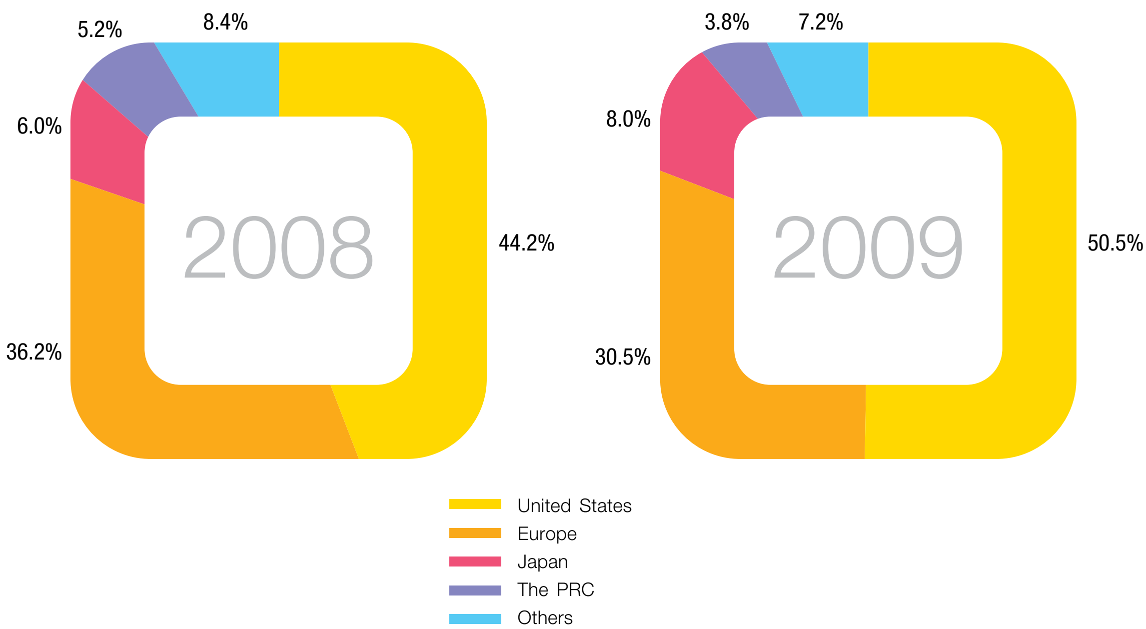
PROFIT ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY



EARNINGS PER SHARE



SALES BY GEOGRAPHICAL SEGMENTS



CHAIRMAN'S STATEMENT

2009 has proved to be a very volatile year particularly in the first half of the year when the outbreak of the global financial crisis in 2008 was still affecting the overall sentiment of the industry and most of our major markets in the world. Our customers were more cautious in procurement and adopted an extremely tight control in inventory in view of the shrinking consumer demands. Though we saw sign of recovery in the second half of the year, the recovery pace was still slow. Through a series of proactive management initiatives, the Group has implemented certain cost-cutting measures, downsized certain operations through the elimination of non-performing accounts and facilities, streamlining of businesses with better leveraging on our resources and greater accountability and transparency.

Though 2009 is another difficult year, I am pleased to report that the Group achieved a profit attributable to our equity holders of approximately US$15,220,000 for the year ended 31 December 2009, representing a 28.7% increase over 2008 despite the decrease in the Group's revenue.

The increase in our profitability is mainly attributed to our successful adoption and implementation of the "lean reengineering" strategy. This strategy involves "lean manufacturing" and restructuring of our business units into individual "lean enterprises" with one-stop responsibilities from merchandizing, manufacturing to sales of our products within each business unit. This "lean reengineering" strategy also involves "lean process" reengineering, which aims to reduce the operating process within each business unit resulting in increase in productivity in terms of both front and back end operations. As a result, despite the market downturn, Casual & Fashion Apparel Division has achieved a significant turnaround with substantial profit improvement when compared to the result last year.

On the other hand, our Accessories Division has faced unprecedented challenges in the aftermath of the global financial crisis. There were drastic reduction in orders and one-time costs in relation to the restructuring of the production facilities. As a result, our Accessories Division reported a significant loss in 2009.

As for our Real Estate Division, it has incurred certain start up losses as the whole project is still at the development stage. All other business units/divisions have continued to make positive contribution to the Group.

I believe Luen Thai's business model, being a comprehensive supply chain process in providing customers with an end-to-end value proposition will continue to better serve Luen Thai's customers through shorter lead times and value-added services in all aspects of the supply chain. The overall supply chain efficiency, product diversity and outsourcing capabilities are still the critical success factors in the consumer products industry where customers continue to consolidate their supply channels as well as origination countries.

FUTURE PLANS AND PROSPECTS

With the current shortage in labour supply, it has been widely envisaged that the minimum wage level in the China's labour market will be increased in the second quarter of 2010. Also, in view of the strong economic fundamentals, it is likely that the Chinese Yuan will continue to appreciate in 2010. These factors will definitely increase the Group's cost of operation in China. The Group shall continue to identify opportunities to develop manufacturing and sourcing bases in overseas and inner provinces of China to maintain the Group's competitive cost structure.

As disclosed in the Company's announcement dated 14 August 2009, the Company, through one of its subsidiaries, entered into a construction contract with an independent contractor for the development of a residential project in Qingyuan, Guangdong, the PRC. According to the public information, the Chinese government has been planning to build a Guangzhou-Qingyuan Light Rail ("Light Rail") system which will connect Qingyuan with the Guangzhou Baiyun International Airport and the Guangzhou Metro, and part of this Light Rail system is expected to be adjacent to our residential project site in Qingyuan. We are also aware that there is a proposed Light Rail station right next to our residential project site. With the development of the proposed Light Rail station, the management currently halted the construction pace and is considering the re-positioning and re-scheduling of the whole construction plan in line with the anticipated pace of town planning and the construction of the Light Rail system. We believe that the plan of a Guangzhou-Qingyuan Light Rail system coupled with the expected proximity of its station with our residential project site would enhance the value of our residential project, and we are confident that the PRC real estate market is in the course of stabilisation.

Looking ahead, the management believes that the market will be stabilised at a lower operating level. The Group will strive to gain a bigger market share with our lean cost structure and extensive supply chain services. With our commitment to apply lean reengineering to our Accessories Division, I believe that it will be turned around in the foreseeable future.

CORPORATE GOVERNANCE

The Group acknowledges the need and importance of corporate governance as one of the key elements in enhancing shareholders' value. The Group is committed to improving its corporate governance policies in compliance with regulatory requirements and in accordance with international recommended practices. As at the date of this report, the Company has formed the Audit Committee, Remuneration Committee and Bank Facility Committee all at the Board of Directors' (the "Board") level, to provide assistance, advice and recommendations on the relevant matters that aim to ensure protection of the Group and the interest of the Company's shareholder as a whole.

APPRECIATION

On behalf of the Group, I would like to express my sincere appreciation to all our customers, suppliers and shareholders for their dedicated support. Also, I would like to thank all our employees for their invaluable service, commitment and hard work throughout last year. Finally, I am grateful to my fellow Board members and the senior management for their contribution to the Group.

TAN Siu Lin
Chairman

Hong Kong, 16 April 2010

MANAGEMENT DISCUSSION AND ANALYSIS

RESULT REVIEW

For the year ended 31 December 2009, the Group's revenue decreased by 6.9% to approximately US$774,892,000 when compared to 2008. As mentioned in our interim report for 2009, such decrease in revenue is mainly due to the global financial crisis and the Group's effort in eliminating non-profitable accounts. The global financial crisis is still having an adverse impact on the consumer demand as reflected by the reduced inventory level and the cautious buying behavior of buyers.

The Group has reacted quickly to reduce our operating expenses and adjust our production capacities to the extent possible in response to the sharp contraction in consumer demand. As a result, despite the decrease in revenue, the Company has not only sustained its profitability but also has increased its profit attributable to the equity holders of the Company for the year ended 31 December 2009.

Luen Thai's overall gross profit for 2009 was approximately US$143,020,000, representing a decrease of 7.3% over 2008. The overall gross profit margin in 2009 was approximately 18.5% which is comparable to that of 2008. The Group's selling and distribution expenses decreased to approximately US$13,670,000 as a result of our success in certain cost cutting initiatives. The increase in the general and administrative expenses was due mainly to the inclusion of our Accessories Division with full year effect in 2009. The profit attributable to the equity holders of the Company, however, increased to US$15,220,000 as compared to US$11,829,000 in 2008. These results not only shows that the Group's application of the "lean reengineering" strategy has borne fruit in its core business unit but it has also continued to be successful in its stringent cost control and downsizing through elimination of non-profitable accounts and non-performing facilities.

SEGMENTAL REVIEW

Garment and accessories are currently the Group's major source of revenue. These include the Group's OEM apparel and bags manufacturing, garment sourcing and trading and bags business, which accounted for approximately 98.3% of the Group's total revenue in 2009.

The segment profit of the Group's freight forwarding and logistics services was approximately US$1,575,000 in 2009 as compared to US$466,000 in 2008.

The real estate segment has just started its operation and has not recorded any revenue in 2009.

Geographically, the US market was still the Group's key export market in 2009, accounting for approximately 50.5% of the Group's total revenue in 2009 and representing an increase of 6.3 percentage points when compared to that of 2008. Such increase is mainly due to the inclusion of sales recorded by Accessories Division with full year effect in 2009.

Europe continued to be the second largest export market of the Group in 2009. Europe accounted for approximately 30.5% of the Group's total revenue in 2009 representing approximately 5.7 percentage points decrease over that recorded for 2008. The Group's performance in Europe remains stable and the slight decrease is partly due to the weak market sentiment together with the fluctuation of Euro exchange rate.

Asia is the only growing market in 2009 against the backdrop of the global financial crisis and accounted for approximately 11.8% of the Group's total revenue in 2009.

The Group shall continue to further diversify its customer and production bases/outsourcing platforms through organic growth and value-enhancing acquisitions.

ACQUISITIONS AND JOINT VENTURES

It is the Group's strategy to strengthen its supply chain capabilities by way of selective value-enhancing acquisitions and joint ventures. In addition, the Group shall continue its merger and acquisition strategies to strengthen the operational efficiency of our existing business units and further diversify its geographical risks.

In September 2009, the Group received a notice from Novelwill International Limited ("Novelwill") for the exercise of its put option in full to sell all of its equity interest in our subsidiary Partner Joy Group Limited ("Partner Joy"), representing 5% of the total issued share capital of Partner Joy, to Fortune Investment Overseas Limited ("Fortune Investment"), a wholly owned subsidiary of the Company. After Fortune Investment's acquisition of the 5% interest from Novelwill, Partner Joy became a 95% subsidiary of the Group. Details of the transaction were described in the Company's announcement dated 5 October 2009.

INVESTOR RELATIONS AND COMMUNICATIONS

The Group acknowledges the importance of communication with our shareholders. The Group has a policy of proactively promoting investor relations through meetings with analysts and investors, and participation in investors' conferences, company interviews and manufacturing plant visits. The Annual General Meeting will be called by not less than 21 days' notice or 20 clear business days' notice (whichever is longer) and our Directors shall be available in the Annual General Meeting to answer questions on the Group's businesses.

The Group has established various forms of communication channels to improve its transparency, including proactive and timely issuance of press releases so as to inform investors of our latest corporate developments. The Group maintains a website (www.luenthai.com) in both English and Chinese to disseminate information electronically on a timely basis to all concerned parties.

FINANCIAL RESULTS AND LIQUIDITY

As at 31 December 2009, the total amount of cash and bank balances of the Group was approximately US$107,550,000, representing a decrease of approximately US$10,289,000 as compared to that as at 31 December 2008. The Group's total bank borrowings as at 31 December 2009 were approximately US$67,016,000, representing a decrease of approximately US$16,524,000 as compared to the Group's total bank borrowings of approximately US$83,540,000 as at 31 December 2008.

As at 31 December 2009, the maturity profile of the Group's bank borrowings spread over five years with approximately US$39,945,000 repayable within one year or on demand, approximately US$6,821,000 in the second year, approximately US$13,500,000 in the third to fifth year, and approximately US$6,750,000 in more than five years.

Gearing ratio of the Company is defined as the net debt (represented by bank borrowings net of cash and bank balances) divided by the capital and reserves attributable to the equity holders of the Company. As at 31 December 2009, the Group is in a net cash position. Hence, no gearing ratio is presented.

FOREIGN EXCHANGE RISK MANAGEMENT

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

CONTINGENT LIABILITIES AND OFF-BALANCE SHEET OBLIGATIONS

The Group is involved in various labor 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.

HUMAN RESOURCES, SOCIAL RESPONSIBILITIES AND CORPORATE CITIZENSHIP

Luen Thai continues to be an employer of choice through focused and strategic human resources strategies and social responsibility programmes that are aligned with the Company's growth and changing needs.

Improved governance and strengthened partnership serve as the foundation for all these initiatives as Luen Thai maintains its position as a leader in the fashion industry.

With over 20,000 employees around the world, Luen Thai continuously strives to foster open communication with employees through various channels.

Under its employee care initiatives, Luen Thai has provided safe and enjoyable work and living environments, equitable compensation and benefit schemes, and opportunities for career growth through a variety of formal and informal learning and development programmes; and a strong corporate culture where employees' contributions are recognized and rewarded. In addition, Luen Thai aims to become a healthy employer, taking an active role in wellness advocacy.

CORPORATE SOCIAL RESPONSIBILITY

Luen Thai remains committed to strengthening multiple stakeholder relationships through the principles of its corporate social responsibility: engaging in lawful, transparent and ethical business practices as well as growing commitment to environment stewardship.

"Go Green" is a continuing programme where environmental awareness and volunteerism are inculcated among our employees.

Moreover, giving back to the community is a priority corporate social responsibility for Luen Thai. "I serve, I give back" is the charitable programme that both our management and employees participate in various educational and charitable initiatives that benefit different sectors of the communities where Luen Thai operates.

MANAGEMENT EXECUTIVES

EXECUTIVE DIRECTORS

Dr. TAN Siu Lin, aged 79, is the founder and Chairman of the Group. Dr. Tan is also the Chairman of the Peking University Luen Thai Center for Supply Chain System R&D (北京大學聯泰供應鏈系統研發中心), the PRC, and the Chairman of TSL School of Business and Information Technology in Quanzhou Normal University (泉州師範學院陳守仁工商信息學院). Dr. Tan is a board member of the Shaw College at the Chinese University of Hong Kong and the Vice-Chairman of the Huaqiao University (華僑大學) as well as the honorable president of the Hong Kong General Chamber of Textiles Limited. Dr. Tan holds an honorary Doctoral of Laws degree from the University of Guam.

TAN Henry, BBS, JP, aged 56, is the Chief Executive Officer and President of the Group and son of Dr. TAN Siu Lin. Mr. Tan is also a member of the Remuneration Committee and the Bank Facility Committee. Mr. Tan joined the Group in January 1985 and has over 25 years of experience in apparel and logistics industries. Mr. Tan is also an independent non-executive director of Kingboard Chemical Holdings Limited. Mr. Tan acts as committee member of the Chinese People's Political Consultative Conference in Fujian (中國人民政治協商會議福建省委員會委員) and the member of Standing Committee of the Chinese People's Political Consultative Conference in Qingyuan City of Guangdong Province (廣東省清遠市政協常委). Mr. Tan also acts as the executive vice chairman of China Council for the Promotion of Peaceful National Reunification of Hong Kong Region (香港地區中國和平統一促進會常務副會長), vice president of Overseas Chinese Economic and Cultural Foundation of China (中國華僑經濟文化基金會副理事長), member of Garment Advisory Committee of Hong Kong Trade Development Council (香港貿易發展局成衣業諮詢委員會委員) and the council member of Huaqiao University. Mr. Tan is the past Chairman of Po Leung Kuk, an authorized charity organization in Hong Kong. Mr. Tan obtained his Master's degree in Business Administration and Bachelor's degree in Business Administration from the University of Guam.

TAN Cho Lung, Raymond, aged 48, is the President of Luen Thai International Group Limited and son of Dr. Tan Siu Lin. Mr. Tan joined the Group in 1989 and has over 20 years of experience in the industry. Mr. Tan was the recipient of the Young Industrialist Award of Hong Kong and the DHL/SCMP Owner-Operator award for 2003. Mr. Tan graduated with a Bachelor's degree in Business Administration from the University of Guam.

MOK Siu Wan, Anne, aged 57, is the President and Chief Merchandizing Officer of Luen Thai International Group Limited and the Managing Director for the subsidiary companies of GJM & TellaS. Ms. Mok is an accomplished industry professional with years of experience in key executive and board member positions out of which over 23 years were spent holding various management positions within the Swire Pacific Group Companies. Ms. Mok also held senior management positions with other prominent organizations including Li & Fung Limited and the Pentland Group plc, a London based international group which develops and owns some leading brands in Sports and Fashion. Ms. Mok graduated with a Bachelor's degree in Arts from the University of Hong Kong and has attended various management programmes and courses organized by Harvard University, Tsinghua University and INSEAD Euro-Asia Centre. Ms. Mok was a member of the Board of Governors for the American Chamber of Commerce in Hong Kong from 1998 to 2003 and the Chairman of the Textiles Committee for the American Chamber of Commerce in Hong Kong in 1996 and 1997. Ms. Mok joined the Group in 2003 and was appointed to the Luen Thai Holdings Board as an Executive Director in June 2005.

TAN Sunny, aged 36, is the Chief Financial Officer of the Group and son of Dr. TAN Siu Lin. Mr. Tan joined the Group in 1999. Prior to joining the Group, Mr. Tan worked at the investment banking division of Merill Lynch. In 2006, Mr. Tan was appointed as a special advisor to the Governor of Commonwealth of the Northern Mariana Islands. Mr. Tan was appointed as the Executive Vice Chairman of the Hong Kong General Chamber of Textiles Limited in 2009. Mr. Tan obtained a Master of Science degree from Stanford University and Bachelor of Business Administration degree from the University of Wisconsin-Madison.

NON-EXECUTIVE DIRECTOR

TAN Willie, aged 54, is the Chief Executive Officer of the privately held businesses of the Tan Family namely Luen Thai Enterprises Limited and Tan Holdings Corporation. Mr. Tan is the son of Dr. Tan Siu Lin and joined the apparel division in 1985 and has held the positions of Executive Vice President and later on Chief Operating Officer prior to his appointment to lead the privately held businesses. Mr. Tan has almost 27 years experience in business management in various disciplines including apparel and footwear manufacturing, fishing, logistics including cargo airline and shipping, wholesale and retail operations, hotel, travel and tours, insurance, financial and health care services. Mr. Tan obtained his Bachelor's Degree in Business Administration from the University of Guam. He is currently the External Vice President of the Philippine-China Business Council, Chairman of the Confederation of Garment Exporters of the Philippines, a member of China's Chinese People's Political Consultative Conference in Qingyuan, Guangdong (中國人民政治協商會議廣東省清遠市委員會委員) and a director for Quanzhou City Global Youth Federation. In November 2007, Mr. Tan was appointed Honorary Ambassador-at-Large for Guam, USA.

LU Chin Chu, aged 56, is an executive director and also the General Manager of one of the three manufacturing groups of Yue Yuen Industrial (Holdings) Limited, a company listed on The Stock Exchange of Hong Kong Limited and is considered a substantial shareholder of the Company under the Rules Governing the Listing of Securities on the Stock Exchange. Additionally, he is currently a director of San Fang Chemical Industry Co. Ltd., Global Brands Manufacture Limited and Evermore Chemical Industry Co. Ltd., companies being listed on the Taiwan Stock Exchange in Taiwan. Mr. Lu also holds several directorships in certain private companies established in Taiwan, Hong Kong, mainland China, the United States, Bermuda and the British Virgin Islands, which are engaged primarily in investment holding, production and marketing of non-apparel products, except for Yuen Thai Industrial Company Limited, a joint venture company established between Yue Yuen and the Group in 2004 to develop active wear business. Mr. Lu is an accomplished industry professional with over 32 years of experience in the manufacturing of footwear and related components. He joined the Group in 2007.

INDEPENDENT NON-EXECUTIVE DIRECTORS

CHAN Henry, aged 44, is a member of both the Audit Committee and the Remuneration Committee. Mr. Chan has over 22 years of experience in the financial market and is the Managing Director of Sanfull Securities Limited. He was a Director of The Stock Exchange of Hong Kong Limited. Mr. Chan is currently a member of the Advisory Committee of the Securities and Futures Commission, the Permanent Honorary President of Hong Kong Stockbrokers Association Limited, an independent non-executive director of Hengan International Group Company Limited, a company listed on the Main Board of the Stock Exchange which engages in the manufacture and distribution of personal hygiene products. Mr. Chan is also a committee member of the Chinese People's Political Consultative Conference in Xiamen, Fujian Province, China. Mr. Chan obtained his Master's degree in Business Administration from Asia International Open University (Macau) and his Bachelor's degree in Arts from Carleton University in Canada. He joined the Group in 2004.

CHEUNG Siu Kee, aged 66, is a member of both the Audit Committee and the Remuneration Committee. Mr. Cheung has extensive experience in the financial industry. Mr. Cheung was the Group Treasurer of Nam Tai Electronics, Inc. from 2004 to 2005. Mr. Cheung had also worked for the Hongkong and Shanghai Banking Corporation Limited in Hong Kong for 37 years when he retired in 2003 as a Senior Executive in the Corporate and Institutional Banking division. Mr. Cheung obtained his Bachelor's degree in Arts from the University of Hong Kong. He joined the Group in 2004.

SEING Nea Yie, aged 62, is the Chairman of both the Audit Committee and the Remuneration Committee. Mr. Seing is the senior partner of both accounting firms Messrs. Chan, Seing & Co. and Messrs. Chen Yih Kuen & Co. Certified Public Accountants (Practising). Mr. Seing has over 35 years of audit experience and is currently holding CPA (Practising) at Hong Kong Institute of Certified Public Accountants. Mr. Seing is an active contributor to the charity activities in the community. He was the Director of Po Leung Kuk, an authorized charity organization in Hong Kong, from 1987 to 1990 and became the Vice Chairman in 1990 and 1991. Mr. Seing was also a member of audit committee of Po Leung Kuk from 1996 to 2000. Currently, Mr. Seing is the honorary president of The Fukienese Association Limited. He joined the Group in January 2005.

SENIOR MANAGEMENT

CHAN Wei Ben, Benny, aged 57, is the Senior Vice President of Textile Division. Mr. Chan is responsible for the overall management of the operation of the end-to-end process of the textile business. Mr. Chan joined the Group in 1980.

CHOI Suk Yan, Belinda, aged 61, is the Group Finance Controller and Treasurer. Ms. Choi has over 35 years of experience in various areas of the apparel manufacture industry with over 24 years of experience in financial management. She joined the Group in 1967.

DILCOCK, Victoria Anne Theresa, aged 55 is the Senior Vice President for Manufacturing for YTI and President of Yuen Thai Philippines Incorporated. Ms. Dilcock joined the Group in 2003 and has over 37 years of expertise in product development, technical process management and 'Lean' manufacturing gained from top garment and textile companies in the United Kingdom, Morocco, and China. Prior to joining the Group, she held key executive positions with Sara Lee Courtaulds, Claremont Garments Ltd. and Brentwood Clothing Ltd (Stirling Group) among other companies based in the United Kingdom, Morocco, and China. She attended courses on Engineering, GSD, Work Study and Ergonomics at Eriksson's Management Consultancy in the UK.

HELFENBEIN Richard A., aged 61, is the President of Luen Thai USA. Mr. Helfenbein has extensive experience in the industry in key executive positions with Crystal Brands Inc., as the President of Izod/Lacoste Youthwear and as the Managing Director of Apparel Services at Burlington Industries, Inc.. He has been with the Group since 1999. Mr. Helfenbein had served for many years on the Board of Trustees of Blythedale Children's Hospital in New York, and is currently a Board Member of the Greyston Foundation, as well as a Board Member and Executive Committee Member of American Apparel and Footwear Association, the highly prestigious national trade organization in the United States of apparel, footwear, and other sewn products companies, and their suppliers. Mr. Helfenbein received a Bachelor of Science degree in Economics from the Wharton Business School at the University of Pennsylvania, and often lectures at Industry Events and prestigious universities in the USA on the subjects of Supply Chain Management and International Trade.

Dr. ROMAGNA John, aged 64, is the Executive Vice President of Stategy, Systems, and Support Division. Dr. Romagna joined the Group in 1997 and has over 29 years of business strategy, and process analysis and reengineering experience leveraging information technology. He has been a consultant on major projects for various organizations and companies including Huawei Technology; engineering divisions of Toshiba, Fujitec, and Mitsubishi; Macau Telephone; GTE; Adventis; Gammon Construction; the Hong Kong Department of Industry; the Hong Kong Construction Association; various divisions of U.S. government; and the World Bank, among others. Dr. Romagna holds a PhD from Columbia University and did post-doctoral work at Princeton University in systems analysis and policy analysis. He is the author of a book on Quality Management Systems published by the Chinese Manufacturer's Association of Hong Kong, and co-editor and author of a book on Supply Chain Management Practices published by Peking University Press.

SAUCEDA JR Francisco, aged 51, is Executive Vice President of Luenthai International Group, Ltd., and is responsible for the end-to-end business of Verte Company which mainly comprised Polo Ralph-Lauren and Levi's brands. He concurrently holds the position of President of Luen Thai Philippines. He has been with the Group since 1994. Mr. Sauceda obtained his Bachelor's degree in Business Administration from Texas Southmost College, University of Texas. He is a member of the Asia-Africa Committee and Manpower Committee of the Hong Kong Chamber of Commerce.

TAN Cho Yee, Jerry, aged 48, is the Chief Executive Officer of CTSI Logistics, responsible for the worldwide logistics business of the Group. Jerry is the son of Dr. TAN Siu Lin and he joined the Group in 1989. He has over 20 years of experience in logistics operations. He is the Chairman of the Mariana Visitor's Authority since 2006, having been appointed by the Governor of the Commonwealth of the Northern Mariana Islands (CNMI). He is a member since 2004 of the Strategic Economic Development Council and Air Service Committee of CNMI, both think-tank groups comprised key people from the government and private industry. Active in community service, Jerry serves as the Vice-Chairman of the Tan Siu Lin Foundation since 2009. He was Vice-President/Treasurer in 2004, and is currently the President/Treasurer of the Chinese Association of Saipan since 2005. In January 2010, he was appointed by the Taipei Compatriot Affairs Commission as the Adviser for Overseas Compatriot Affairs. He was a Board Member of the American Red Cross CNMI Chapter from 2002 to 2008, and was recently conferred the status as an Honorary Board Member, a lifetime membership on the Board, in recognition of his tremendous efforts over the past 10 years. Jerry was the President of the Northern Marianas College Foundation from 2002 to 2006, and currently serves as a Board Member since 2007. He served as a director of the Saipan Chamber of Commerce in 2003 and 2004. Equally devoted to promoting sports for all ages, Jerry is the President of the Saipan Bowling Association since 2001, President of the Northern Mariana Islands Football Association since 2005, ExCo Member of the East Asian Football Federation (EAFF) since 2007 and President of the Northern Marianas Badminton Association since January 2010. Jerry was awarded the "2003 Business Person of the Year" by the Saipan Chamber of Commerce. The following year, he was named "2004 Employer of the Year" by the CNMI Chapter of the Society for Human Resources Management. In January 2010, Jerry was awarded the Guam Business Executive of the Year, an annual award program which recognizes executives who have made outstanding contributions to the local business community and raised the bar in the field in which they are involved. Jerry obtained a degree in Bachelor of Business Administration from the University of Guam.

WONG, Sammy, aged 53, is the Managing Director of Tien-Hu Trading (Hong Kong) Limited, Tien Hu Knitters Limited and Tien-Hu Knitting Factory (Hong Kong) Limited. Mr. Wong joined Tien-Hu in 1981 and has over 29 years of experience in sweater business. Mr. Wong obtained a Diploma in Architectural and Environmental Design and is an Associate of the OCAD University in Toronto, Canada.

INGLIS, Owen, aged 51, Chief Executive Officer of Desk Top Ltd, Mr. Inglis has extensive experience in the computer carrying case and bag manufacturing industry having founded Desk Top in 1990. He has a Bachelor of Commerce degree from the University of New South Wales and is a member of the Australian Institute of Chartered Accountants. He worked with both Peat Marwick and Mitchell and Deloitte Haskin's and Sell's in Sydney for a number of years before returning to Hong Kong the place of his birth in 1983. Mr. Inglis was additionally Managing Director of J.P.Inglis and Sons Ltd a Hong Kong based trading company from 1983 to 1996.

COMPANY SECRETARY

CHIU Chi Cheung, aged 46, is the Vice President of Corporate Finance, Company Secretary and Qualified Accountant of the Company. Mr. Chiu has over 17 years of experience in the field of auditing and accounting. He joined the Group in 2002. He was an auditing manager of an international auditing firm. Mr. Chiu is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. Mr. Chiu holds a Bachelor of Business Administration degree from the University of Hong Kong.

REPORT OF THE DIRECTORS

The board of directors of Luen Thai Holdings Limited (the "Directors") has the pleasure in presenting to the shareholders this annual report together with the audited financial statements of Luen Thai Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") for the year ended 31 December 2009.

PRINCIPAL ACTIVITIES

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

GROUP PROFIT

The consolidated income statement is set out on page 40 and shows the Group's profit for the year ended 31 December 2009. A discussion and analysis of the Group's performance during the year and the material factors underlying its results and financial position are provided on pages 9 to 11 of the annual report.

DIVIDENDS

An interim dividend of US0.224 cent per share was paid to the shareholders during the year totaling to approximately US$2,223,000 and the Directors recommend the payment of a final dividend of US0.236 cent per share to the shareholders on the register of members of 26 May 2010 totaling to approximately US$2,343,000.

SUBSIDIARIES, ASSOCIATES AND JOINTLY CONTROLLED ENTITIES

Details of the principal subsidiaries, associated companies and jointly controlled entities of the Company and the Group as at 31 December 2009 are set out in notes 9 to 11 to the financial statements.

SHARE CAPITAL

Details of movements in share capital of the Company during the year are set out in note 17 to the financial statements.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 18 to the financial statements.

DISTRIBUTABLE RESERVES

The distributable reserves of the Company available for distribution as dividends amounted to approximately US$192,701,000 as at 31 December 2009, comprising retained earnings of approximately US$4,139,000, a share premium of approximately US$116,998,000 and a capital reserve amounting to approximately US$71,564,000. Under the Companies Law (Revised) of the Cayman Islands, the funds in the share premium account and the capital reserve account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debt as they fall due in the ordinary course of business.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group is set out on page 118 of the annual report.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group acquired property, plant and equipment of approximately US$9,340,000. Details of the movements in property, plant and equipment of the Group during the year are set out in note 7 to the financial statements.

RETIREMENT SCHEMES

Details of the retirement schemes are set out in note 20 to the financial statements.

DONATIONS

Charitable and other donations made by the Group during the year amounted to approximately US$169,000.

SHARE OPTIONS

A share option scheme was adopted by the sole shareholder of the Company at the general meeting held on 27 June 2004, pursuant to which options may be granted to Eligible Participants ("Eligible Participants") to subscribe for shares in the Company (the "Share Option Scheme"). The purposes of the Share Option Scheme are to recognize and acknowledge the contributions that the Eligible Participants have made or may make to the Group and provide them an opportunity to acquire proprietary interests in the Company with the view of achieving the following principal objectives:

a) motivate the Eligible Participants to optimize their performance and efficiency for the benefit of the Group; and

b) attract and retain or otherwise maintain ongoing business relationship with the Eligible Participants whose contributions are or will be beneficial to the Group.

A summary of details of the Share Option Scheme is set out as follows:

Eligible Participants:	At the Board's discretion include — (i) any Director, employee or officer employed by any Group company ("Employee"), consultant, professional, customer, supplier, agent, partner or adviser of or contractor to the Group or a company in which the Group holds an interest or subsidiary of such company ("Affiliate"); or (ii) the trustee of any trust the beneficiary of which or any discretionary trust the discretionary objects of which include any Director, Employee, consultant, professional, customer, supplier, agent, partner or advisor of or contractor to the Group or an Affiliate; or (iii) a company beneficially owned by any Director, Employee, consultant, professional, customer, supplier, agent, partner, advisor of or contractor to the Group or an Affiliate.

Minimum period for which an option must be held before it can be exercised: An option may be exercised at any time during a period to be notified by the Board to each grantee. The Board may also provide restrictions on the exercise of an option during the period an option may be exercised.

Amount payable on acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be repaid: HK$10 within 21 days of offer

Basis of determining the exercise price: The exercise price shall be determined by the Board and not less than the highest of —

(i) the closing price of a share as stated in the daily quotations sheet of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on the date of grant of the relevant option, which must be a business day;

(ii) an amount equivalent to the average closing price of a share as stated in the Stock Exchange's daily quotation sheets for the 5 business days immediately preceding the date of grant of the relevant option; and

(iii) the nominal value of share on the date of grant.

Remaining life of the Share Option Scheme: The Share Option Scheme will remain in force until 26 June 2014, unless otherwise determined in accordance with its term.

The following is a summary of options granted and outstanding during the year ended 31 December 2009:

					No. of share options			
	Note	**Date of grant (dd/mm/yyyy)**	**Exercisable Period (dd/mm/yyyy)**	**Exercise Price Per Share**	**As at 1 January 2009**	**Granted during the year**	**Lapsed/ Forfeited during the year**	**As at 31 December 2009**
TAN Henry	4	26/01/2006	26/01/2007–25/01/2011	HK$2.52	200,000	–	–	200,000
		10/11/2006	10/11/2007–09/11/2011	HK$1.28	250,000	–	–	250,000
					450,000	**–**	**–**	**450,000**
TAN Cho Lung, Raymond	4	26/01/2006	26/01/2007–25/01/2011	HK$2.52	150,000	–	–	150,000
		10/11/2006	10/11/2007–09/11/2011	HK$1.28	150,000	–	–	150,000
					300,000	**–**	**–**	**300,000**
Mok Siu Wan, Anne	6	26/01/2006	26/01/2007–25/01/2011	HK$2.52	500,000	–	–	500,000
		10/11/2006	10/11/2007–09/11/2011	HK$1.28	700,000	–	–	700,000
		21/04/2008	21/04/2009–20/04/2013	HK$0.71	2,000,000	–	–	2,000,000
					3,200,000	**–**	**–**	**3,200,000**

	Note	Date of grant (dd/mm/yyyy)	Exercisable Period (dd/mm/yyyy)	Exercise Price Per Share	No. of share options As at 1 January 2009	Granted during the year	Lapsed/ Forfeited during the year	As at 31 December 2009
TAN Sunny	4,7	26/01/2006	26/01/2007–25/01/2011	HK$2.52	300,000	–	–	300,000
		10/11/2006	10/11/2007–09/11/2011	HK$1.28	400,000	–	–	400,000
					700,000	**–**	**–**	**700,000**
TAN Willie	5	26/01/2006	26/01/2007–25/01/2011	HK$2.52	300,000	–	–	300,000
					300,000	**–**	**–**	**300,000**
Other Employees		26/01/2006	26/01/2007-25/01/2011	HK$2.52	5,835,000	–	1,180,000	4,655,000
		10/11/2006	10/11/2007–09/11/2011	HK$1.28	6,415,500	–	1,326,500	5,089,000
		21/04/2008	21/04/2009–20/04/2013	HK$0.71	11,350,000	–	750,000	10,600,000
					23,600,500	**–**	**3,256,500**	**20,344,000**
Total		26/01/2006	26/01/2007–25/01/2011	HK$2.52	7,285,000	–	1,180,000	6,105,000
		10/11/2006	10/11/2007-09/11/2011	HK$1.28	7,915,500	–	1,326,500	6,589,000
		21/04/2008	21/04/2009-20/04/2013	HK$0.71	13,350,000	–	750,000	12,600,000
					28,550,500	**–**	**3,256,500**	**25,294,000**

Notes:

1. Upon acceptance of the options, HK$10 is paid as consideration by each grantee to the Company for each grant.

2. The exercise price of the share options is subject to the adjustment in the event of any alteration in the capital structure of the Company.

3. Except for 66,000 share options granted on 21 April 2008 was exercised in April 2010, none of the share options granted and outstanding as at 31 December 2009 has been exercised up to the date of approval of the Company's 2009 Annual Report.

4. Mr. Tan Henry, Mr. Tan Cho Lung, Raymond and Mr. Tan Sunny are executive Directors of the Company.

5. Mr. Tan Willie is a non-executive Director of the Company and also the brother of the Directors mentioned in note 4 above.

6. Ms. Mok Siu Wan, Anne was appointed as an executive Director of the Company with effect from 3 June 2005.

7. Mr. Tan Sunny is the Chief Financial Officer of the Group and was appointed as an executive Director of the Company with effect from 26 May 2006.

Share option expenses charged are based on valuation determined using the Binomial Lattice Model. Share options granted were valued based on the following assumptions:

Date of grant	Option value (Note i)	Share price at date of grant	Subscription price	Expected volatility (Note ii)	Annual risk-free interest rate (Note iii)	Expected option life (Note iv)	Dividend yield (Note v)
26 January 2006	HK$0.78	HK$2.50	HK$2.52	37%	4%	3-5 years	2.1%
10 November 2006	HK$0.46	HK$1.28	HK$1.28	43%	3.8-3.9%	3–5 years	1.7%
21 April 2008	HK$0.24	HK$0.71	HK$0.71	44.79%	1.26-2.99%	2.8-4.9 years	1.89%

i. Since option pricing model requires input of highly subjective assumptions, fair values calculated are therefore inherently subjective and the model may not necessarily provide a reliable measure of share option expense.

ii. Estimated volatility was based on the historical stock prices over 1-2 years preceding the grant date, expressed as an annualized rate and based on daily price changes.

iii. The risk-free interest rate was based on the market yield of Hong Kong Exchange Fund notes with a remaining life corresponding to the expected option life.

iv. The expected option life was determined by reference to certain empirical studies on suboptimal exercise behaviours.

v. Dividend yield was based on the average dividend yield for the one year preceding the year of grant.

DIRECTORS AND DIRECTORS' SERVICE AGREEMENTS

The Directors of the Company during the year and up to the date of this report were:

Executive Directors
TAN Siu Lin
TAN Henry
TAN Cho Lung, Raymond
MOK Siu Wan, Anne
TAN Sunny

Non-executive Directors
TAN Willie
LU Chin Chu

Independent non-executive Directors
CHAN Henry
CHEUNG Siu Kee
SEING Nea Yie

PARTICULARS OF SERVICE AGREEMENTS

Except for Ms. Mok Siu Wan, Anne who has entered into a director's service contract with the Company dated 1 January 2010 for a fixed period of three years commencing from 1 January 2010 and Mr. Tan Sunny who has not signed any service contract with the Company, each of the executive Directors has entered into a service agreement with the Company for a fixed period of three years commencing from 27 June 2007, and thereafter shall continue subject to termination by either the Company or the Director giving three months' notice in writing to the other party. Under the director's service agreements for each of Messrs Tan Siu Lin, Tan Henry and Tan Cho Lung, Raymond, the remuneration payable to each of them shall be a fixed monthly salary, with such increase as the Board may from time to time determine in its absolute discretion. In addition, they will each be entitled to a bonus equivalent to one month's salary on or around each Chinese New Year falling after the first anniversary of the commencement date. Each of them will also be entitled to all reasonable out-of-pocket expenses.

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

TAN Siu Lin	HK$67,500
TAN Henry	HK$198,000
TAN Cho Lung, Raymond	HK$144,000
TAN Sunny	HK$67,000

Under the director's service contract of Ms. Mok Siu Wan, Anne with the Company, she is entitled to receive a director's fee of HK$120,000 per annum, payable annually in one lump sum. Ms. Mok Siu Wan, Anne has also entered into an employment contract dated 1 January 2010 with Luen Thai International Group Limited, a wholly-owned subsidiary of the Company, pursuant to which she was appointed as the President and Chief Merchandising Officer of Luen Thai International Group Limited. Under the said employment contract, Ms. Mok Siu Wan, Anne is entitled to receive a monthly salary of HK$240,000.

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

The directorship of Mr. Tan Willie was re-designated from an executive Director to a non-executive Director on 26 May 2006. Pursuant to the letter of re-appointment, Mr. Tan Willie will continue to serve as non-executive Director of the Company for a term of another 3 years commencing from 26 May 2009 with an annual salary of US$150,000.

Pursuant to the letter of re-appointment from the Company to each of Mr. Seing Nea Yie, Mr. Cheung Siu Kee and Mr. Henry Chan dated 28 January 2008, 12 April 2010 and 12 April 2010 respectively, the re-appointment of each of these independent non-executive Directors of the Company was for a term of another 3 years commencing from 28 January 2008, 16 April 2010 and 16 April 2010 respectively. Each of the independent non-executive Directors shall be entitled to an annual fee of HK$120,000.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 31 December 2009, the interests of the Directors and chief executives of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register maintained by the Company under Section 352 of the SFO, or otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code contained in the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") were as follows:

Long position in the Shares

Name of Director	Capacity	No. of Shares	Percentage of interests in the Company
TAN Siu Lin	Trustee (note 1)	66,493,000	6.70%
	Interest of controlled corporation (note 1)	10,000,000	1.01%
TAN Henry	Beneficiary (note 1)	66,493,000	6.70%
	Beneficial Owner (notes 3 & 4)	450,000	0.05%
	Interest of controlled corporation (note 2)	614,250,000	61.89%
TAN Cho Lung, Raymond	Beneficiary (note 1)	66,493,000	6.70%
	Beneficial Owner (notes 3, 4 & 7)	1,550,000	0.16%
MOK Siu Wan, Anne	Beneficial Owner (notes 3, 4 & 5)	3,200,000	0.32%
TAN Sunny	Beneficiary (note 1)	66,493,000	6.70%
	Beneficial Owner (notes 3, 4 & 8)	1,022,000	0.10%
TAN Willie	Beneficiary (note 1)	66,493,000	6.70%
	Beneficial Owner (notes 3 & 6)	1,450,000	0.15%

Notes:

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

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

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

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

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

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

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

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

8. Mr. Tan Sunny acquired a total of 322,000 Shares in 2006.

CONNECTED TRANSACTIONS AND DIRECTORS' INTERESTS IN CONTRACTS

The Tan Private Group, comprising of Helmsley and Tan Holdings Corporation and their respective subsidiaries (other than the Group) and any other connected person of the Company (as defined in the Listing Rules), is engaged in a large variety of businesses, ranging from the distribution of office supplies, insurance, fisheries, technological support, property, advertising and printing, and production of packaging materials. Such operations are generally conducted with independent third parties not connected with the Company or any of its Directors, chief executives and substantial shareholders (such terms as defined under the Listing Rules). However, given the extensive scope of such non-apparel related business operations of the Company's substantial shareholders (with the same meaning ascribed thereto in the Listing Rules), Helmsley and Tan Holdings Corporation, the Group has a number of continuing transactions with the Tan Private Group.

As defined in the Listing Rules, members of the Tan Private Group are deemed associates and hence connected persons of the Company. Therefore, any transaction between any Group company and any member of the Tan Private Group that will continue following the Listing will constitute a connected transaction of the Company for the purposes of Chapter 14A of the Listing Rules, and which may be subject to the reporting, announcement and/or independent shareholders' approval requirements contained in Chapter 14A of the Listing Rules.

The following table is a summary of the historical amounts of the non-exempt continuing connected transactions of the Group pursuant to Chapter 14A of the Listing Rules for the years ended 31 December 2009 and 2008. Details of these connected transactions are more particularly described in the prospectus or in the relevant announcements released by the Company during the period covered, which are also posted in the Stock Exchange and the Company's websites.

Connected Party	Category	2009 US$'000	2008 US$'000
Tan Private Group	Travel services	142	202
	Provision of technological support services	2,192	2,117
	Lease agreements	1,225	1,376
	Sub-lease to office and warehouse space	409	409
	Freight services by the Group	289	348
	Shipping agency services by the Group	769	1,161
	Advance Payments	103	93
	Sub-contracting Services	—	3,459
	Service Order	7,324	—
	Purchase Order	2,819	—

The aforesaid continuing connected transactions have been reviewed by the Directors (including independent non-executive directors) of the Company.

The Directors (including independent non-executive directors) confirmed that the aforesaid continuing connected transactions (a) were entered into in the ordinary and usual course of business of the Group; (b) were either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; (c) were in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole; and (d) have not exceeded the relevant annual cap amount approved in accordance with the requirements under The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

In accordance with paragraph 14A.38 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Board of Directors engaged the auditors of the Company to perform certain factual finding procedures on the above continuing connected transaction on a sample basis in accordance with Hong Kong Standard on Related Services 4400 "Engagements to Perform Agreed-Upon Procedures Regarding Financial Information" issued by the Hong Kong Institute of Certified Public Accountants. The auditors have reported their factual findings for the selected samples based on the agreed procedures to the Board of Directors.

Save as disclosed above:

(i) no contracts of significance subsisted to which the Company or any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly at the end of the year or at any time during the year; and

(ii) there were no transactions which need to be disclosed as connected transactions in accordance with the requirements of the Listing Rules.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2009, the register of substantial shareholders maintained pursuant to Section 336 of the SFO showed that other than the interest disclosed in "Directors' and Chief Executives' Interests in Shares", the following shareholders had notified the Company of their relevant interests in the issued capital of the Company.

Long position in the shares

Name of shareholder	Notes	Capacity	No. of ordinary Shares beneficially held	Approximate percentage of interests in the Company
Capital Glory Limited	(a)	Beneficial owner	614,250,000	61.89%
Helmsley	(a)	Interest of controlled corporation	614,250,000	61.89%
Tan Family Trust of 2004	(b)	Interest of controlled corporation	66,493,000	6.70%
Pou Chen Corporation		Interest of controlled corporation	89,100,000	8.98%
Wealthplus Holdings Limited		Interest of controlled corporation	89,100,000	8.98%
Yue Yuen Industrial (Holdings) Limited		Interest of controlled corporation	89,100,000	8.98%
Pou Hing Industrial Co. Ltd.		Interest of controlled corporation	89,100,000	8.98%
Great Pacific Investments Limited		Beneficial owner	89,100,000	8.98%
Tan Holdings Corporation	(b)	Interest of controlled corporation	60,750,000	6.12%
Union Bright Limited	(b)	Beneficial owner	60,750,000	6.12%

Notes:

(a) Capital Glory Limited ("Capital Glory"), a company incorporated in the British Virgin Islands ("BVI") 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.

(b) The Tan Family Trust of 2004 was established on 11 June 2004 as a revocable discretionary trust for the benefit of Mr. Tan Siu Lin and his family members. The Tan Family Trust of 2004 owns directly the entire issued share capital of Tan Holdings Corporation, and Tan Holdings Corporation in turn owns directly the entire issued share capital of Union Bright Limited. Union Bright Limited directly holds 60,750,000 Shares (or approximately 6.12% of the issued share capital of the Company). The Tan Family Trust of 2004 also owns directly the entire issued share capital of Wincare International Company Limited ("Wincare"), which in turn holds directly 5,743,000 Shares (or approximately 0.58% of the issued share capital of the Company). For the purposes of Part XV of the SFO, the Tan Family Trust of 2004 is deemed to be interested in the Shares of the Company held by Tan Holdings Corporation and Wincare respectively.

As the trustee of the Tan Family Trust of 2004, which is a revocable discretionary trust, Mr. Tan Siu Lin is deemed under Part XV of the SFO to be interested in the aggregate Shares of the Company held by Tan Holdings Corporation and Wincare International Company Limited, representing approximately 6.7% of the issued share capital of the Company.

Save as disclosed above, so far as is known to the Directors, there are no other person (not being a Director or chief executive of the Company) who has interest or a short position in the Shares or underlying shares 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 or any other members of the Group.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares for the year ended 31 December 2009.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed amount of public float during the year and up to the date of this report as required under the Listing Rules.

MAJOR CUSTOMERS AND SUPPLIERS

The Group's top five customers accounted for approximately 60% (2008: 61%) of the total sales. The top five suppliers accounted for approximately 48.7% (2008: 41%) of the total purchases for the year. In addition, the Group's largest customer accounted for approximately 21% (2008: 25%) of the total sales and the Group's largest supplier accounted for approximately 19% (2008: 19%) of the total purchases for the year. At no time during the year have the Directors, their associates or any shareholders of the Company (which to the knowledge of the Directors own more than 5% of the Company's share capital) had any interest in these major customers and suppliers.

CORPORATE GOVERNANCE

The Company has complied with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. Corporate Governance Report is set out in pages 28 to 34 of this annual report.

AUDITORS

The financial statements for the year have been audited by Messrs. PricewaterhouseCoopers. A resolution will be submitted to the forthcoming Annual General Meeting of the Company to re-appoint Messrs. PricewaterhouseCoopers as the auditor of the Company.

On behalf of the Board

Tan Henry
Chief Executive Officer and Director

16 April 2010

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

Luen Thai Holdings Limited together with its subsidiaries (the "Group" or "Luen Thai") acknowledges the need and importance of corporate governance as one of the key elements in creating shareholders' value. It is committed to ensuring high standards of corporate governance in the interests of shareholders and takes care to identify practices designed to achieve effective oversight, transparency and ethical behavior.

Throughout the year ended 31 December 2009, the Company was in compliance with the Code as set out in the Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

This report includes key information relating to corporate governance practices of the Company during the year ended 31 December 2009 and significant events after that date and up to the date of this report.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules. After having made specific enquiry of all Directors, the Directors have complied with the required standard set out in the Model Code and its code of conduct regarding securities transactions by Directors.

BOARD OF DIRECTORS

The Board

The Board is scheduled to meet at least four times a year to determine overall strategic direction and objectives and approve interim and annual results and other significant matters. In 2009, four Board meetings were held with an average attendance rate of 97.5%, details of which are presented below.

Board Members	Meetings Attended/Held	Average Attendance Rate
Executive Directors		95%
TAN Siu Lin *(Chairman of the Board)*	4/4	100%
TAN Henry*	4/4	100%
TAN Cho Lung, Raymond*	4/4	100%
MOK Siu Wan Anne	3/4	75%
TAN Sunny*	4/4	100%
Non-executive Directors		100%
TAN Willie*	4/4	100%
Lu Chin Chu	4/4	100%
Independent non-executive Directors		100%
CHAN Henry	4/4	100%
CHEUNG Siu Kee	4/4	100%
SEING Nea Yie	4/4	100%

* Son of TAN Siu Lin

Directors are consulted to include any matter in the draft agenda. As part of our best practices, the agenda of Board meetings are finalized by the Chairman after taking into consideration any matters proposed by other Directors, including the independent non-executive Directors. The notice and agenda are generally released at least 14 days in advance. The Company's articles of association (the "Articles of Association") provide that a Board meeting shall be held in cases where a substantial shareholder or Director has a conflict of interest in a material matter, in which the substantial shareholder or Director is required to abstain from voting and shall not be counted in quorum. This is also in conformity with the Code requirements.

The Company Secretary, Mr. Chiu Chi Cheung, is responsible for taking minutes of meetings of the Board and the Committees under the Board ("Board Committees"). Draft and final minutes are sent to all Directors for comments within a reasonable time. A final draft of each minutes of meetings is made available for inspection by Directors/ Committee Members.

All Directors have access to the Company Secretary who is responsible for ensuring that Board procedures are complied with and advises the Board on corporate governance and compliance matters. They are also encouraged to take independent professional advice at the Company's expense in performance of their duties, if necessary. If a substantial shareholder or a director has a conflict of interest in a matter to be considered material by the Board, the matter will be dealt with in accordance with applicable rules and regulations and, if appropriate, an independent Board committee will be set up to deal with the matter. Furthermore, all the Directors are covered by the Directors' & Officers' Liability Insurance, which is also part of our best practices.

Chairman and CEO

During the year 2009 and as of the date of this report, Mr. Tan Siu Lin is the Chairman of the Board and Mr. Tan Henry is the Chief Executive Officer of the Company. Mr. Tan Henry is the son of Mr. Tan Siu Lin.

The Chairman of the Board is responsible for overseeing the strategic planning and leadership of Luen Thai. The Chief Executive Officer, on the other hand, is responsible for the strategic development and maintaining the Group's relationship with outside companies of the Group. Senior management is responsible for effective implementation of the Board's decisions and the day-to-day operations of the Company.

The Chairman ensures that the entire Board members are properly briefed on issues at the Board meetings and receive adequate and reliable information on a timely basis.

Composition

The board of directors (the "Board") comprises five executive Directors, including the Chairman of the Board, two non-executive Directors and three independent non-executive Directors. Each of the Directors has the relevant experience, competencies and skills appropriate to the requirements of the business of the Group. The independent non-executive Directors are expressly identified as such in all corporate communications that disclose the names of directors of the Company.

Appointments, re-election and removal

The Board as a whole is responsible for the procedure agreeing to the appointment of its own members and for nominating them for election by the shareholders on first appointment and thereafter at regular interval of rotation. Pursuant to the provisions of the Articles of Association, the Directors are subject to retirement by rotation at least once every three years and new Directors are required to submit themselves for re-election at the first general meeting of the Company following their appointment. The Company has not established any nomination committee and is not currently considering establishing the same owing to the small size of the Board of the Company. The Chairman of the Board is mainly responsible for identifying appropriate candidates to fill the casual vacancy whenever it arises or to add additional members as and when required. The Chairman will propose the qualified candidate(s) to the Board for consideration. The Board will approve the appointment based on the suitability, qualification of the candidate.

Responsibilities of Directors

Upon acceptance of appointment, a new Director is provided with sufficient orientation package, including introduction to Group activities (when necessary), induction into their responsibilities and duties, and other regulatory requirements, to ensure that he has a proper understanding of the business and his responsibilities as a Director of the Company. The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors.

Each of the Directors is required to give sufficient time and attention to the affairs of the Company. Based on the meetings of the Board and the Board Committee, a very satisfactory average attendance rates were recorded as in this Corporate Governance Report.

Independent non-executive Directors

The roles of the independent non-executive Directors include the following:

(i) provision of independent judgement at the Board meeting;

(ii) take the lead where potential conflicts of interests arise;

(iii) serve on committees if invited; and

(iv) scrutinize the performance of the Group as necessary.

Pursuant to the letter of re-appointment from the Company to each of Mr. Seing Nea Yie, Mr. Cheung Siu Kee and Mr. Henry Chan dated 28 January 2008, 12 April 2010 and 12 April 2010 respectively, the re-appointment of each of these independent non-executive Directors of the Company was for a term of another 3 years commencing from 28 January 2008, 16 April 2010 and 16 April 2010 respectively. Each of the independent non-executive Directors shall be entitled to an annual fee of HK$120,000.

The independent non-executive Directors of the Company and their immediate family receive no payment from the Company or its subsidiaries (except the Director fee). No family member of any independent non-executive Directors is employed as an executive officer of the Company or its subsidiaries, or has been so in the past three years. The independent non-executive Directors are subject to retirement and re-election at the Annual General Meeting in accordance with the provisions of the Articles of Association. Each independent non-executive Director has provided a confirmation of his independence with reference to the independence guidelines as set out in the Listing Rules.

Supply of and access to information

In respect of regular Board meetings, an agenda and accompanying board papers of the meeting are sent in full to all directors at least 3 days before the intended date of a meeting.

The management has the obligation to supply the Board and the various committees with adequate information in a timely manner to enable the members to make informed decisions. All Board papers and minutes are also made available for inspection by the Board and its Committees.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The Remuneration Committee was set up with the responsibility of recommending to the Board the remuneration policy of all the Directors and the senior management, which was discussed in more detail in its written Terms of Reference (the "RC Terms of Reference"), which are available on the Company's website: http://www.luenthai.com. The Remuneration Committee comprises one executive Director and three independent non-executive Directors.

The Committee Chairman is required to report to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.

A meeting of the Remuneration Committee is required to be held at least once a year to coincide with key dates within the financial reporting and audit cycle.

Attendance for the two meetings held by the Remuneration Committee during the year is set out below:

	Meetings Attended/Held
Independent non-executive Directors	
CHAN Henry	2/2
CHEUNG Siu Kee	2/2
SEING Nea Yie	2/2
Executive Director	
TAN Henry	1/2

The Remuneration Committee is authorized to investigate any matter within the RC Terms of Reference and seek any information it requires from any employee and obtain outside legal or other independent professional advice at the cost of the Company if it considers necessary. The Remuneration Committee has reviewed the compensation of the directors and senior executives for 2009.

In 2009, total Directors' remuneration amounted to approximately US$2,184,000 (2008: US$2,275,000). The executive Directors and senior management's compensation, including the long-term incentive, shall be based on the corporate and individual performance.

ACCOUNTABILITY AND AUDIT

Financial reporting

The Directors are responsible for the preparation of financial statements for each financial period which give a true and fair view of the state of affairs of the Group and of the results and cash flow for that period. In preparing the financial statements for the year ended 31 December 2009, the Directors have selected suitable accounting policies and applied them consistently; adopted appropriate Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards; made adjustments and estimates that are prudent and reasonable; and have prepared the financial statements on the going concern basis. The Directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company.

Internal Controls

The Board has overall responsibility for the system of internal controls of the Company and for reviewing its effectiveness. The Board is committed to implementing an effective and sound internal controls system to safeguard the interests of the shareholders and the Group's assets. The Internal Audit Team (the "IA Team") was established in May 2005 with an Internal Audit Charter approved and adopted by the Audit Committee. The IA Team is an independent unit established within the Group, which provides the Board an independent appraisal of the Group's systems of internal controls to evaluate the adequacy and effectiveness of the controls established to safeguard shareholders' investment and the Group's assets. The head of the internal audit has a direct reporting line to the Audit Committee.

The Directors are responsible to consider the adequacy of resources, qualifications and experience of staff of the issuer's accounting and financial reporting function, and their training programmes and budget.

Audit Committee

The Audit Committee was established with written terms of reference that sets out the authorities and duties of the Committee adopted by the Board. It comprises three independent non-executive Directors, none of which is a former partner of the external auditors.

The Audit Committee's principal duties include reviewing the nature and scope of the statutory audits, interim and annual financial statements of the Group, and the adequacy and effectiveness of the accounting and financial controls of the Group. It shall meet at least three times a year and on an ad hoc/as-needed basis. It meets with the external auditors and the management of the Group, to ensure that the audit findings are addressed properly. The Audit Committee is authorized to take independent professional advice at Company's expense.

The Audit Committee has reviewed the annual and interim results of 2009 and was content that the accounting policies of the Group are in accordance with the generally accepted accounting practices in Hong Kong.

Also, based on the assessments made by the IA Team and up to the date of approval of the Company's 2009 Annual Report and financial statements, the Audit Committee and the Directors are satisfied that:

(i) the internal controls and accounting systems of the Group have been in place and function effectively and are designed to provide reasonable assurance that material assets are protected, business risks attributable to the Group are identified and monitored, material transactions are executed in accordance with management's authorization and the financial statements are reliable for publication; and

(ii) there is an on-going process in place for identifying, evaluating and managing significant risks faced by the Group.

The Audit Committee recommended to the Board that, subject to the shareholders' approval at the forthcoming annual general meeting of the Company, Messrs. PricewaterhouseCoopers be re-appointed as the external auditors of the Group for 2010.

Attendance for the three meetings held by the Audit Committee during the year is set out below:

Audit Committee Members	Meetings Attended/Held
CHAN Henry	3/3
CHEUNG Siu Kee	3/3
SEING Nea Yie	3/3

The financial statements for the year have been audited by PricewaterhouseCoopers. During the year, remuneration of approximately US$778,000 was payable to PricewaterhouseCoopers for the provision of audit services. In addition, approximately US$281,000 was payable to PricewaterhouseCoopers for other non-audit services. The non-audit services mainly consist of tax compliance and interim review. The fees for audit and non-audit services for subsidiaries not performed by PricewaterhouseCoopers amounted to approximately US$156,000 and US$5,000, respectively.

Communication with Shareholders

Communication with shareholders is given high priority. Extensive information about the Group's activities is provided in the Annual Report and the Interim Report. The Company's website provides regularly updated Group information to shareholders. Luen Thai also arranges regular site visit for investors and media. Enquiries on matters relating to shareholdings and the business of the Group are welcome, and are dealt with in an informative and timely manner. The Group encourages all shareholders to attend Annual General Meeting. The Chairman of the Annual General Meeting will put each resolution set out in the notice of the 2010 Annual General Meeting to be voted by way of a poll.

SHAREHOLDERS' INFORMATION

Major Shareholders and Spread of Shareholders

As at 31 December 2009, the Company has 992,500,000 shares in issue, each with a par value of US$0.01. The major shareholders of the Company were as follows:

Beneficial Shareholders	**Number of Ordinary Shares Owned**	**Percentage**
Capital Glory Limited (notes 1 & 2)	614,250,000	61.89%
Union Bright Limited (notes 1 & 3)	60,750,000	6.12%
Other Shareholders (notes 1, 4, 5, 6 & 7)	18,465,000	1.86%
	693,465,000	69.87%
Public Shareholders		
Yue Yuen Industrials (Holdings) Limited	89,100,000	8.98%
Other Shareholders	209,935,000	21.15%
Total	992,500,000	100.00%

Notes:

1. Parties acting in concert.

2. Capital Glory is a wholly owned subsidiary of Helmsley, which is in turn owned by Mr. TAN Henry and the Tan Family Trust of 2004.

3. Union Bright Limited is a wholly owned subsidiary of Tan Holdings Corporation, which is in turn wholly-owned by the Tan Family Trust of 2004.

4. Tan Family Trust of 2004 is interested in the entire issued share capital of Wincare International Company Limited which holds 5,743,000 Company Shares.

5. Tan Siu Lin Foundation Limited, which is entirely controlled by Tan Siu Lin, holds 10,000,000 Company Shares.

6. A total of 1,250,000 and 1,150,000 shares of the Company ("Company Shares") were purchased by associates of Mr. Tan Cho Lung, Raymond and Mr. Tan Willie, respectively, between 2005 and 2009. Mr. Tan Willie and Mr. Tan Cho Lung, Raymond are therefore deemed under Part XV of the SFO to be interested in the total Company Shares purchased by their respective associates.

7. Mr. Tan Sunny, in his personal capacity, purchased a total of 322,000 Company Shares in 2006.

Share Performance

The Company's share price was HK$0.78 as at 31 December 2009 and its market capitalization was approximately HK$774 million. In 2009, the highest trading price for the Company share was HK$0.95 on 13 August, and the lowest was HK$0.305 on 23 March.

INDEPENDENT AUDITOR'S REPORT

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

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To the shareholders of Luen Thai Holdings Limited
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Luen Thai Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 37 to 117, which comprise the consolidated and company balance sheets as at 31 December 2009, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2009 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 16 April 2010

CONSOLIDATED BALANCE SHEET

As at 31 December 2009

	Note	2009 US$'000	2008 US$'000
ASSETS			
Non-current assets			
Leasehold land and land use rights	6	8,868	10,644
Property, plant and equipment	7	104,970	117,679
Intangible assets	8	67,002	68,870
Interests in associated companies	10	372	377
Interests in jointly controlled entities	11	9,813	9,531
Deferred income tax assets	12	991	230
Other non-current assets		4,346	4,955
Total non-current assets		196,362	212,286
Current assets			
Inventories	13	62,341	76,208
Properties under development	14	20,758	—
Trade and bills receivables	15	110,001	108,351
Amounts due from related companies	35	2,702	4,143
Amounts due from associated companies and jointly controlled entities	35	5,192	1,584
Deposits, prepayments and other receivables		18,423	19,876
Prepaid tax		370	—
Pledged bank deposit	16	1,564	1,509
Cash and bank balances	16	107,550	117,839
Total current assets		328,901	329,510
Total assets		525,263	541,796
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	17	9,925	9,925
Other reserves	18	102,110	101,340
Retained earnings			
— Proposed final dividend		2,343	1,439
— Others		119,977	108,858
		234,355	221,562
Minority interest		21,821	24,898
Total equity		256,176	246,460

CONSOLIDATED BALANCE SHEET (CONTINUED)
As at 31 December 2009

	Note	2009 US$'000	2008 US$'000
LIABILITIES			
Non-current liabilities			
Bank borrowings	19	27,071	33,259
Loan from a minority shareholder of a subsidiary	35	3,097	3,097
Retirement benefit obligations	20	2,841	2,431
Deferred income tax liabilities	12	6,781	5,075
Consideration payable and financial liabilities	21	31,259	33,959
Total non-current liabilities		71,049	77,821
Current liabilities			
Trade and bills payables	22	50,242	66,196
Other payables and accruals		87,364	81,039
Amounts due to related companies	35	1,309	817
Amounts due to associated companies and jointly controlled entities	35	4,340	3,953
Borrowings	19	39,945	50,281
Derivative financial instruments	23	22	2,199
Current income tax liabilities		14,816	13,030
Total current liabilities		198,038	217,515
Total liabilities		269,087	295,336
Total equity and liabilities		525,263	541,796
Net current assets		130,863	111,995
Total assets less current liabilities		327,225	324,281

TAN SIU LIN
Director

TAN HENRY
Director

The notes on pages 44 to 117 are an integral part of these consolidated financial statements.

BALANCE SHEET

As at 31 December 2009

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

TAN SIU LIN
Director

TAN HENRY
Director

The notes on pages 44 to 117 are an integral part of this financial statement.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2009

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

The notes on pages 44 to 117 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2009

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

The notes on pages 44 to 117 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2009

	Attributable to equity holders of the Company						
	Share capital US$'000	Share premium US$'000	Other reserves US$'000	Retained earnings US$'000	Total US$'000	Minority interest US$'000	Total Equity US$'000
Balance at 1 January 2008	9,925	116,998	(8,946)	102,309	220,286	9,794	230,080
Profit for the year	—	—	—	11,829	11,829	11,344	23,173
Other comprehensive income:							
Currency translation differences	—	—	3,985	—	3,985	—	3,985
Total comprehensive income for the year ended 31 December 2008	—	—	3,985	11,829	15,814	11,344	27,158
Transactions with owners:							
Recognition of financial liability arising from acquisition of a subsidiary	—	—	(11,122)	—	(11,122)	—	(11,122)
Acquisition of subsidiaries	—	—	—	—	—	12,566	12,566
Dividends paid	—	—	—	(3,841)	(3,841)	—	(3,841)
Dividends paid to minority shareholders of subsidiaries	—	—	—	—	—	(8,806)	(8,806)
Share based payment	—	—	425	—	425	—	425
Total transactions with owners for the year ended 31 December 2008	—	—	(10,697)	(3,841)	(14,538)	3,760	(10,778)
Balance at 31 December 2008	9,925	116,998	(15,658)	110,297	221,562	24,898	246,460
Balance at 1 January 2009	9,925	116,998	(15,658)	110,297	221,562	24,898	246,460
Profit for the year	—	—	—	15,220	15,220	3,787	19,007
Other comprehensive income:							
Currency translation differences	—	—	(372)	—	(372)	92	(280)
Total comprehensive income for the year ended 31 December 2009	—	—	(372)	15,220	14,848	3,879	18,727
Transactions with owners:							
Acquisition of a subsidiary and purchase of additional equity interests in a subsidiary from a minority shareholder (Note 8(iv))	—	—	—	—	—	(756)	(756)
Derecognition of financial liabilities upon acquisition of minority interest (Note 8(iv))	—	—	939	465	1,404	—	1,404
Dividends paid	—	—	—	(3,662)	(3,662)	—	(3,662)
Dividends paid to minority shareholders of subsidiaries	—	—	—	—	—	(6,200)	(6,200)
Share based payment	—	—	203	—	203	—	203
Total transactions with owners for the year ended 31 December 2009	—	—	1,142	(3,197)	(2,055)	(6,956)	(9,011)
Balance at 31 December 2009	9,925	116,998	(14,888)	122,320	234,355	21,821	256,176

The notes on pages 44 to 117 are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2009

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

The notes on pages 44 to 117 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Luen Thai Holdings Limited (the "Company") and its subsidiaries (together the "Group") are principally engaged in the manufacturing and trading of apparels and accessories and the provision of freight forwarding and logistics services and also the real estate development. The Group has manufacturing plants in Mainland China and the Philippines.

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

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

(a) *New and amended standards adopted by the Group*

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(a) New and amended standards adopted by the Group (continued)

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

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

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

- HKFRS 8 'Operating segments' (effective 1 January 2009). HKFRS 8 replaces HKAS 14 'Segment reporting' and aligns segment reporting with the requirements of the US standard SFAS 131 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in an increase in the number of the reportable segments presented. In addition, the segments are reported in a manner that is more consistent with the internal reporting provided to the chief operating decision maker.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

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

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

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

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

2.2 Consolidation

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

(a) Subsidiaries

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Consolidation (continued)

(a) Subsidiaries (continued)

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

Inter-company transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

(b) Transactions with minority interest

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

(c) Associates

Associates are entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognized at cost. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Consolidation (continued)

(d) Jointly controlled entities

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

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

2.3 Segment reporting

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

2.4 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated income statement.

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Foreign currency translation (continued)

(c) Group companies

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

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

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

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

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

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

2.5 Property, plant and equipment

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Property, plant and equipment (continued)

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

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

2.6 Construction-in-progress

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

2.7 Intangible assets

(a) *Goodwill*

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

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

(b) *Customer relationships*

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

2.8 Leasehold land and land use right

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

2.10 Financial assets

2.10.1 Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivable and cash and cash equivalents (see Note 2.15 for the accounting policy of cash and cash equivalents). The classification depends on the purpose for which the financial assets were acquired. Management determine the classification of its financial assets at initial recognition.

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

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

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables' in the balance sheet (Note 2.14).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Financial assets (continued)

2.10.2 Recognition and measurement

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

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

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

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

2.11 Impairment of financial assets

(a) Assets carried at amortized cost

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

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

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganization;

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Impairment of financial assets (continued)

(a) Assets carried at amortized cost (continued)

- The disappearance of an active market for that financial asset because of financial difficulties; or

- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

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

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

The Group first assesses whether objective evidence of impairment exists

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

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

2.12 Inventories

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

2.13 Properties under development

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

2.14 Trade, bills and other receivables

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Cash and cash equivalents

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

2.16 Share capital

Ordinary shares are classified as equity.

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

2.17 Trade and bills payable

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

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

2.18 Financial liabilities

(i) *Financial guarantee contracts*

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

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

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

A contract that contains an obligation for the Group to purchase its own equity instruments for cash or another financial asset gives rise to a financial liability for the present value of the redemption amount. Such liability is classified as other payable and accruals or other long-term liabilities in the consolidated balance sheet. Such financial liability is initially recognized at fair value which is the present value of the redemption amount and is reclassified from equity.

Subsequently, the financial liability is carried at amortized cost using the effective interest method. The accretion of the discount on the financial liability and any adjustments to estimated amounts of the final redemption amount are recognized as a finance charge in the consolidated income statement. If the contract expires without delivery, the carrying amount of the financial liability is reclassified to equity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Derivative financial instruments

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

2.20 Borrowings

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

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

2.21 Current and deferred income tax

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

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

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

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

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

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

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Employee benefits

(a) *Pension obligations*

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

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

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

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

For defined contribution plans, the contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) *Long service payments*

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Employee benefits (continued)

(c) Termination benefits

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

2.23 Share-based payments

The Group operates an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognized as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions;

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

- including the impact of any non-vesting conditions (for example, the requirement for employees to save).

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 Provisions

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

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

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

2.25 Contingent liabilities

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

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

2.26 Revenue recognition

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

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

Revenue is recognized as follows:

(i) *Sale of goods*

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

(ii) *Freight forwarding and logistics services income*

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.26 Revenue recognition (continued)

(iii) *Interest income*

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

(iv) *Rental income*

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

(v) *Management and commission income*

Management and commission income is recognized when services are rendered.

2.27 Leases

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

2.28 Dividend distribution

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

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: foreign exchange risk, credit risk, liquidity risk and cash flow and fair value interest rate risk.

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

(a) Market risk

(1) *Foreign exchange risk*

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

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

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(1) Foreign exchange risk (continued)

At 31 December 2009, if US$ had weakened/strengthened by 6% against the Euro with all other variables held constant, post-tax profit for the year would have been US$913,000 (2008: US$1,626,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of Euro-denominated trade receivables and payables, and cash and bank balances.

At 31 December 2009, if US$ had weakened/strengthened by 4% against the RMB with all other variables held constant, post-tax profit for the year would have been US$100,000 (2008: US$131,000) lower/higher, mainly as a result of foreign exchange gains/losses on translation of RMB-denominated trade payables and cash and bank balances.

At 31 December 2009, if US$ had weakened/strengthened by 10% against the Peso with all other variables held constant, post-tax profit for the year would have been US$170,000 (2008: US$206,000) lower/higher, mainly as a result of foreign exchange gains/losses on translation of Peso-denominated trade payables and cash and bank balances.

(2) Cash flow and fair value interest rate risk

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

The Group's interest rate risk arises from bank borrowings. As at 31 December 2009, borrowings were primarily at floating rates. The Group generally has not used financial derivatives to hedge its exposure to interest rate risk.

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

At 31 December 2009, if interest rates on borrowings had been 1% higher/lower with all other variables held constant, post-tax profit for the year would have been US$1,067,000 (2008: US$700,000) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(b) Credit risk

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

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

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

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

As at 31 December 2009, the Group had a concentration of credit risk given that the top 5 customers account for 60% (2008: 61%) of the Group's total year end trade receivable balance. However, the Group does not believe that the credit risk in relation to these customers is significant because they have no history of default in recent years.

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

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

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(c) Liquidity risk

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

Management monitors rolling forecasts of the Group's liquidity reserve which comprises undrawn borrowing facilities (Note 19) and cash and cash equivalents (Note 16) on the basis of expected cash flows. Surplus cash held by Group entities over and above balances required for working capital management is invested in interest-bearing bank accounts and bank deposits with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts.

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

	Less than 1 year US$'000	Between 1 and 2 years US$'000	Between 2 and 5 years US$'000	Over 5 years US$'000	Total US$'000
Group					
At 31 December 2009					
Bank borrowings	41,167	7,036	14,857	7,113	70,173
Loan from a minority shareholder of a subsidiary	–	3,141	–	–	3,141
Trade and other payables	135,945	–	–	–	135,945
Amounts due to related companies	1,309	–	–	–	1,309
Amounts due to associated companies and jointly controlled entities	4,340	–	–	–	4,340
Derivative financial instruments	22	–	–	–	22
Consideration payable and financial liabilities	1,661	–	33,885	–	35,546
	184,444	10,177	48,742	7,113	250,476
At 31 December 2008					
Bank borrowings	51,870	8,786	14,905	12,313	87,874
Loan from a minority shareholder of a subsidiary	98	98	3,195	–	3,391
Trade and other payables	141,791	–	–	–	141,791
Amounts due to related companies	817	–	–	–	817
Amounts due to associated companies and jointly controlled entities	3,953	–	–	–	3,953
Derivative financial instruments	570	–	–	–	570
Consideration payable and financial liabilities	5,444	–	38,018	–	43,462
	204,543	8,884	56,118	12,313	281,858

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

The table below analyses the Group's derivative financial instruments that will be settled on a gross basis into relevant maturity groupings based on the remaining period at the consolidated balance sheet to the contractual maturity date.

	Less than 1 year US$'000	Between 1 and 2 years US$'000	Between 2 and 5 years US$'000	Over 5 years US$'000
At 31 December 2009				
Currency forward contracts	–	–	–	–
Outflow	–	–	–	–
Inflow	–	–	–	–
At 31 December 2008				
Target redemption forward contracts				
Outflow (Note a)	10,000	–	–	–
Inflow (Note a)	9,295	–	–	–
Currency forward contracts				
Outflow (Note b)	6,311	–	–	–
Inflow (Note b)	5,725	–	–	–

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

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

3.2 Capital risk management

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

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

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

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation

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

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset and liability that are not based on observable market data (that is, unobservable inputs) (level 3).

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(a) Income taxes

The Group is subject to income taxes in various jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be required. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. Please refer to Note 28 for details.

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

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

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

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

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

(d) Impairment of goodwill

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

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

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

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

(e) Net realizable value of inventories

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(f) Trade, bills and other receivables

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

(g) Employee benefits — share-based payments

The determination of the fair value of the share options granted requires estimates in determining, among others, the expected volatility of the share price, the expected dividend yield, the risk-free interest rate for the life of the option, and the number of options that are expected to become exercisable as stated in Note 17. Where the outcome of the number of options that are exercisable is different, such difference will impact the consolidated income statement in the subsequent remaining vested period of the relevant share options.

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

Financial liabilities arising from the contractual obligation for the Group to purchase its own equity instruments are estimated by the Company's directors and the Group's management after considering historical performance and anticipation of growth and integration synergies expected to arise after the acquisitions. In making such financial budgets, management considers uncertainties and that various outcomes have different chances of being realized. Judgement is required in determining key assumptions adopted in the budgets. Changes to these key judgement and estimates could significantly affect the related financial budgets and therefore the estimated amount of financial liabilities.

Management has performed sensitivity analysis assuming that the net average budget profit during the relevant years for the determination of the financial liabilities has increased/decreased by 10%. The post-tax profit for the year would have been US$3,079,000 (2008: US$2,406,000) lower/higher, respectively, as a result of the increase/decrease of financial liabilities of US$3,079,000 (2008: US$2,406,000).

5 SEGMENT INFORMATION

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

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

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

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

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

5 SEGMENT INFORMATION (CONTINUED)

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

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

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

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

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

5 SEGMENT INFORMATION (CONTINUED)

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

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

5 SEGMENT INFORMATION (CONTINUED)

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

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

5 SEGMENT INFORMATION (CONTINUED)

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

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

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

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

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

5 SEGMENT INFORMATION (CONTINUED)

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

Non-current assets are based on where the assets are located.

6 LEASEHOLD LAND AND LAND USE RIGHTS

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

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

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

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

7 PROPERTY, PLANT AND EQUIPMENT — THE GROUP

	Buildings US$'000	Leasehold improvements US$'000	Plant and machinery US$'000	Furniture, fixture and equipment US$'000	Motor vehicles US$'000	Construction-in-progress US$'000	Total US$'000
At 1 January 2008							
Cost	44,830	17,560	61,659	39,157	4,350	2,975	170,531
Accumulated depreciation and impairment	(8,044)	(10,291)	(30,494)	(26,458)	(2,666)	—	(77,953)
Net book amount	36,786	7,269	31,165	12,699	1,684	2,975	92,578
Year ended 31 December 2008							
Opening net book amount	36,786	7,269	31,165	12,699	1,684	2,975	92,578
Acquisition of subsidiaries	20,083	2,798	2,824	1,367	51	—	27,123
Additions	1,325	797	2,737	2,214	265	3,062	10,400
Disposals	(11)	(281)	(863)	(338)	(89)	—	(1,582)
Provision for impairment	—	—	(719)	—	—	—	(719)
Transfer from construction-in-progress	1,778	286	617	616	25	(3,322)	—
Depreciation	(2,834)	(1,945)	(6,294)	(3,977)	(619)	—	(15,669)
Exchange differences	3,384	—	1,949	1	15	199	5,548
Closing net book amount	60,511	8,924	31,416	12,582	1,332	2,914	117,679
At 31 December 2008							
Cost	74,256	23,053	74,874	44,279	4,671	2,914	224,047
Accumulated depreciation and impairment	(13,745)	(14,129)	(43,458)	(31,697)	(3,339)	—	(106,368)
Net book amount	60,511	8,924	31,416	12,582	1,332	2,914	117,679

7 PROPERTY, PLANT AND EQUIPMENT — THE GROUP (CONTINUED)

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

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

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

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

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

8 INTANGIBLE ASSETS — THE GROUP

	Goodwill US$'000	Customer relationships US$'000	Total US$'000
Year ended 31 December 2008			
Opening net book amount	39,193	25,811	65,004
Acquisition of subsidiaries (Note i)	—	709	709
Adjustment on contingent consideration (Note ii)	5,309	—	5,309
Amortization (Note 25)	—	(2,152)	(2,152)
Closing net book amount	44,502	24,368	68,870
At 31 December 2008			
Cost	46,087	30,128	76,215
Accumulated amortization and impairment	(1,585)	(5,760)	(7,345)
Net book amount	44,502	24,368	68,870
Year ended 31 December 2009			
Opening net book amount	**44,502**	**24,368**	**68,870**
Acquisition of additional equity interests in a subsidiary from a minority shareholder (Note iv)	**423**	**—**	**423**
Acquisition of a subsidiary (Note 33)	**119**	**—**	**119**
Amortization (Note 25)	**—**	**(2,291)**	**(2,291)**
Impairment	**(119)**	**—**	**(119)**
Closing net book amount	**44,925**	**22,077**	**67,002**
At 31 December 2009			
Cost	**46,510**	**30,128**	**76,638**
Accumulated amortization and impairment	**(1,585)**	**(8,051)**	**(9,636)**
Net book amount	**44,925**	**22,077**	**67,002**

Notes:

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

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

8 INTANGIBLE ASSETS — THE GROUP (CONTINUED)

Notes: (continued)

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

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

Amortization of customer relationships of US$2,291,000 (2008: US$2,152,000) is expensed in the general and administrative expenses.

Impairment tests for goodwill

Goodwill is allocated to the Group's cash-generating units ("CGUs") identified according to operating segments. An operating segment level summary of the goodwill is presented below:

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

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

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

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

8 INTANGIBLE ASSETS — THE GROUP (CONTINUED)

Impairment tests for goodwill (continued)

Notes:

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

(b) Discount rate applied to the cash flow projections.

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

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

The Group does not have to recognize an impairment loss for the year ended 31 December 2009 based on the impairment assessment performed.

9 INVESTMENTS IN SUBSIDIARIES — THE COMPANY

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

9 INVESTMENTS IN SUBSIDIARIES — THE COMPANY (CONTINUED)

Particulars of the principal subsidiaries as at 31 December 2009:

Name	Place of incorporation/ establishment	Principal activities and place of operations	Particulars of issued share capital	Interest held
Best Uni Limited	Hong Kong	Garment trading and sourcing overseas/in Hong Kong	10,000 ordinary share of HK$1 each	60%
Consolidated Transportation Services, Inc.	CNMI	Provision of freight forwarding and logistics services in CNMI	1,000,000 ordinary shares of US$1 each	100%
Consolidated Transportation Services (FSM), Inc	Pohnpei	Provision of freight forwarding and logistics services in Pohnpei	100,000 ordinary shares of US$1 each	90%
Consolidated Transportation Services, Incorporated (Guam)	Guam	Provision of freight forwarding and logistics services in Guam	400,000 ordinary shares of US$1 each	100%
Consolidated Transportation Services, Inc. (Palau)	Palau	Provision of freight forwarding and logistics services in Palau	100,000 ordinary shares of US$1 each	80%
CTSI Holdings Limited	BVI	Investment holding in the Philippines	1 ordinary share of US$1 each	100%
CTSI Logistics, Inc.	U.S.A.	Provision of freight forwarding and logistics services in the U.S.A.	10,000 ordinary shares with total paid-in capital of US$100,000	100%
CTSI Logistics Inc.	Cambodia	Provision of freight forwarding and logistics services in Cambodia	100 ordinary shares of Riels 380,000 each	100%
CTSI Logistics (Korea), Inc.	Korea	Provision of freight forwarding and logistics services in Korea	60,000 ordinary shares of Won 5,000 each	60%
CTSI Logistics Limited	Hong Kong	Provision of freight forwarding and logistics services in Hong Kong	100,000 ordinary shares of HK$10 each	100%

9 INVESTMENTS IN SUBSIDIARIES — THE COMPANY (CONTINUED)

Name	Place of incorporation/ establishment	Principal activities and place of operations	Particulars of issued share capital	Interest held
CTSI Logistics Phils., Inc.	The Philippines	Provision of freight forwarding and logistics services in the Philippines	100,000 ordinary shares of Peso 100 each	100%
Desk Top Limited	Hong Kong	Trading and manufacturing of bags in Hong Kong	23,206,000 ordinary shares of HK$1 each	60%
Desk Top Bags (Mfg) Limited	BVI	Provision of subcontracting services in the PRC	100 ordinary shares of US$1 each	60%
Dongguan Luen Thai Garment Co., Ltd.	The PRC	Garment manufacturing in the PRC	Registered capital of HK$264,850,000 with total paid-in capital of HK$250,850,000	100%
Dongguan Quan Thai Garment Co., Ltd	The PRC	Sourcing and trading of garment products in the PRC	HK$8,000,000	100%
Dongguan Xingxi Handbags Factory Co. Ltd.	The PRC	Manufacturing of bag in the PRC	HK$20,000,000	60%
Dongguan Xing Hao Handbags Factory Co. Ltd.	The PRC	Manufacturing of bags in the PRC	HK$54,000,000	60%
Fortune Investment Overseas Limited	BVI	Investment holding in Hong Kong	1 ordinary share of US$1 each	100%
GJM (HK) Limited	Hong Kong	Sourcing and trading of garment products in Hong Kong	2 ordinary shares of HK$1 each	100%
G.J.M. (H.K.) Manufacturing Limited	Hong Kong	Investment holding in Hong Kong	2 ordinary shares of HK$100 each	100%

9 INVESTMENTS IN SUBSIDIARIES — THE COMPANY (CONTINUED)

Name	Place of incorporation/ establishment	Principal activities and place of operations	Particulars of issued share capital	Interest held
GJM (Qingyuan) Light Industrial Development Limited	The PRC	Garment manufacturing in the PRC	Registered capital of HK$120,500,000 with total paid-in capital of HK$106,146,661	100%
GJM (UK) Limited	United Kingdom ("UK")	Garment distributor in the UK	1 ordinary share of GBP 1 each	100%
Golden Dragon Apparel, Inc.	The Philippines	Garment manufacturing in the Philippines	62,000 ordinary shares of Peso 100 each	100%
Guangzhou G.J.M. Garment Manufacturing Factory	The PRC	Garment manufacturing in the PRC	Registered capital of US$7,200,000 with total paid-in capital of US$7,200,000	100%
Hongquan Consulting Services (Shenzhen) Co., Ltd.	The PRC	Provision of consultancy services in the PRC	HK$1,000,000	100%
Kingsmere, Inc.	U.S.A.	Investment holding in the U.S.A.	100 ordinary shares with total paid-in capital of US$310,000	100%
L & T International Group Phils., Inc.	The Philippines	Garment manufacturing in the Philippines	20,000 ordinary shares of Peso 100 each	100%
Lian Xin Garment Co. Ltd.	The PRC	Wholesale and retail in the PRC	RMB10,100,000	70%
Luen Thai International Group Limited	Hong Kong	Sourcing, manufacturing and trading of textile and garment products in Hong Kong	2 ordinary shares of HK$1 each	100%

9 INVESTMENTS IN SUBSIDIARIES — THE COMPANY (CONTINUED)

Name	Place of incorporation/ establishment	Principal activities and place of operations	Particulars of issued share capital	Interest held
Luen Thai Macao Commercial Offshore Company Limited	Macau	Sourcing, manufacturing and trading of textile and garment products in Macau	MOP$25,000	100%
Luen Thai Overseas Limited	Bahamas	Investment holding in Hong Kong	16,685,804 ordinary shares of US$1 each	100%
Luen Thai (Qingyuan) Real Estate Limited	The PRC	Property development in the PRC	Registered capital of HK$53,500,000 with total paid-in capital of HK$53,500,000	100%
Manhattan Limited	Hong Kong	Garment trading and sourcing overseas/in Hong Kong	10,000 ordinary shares of HK$1 each	60%
On Time International Limited	BVI	Investment holding in Hong Kong	500 ordinary share of US$1 each	60%
Philippine Luen Thai Holdings Corporation	The Philippines	Investment holding in the Philippines	260,000 ordinary shares of Peso 100 each	100%
Partner Joy Group Limited	BVI	Investment holding in Hong Kong	1,000 ordinary shares of US$1 each	95%
Power Might Limited	BVI	Investment holding in Hong Kong	12,207,164 ordinary shares of US$1 each	100%
Qingyuan Liantou Properties Limited	The PRC	Property development in the PRC	Registered capital of HK$136,000,000 with total paid-in capital of HK$61,105,400	100%
Sino Venus Limited	Hong Kong	Investment holding in Hong Kong	2 ordinary shares of HK$1 each	100%

9 INVESTMENTS IN SUBSIDIARIES — THE COMPANY (CONTINUED)

Name	Place of incorporation/ establishment	Principal activities and place of operations	Particulars of issued share capital	Interest held
Sunny Force Limited	BVI	Investment holding in Hong Kong	1 ordinary share of US$1 each	100%
Tellas Ltd.	U.S.A.	Import and distribution of garments in the U.S.A.	100 ordinary shares with total paid-in capital of US$100,000	100%
Tien-Hu Knitters Limited	Hong Kong	Trading of garment products in Hong Kong	1,000,000 ordinary shares of HK$1 each	95%
Tien-Hu Trading (Hong Kong) Limited	Hong Kong	Trading of garment products in Hong Kong	1,000,000 ordinary shares of HK$1 each	95%
Tien-Hu Knitting Factory (Hong Kong) Limited	Hong Kong	Trading of garment products in Hong Kong	1,000,000 ordinary shares of HK$1 each	95%
TMS Fashion (H.K.) Limited	Hong Kong	Garment trading and investment holding in Hong Kong	3,000,000 shares of HK$1 each	60%
TMS International Limited	Hong Kong	Garment trading in Hong Kong	2,000 ordinary shares of HK$500 each	60%
Trinew Limited	BVI	Investment holding in Hong Kong	1,000 ordinary shares of US$1 each	60%
Victory Land Properties Limited	Hong Kong	Investment holding in the PRC	10,000 ordinary shares of HK$1 each	100%

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

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

Except for the amount of US$3,000,000 (2008: US$2,500,000) which is repayable within twelve months and non-interest bearing, amounts due from subsidiaries represent equity funding by the Company to the respective subsidiaries and are measured in accordance with the Company's accounting policy for investments in subsidiaries.

10 INTERESTS IN ASSOCIATED COMPANIES — THE GROUP

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

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

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

11 INTERESTS IN JOINTLY CONTROLLED ENTITIES — THE GROUP

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

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

Particulars of the principal jointly controlled entities as at 31 December 2009:

Name	Place of issued shares held	Principal activities and place of operations	Particulars of issued share capital	Assets US$'000	Liabilities US$'000	Revenues US$'000	Profit/ (loss) US$'000	Interest held
Shenzhen Guangthai International Co. Ltd.	The PRC	Garment trading in the PRC	HK$20,000,000	2,496	151	5	(453)	50%
Shenzhen Li Da Silk Garment Company Limited	The PRC	Garment manufacturing in the PRC	RMB2,400,000	1,320	1,662	1,949	(422)	25%
Wuxi Liantai Garments Co., Ltd.	The PRC	Garment manufacturing in the PRC	Registered capital of US$2,050,000 with total paid-in capital of US$1,241,400	3,057	653	4,477	50	50%
Yuen Thai Industrial Company Limited	Hong Kong	Sourcing, manufacturing and trading of sports and active wear in the PRC	2 ordinary shares of HK$1 each	18,441	17,639	36,078	107	50%
Yuen Thai Holdings Limited	BVI	Investment Holding in the Philippines	2 ordinary shares of US$1 each	7,640	4,360	944	845	50%
Yuenthai Philippines, Inc.	The Philippines	Garment manufacturing in the Philippines	Peso4,000,000	7,127	5,409	9,639	1,300	50%
Hong Kong Guangthai International Company Limited	Hong Kong	Investment holding in the PRC	2 ordinary shares of HK$1 each	9,185	12,734	318	(1,539)	50%
New Sunshine Limited	Hong Kong	Investment holding and subcontracting services in the PRC	5,000,000 ordinary shares of HK$1 each	1,605	1,682	8,644	(354)	47.5%

12 DEFERRED INCOME TAX — THE GROUP

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

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

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

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

12 DEFERRED INCOME TAX — THE GROUP (CONTINUED)

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

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

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

Deferred income tax assets are recognized for tax loss carry-forwards to the extent that the realization of the related tax benefit through the future taxable profits is probable. The Group did not recognize deferred income tax assets of US$2,360,000 (2008: US$1,681,000) in respect of losses amounting to US$8,421,000 (2008: US$5,724,000) that can be carried forward against future taxable income. These tax losses have an expiry date from 2010 to 2018.

13 INVENTORIES — THE GROUP

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

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

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

14 PROPERTIES UNDER DEVELOPMENT — THE GROUP

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

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

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

15 TRADE AND BILLS RECEIVABLES — THE GROUP

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

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

15 TRADE AND BILLS RECEIVABLES — THE GROUP (CONTINUED)

The Group normally grants credit terms to its customers ranging from 30 to 90 days. The ageing analysis by due date of trade debtors net of provision for impairment is as follows:

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

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

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

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

15 TRADE AND BILLS RECEIVABLES — THE GROUP (CONTINUED)

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

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

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

16 CASH AND BANK BALANCES

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

16 CASH AND BANK BALANCES (CONTINUED)

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

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

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

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

As at 31 December 2009, pledged bank deposits have a maturity period of 90 days. Certain of the Group's banking facilities were pledged by such bank deposits of US$1,564,000 (2008: US$1,509,000) (See Note 19).

17 SHARE CAPITAL

	Number of shares	Nominal value US$'000
Authorized — ordinary shares of US$0.01 each		
At 31 December 2008 and 2009	1,500,000,000	15,000
Issued and fully paid — ordinary shares of US$0.01 each		
At 31 December 2008 and 2009	992,500,000	9,925

Share option

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

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

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

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

Movements in the number of share options are as follows:

			Number of shares			
Date of grant	Exercise period	Subscription price per share	Beginning of year '000	Granted '000	Forfeited '000	End of year '000
26 January 2006	From 26 January 2007 to 25 January 2011	HK$2.52	7,285	—	(1,180)	6,105
10 November 2006	From 10 November 2007 to 9 November 2011	HK$1.28	7,916	—	(1,327)	6,589
21 April 2008	From 21 April 2009 to 20 April 2013	HK$0.71	13,350	—	(750)	12,600
			28,551	—	(3,257)	25,294

17 SHARE CAPITAL (CONTINUED)

Share option (continued)

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

Expiry date	Exercise price	Number of share options 2009 '000	2008 '000
25 January 2011	HK$2.52	6,105	7,285
9 November 2011	HK$1.28	6,589	7,916
20 April 2013	HK$0.71	12,600	13,350
		25,294	28,551

18 OTHER RESERVES

(a) Group

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

18 OTHER RESERVES (CONTINUED)

(b) Company

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

Notes:

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

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

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

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

19 BANK BORROWINGS — THE GROUP

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

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

19 BANK BORROWINGS — THE GROUP (CONTINUED)

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

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

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

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

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

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

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

19 BANK BORROWINGS — THE GROUP (CONTINUED)

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

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

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

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

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

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

20 RETIREMENT BENEFIT OBLIGATIONS — THE GROUP

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

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

(a) Defined contribution plans

During the year, the Group maintained various defined contribution retirement schemes for its employees, which are managed by independent trustees. Employees' and employer's contributions are based on various percentages of employees' gross salaries and length of service. The total contributions to the defined contribution retirement schemes were approximately US$2,623,000 for the year ended 31 December 2009 (2008: US$1,130,000).

20 RETIREMENT BENEFIT OBLIGATIONS — THE GROUP (CONTINUED)

(b) Defined benefit plans

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

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

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

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

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

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

The principal actuarial assumptions used are as follows:

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

20 RETIREMENT BENEFIT OBLIGATIONS — THE GROUP (CONTINUED)

(c) Long service payments

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

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

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

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

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

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

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

20 RETIREMENT BENEFIT OBLIGATIONS — THE GROUP (CONTINUED)

(c) Long service payments (continued)

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

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

The principal actuarial assumptions used are as follows:

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

21 CONSIDERATION PAYABLE AND FINANCIAL LIABILITIES — THE GROUP

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

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

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

21 CONSIDERATION PAYABLE AND FINANCIAL LIABILITIES — THE GROUP (CONTINUED)

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

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

22 TRADE AND BILLS PAYABLES

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

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

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

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

23 DERIVATIVE FINANCIAL INSTRUMENTS

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

24 OTHER GAINS — NET

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

25 EXPENSES BY NATURE

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

Note:

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

26 EMPLOYEE BENEFIT EXPENSE — INCLUDING DIRECTORS' EMOLUMENTS

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

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

(b) Directors' and senior management

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

	Fees US$'000	Salary US$'000	Discretionary bonuses US$'000	Other benefits[1] US$'000	Employer's contribution to pension scheme US$'000	Total US$'000
Name of Director						
Executive directors						
Mr. Tan Siu Lin	—	113	—	—	—	113
Mr. Tan Henry	—	332	51	—	2	385
Mr. Tan Cho Lung, Raymond	—	242	37	36	2	317
Ms. Mok Siu Wan, Anne	15	377	581	—	55	1,028
Mr. Tan Sunny	—	112	17	—	2	131
Non-executive directors						
Mr. Tan Willie	150	—	—	—	—	150
Mr. Lu Chin Chu	15	—	—	—	—	15
Independent non-executive directors						
Mr. Chan Henry	15	—	—	—	—	15
Mr. Cheung Siu Kee	15	—	—	—	—	15
Mr. Seing Nea Yie	15	—	—	—	—	15

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26 EMPLOYEE BENEFIT EXPENSE — INCLUDING DIRECTORS' EMOLUMENTS (CONTINUED)

(b) Directors' and senior management (continued)

The remuneration of every Director for the year ended 31 December 2008 is set out below:

	Fees US$'000	Salary US$'000	Discretionary bonuses US$'000	Other benefits[1] US$'000	Employer's contribution to pension scheme US$'000	Total US$'000
Name of Director						
Executive directors						
Mr. Tan Siu Lin	—	113	—	—	—	113
Mr. Tan Henry	—	332	51	6	2	391
Mr. Tan Cho Lung, Raymond	—	242	37	40	2	321
Ms. Mok Siu Wan, Anne	—	377	542	42	133	1,094
Mr. Tan Sunny	—	112	17	10	2	141
Non-executive directors						
Mr. Tan Willie	150	—	—	5	—	155
Mr. Lu Chin Chu	15	—	—	—	—	15
Independent non-executive directors						
Mr. Chan Henry	15	—	—	—	—	15
Mr. Cheung Siu Kee	15	—	—	—	—	15
Mr. Seing Nea Yie	15	—	—	—	—	15

[1] Other benefits mainly include share options.

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

(c) Five highest paid individuals

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

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

26 EMPLOYEE BENEFIT EXPENSE — INCLUDING DIRECTORS' EMOLUMENTS (CONTINUED)

(c) Five highest paid individuals (continued)

The emoluments fell within the following bands:

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

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

27 FINANCE INCOME AND COSTS

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

28 INCOME TAX EXPENSE/(CREDIT)

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 16.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

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

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

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

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

28 INCOME TAX EXPENSE/(CREDIT) (CONTINUED)

Notes:

(i) In prior years, a Hong Kong subsidiary has received notices of additional assessments/assessments from the Hong Kong Inland Revenue department (the "IRD") for the years of assessment 2000/01 to 2007/08 demanding for tax totalling US$3,843,000 in respect of certain income, which the directors has regarded as not subject to Hong Kong Profits Tax. The directors have thoroughly revisited the situations and have concluded that the subsidiary company has grounds to defend that the relevant profits are not subject to Hong Kong Profits Tax. In these circumstances, the directors have filed objections to these additional assessments/assessments and consider that sufficient tax provision has been made in the financial statements. The subsidiary company has paid the amount of US$3,453,000 in the form of Tax Reserve Certificates. The Tax Reserve Certificates amount paid was included in prepayments in the consolidated balance sheet as at 31 December 2009.

(ii) Two other subsidiaries were under tax audit conducted by the IRD. As at 31 December 2009, the IRD has issued additional assessments/ assessments to these entities from years of assessments 2000/01 to 2008/09, demanding tax totalling US$8,584,000. Some of these assessments are protective assessments issued before the expiry of the statutory time-barred period pending the result of the tax audit. These subsidiaries have lodged objections to these assessments. The directors consider that sufficient tax provision has been made in the financial statements in this regard.

29 PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of approximately US$4,870,000 (2008: US$4,304,000).

30 EARNINGS PER SHARE

(a) Basic

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

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

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

31 DIVIDENDS

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

The directors have recommended the payment of a final dividend of US cent of 0.236 per share, totalling US$2,343,000. Such dividend is to be approved by the shareholders at the forthcoming Annual General Meeting. These financial statements do not reflect this dividend payable.

32 CONSOLIDATED CASH FLOW STATEMENT

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

32 CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

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

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

33 BUSINESS COMBINATIONS

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

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

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

33 BUSINESS COMBINATIONS (CONTINUED)

On 8 August 2008, the Group acquired 60% interest in Trinew. Trinew and its subsidiaries are engaged in the manufacturing and trading of laptop bags. The acquired group contributed revenues of US$62,798,000 and net profit of US$613,000 to the Group for the period from 8 August 2008 to 31 December 2008.

Details of net assets acquired are as follows:

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

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

33 BUSINESS COMBINATIONS (CONTINUED)

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

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

34 COMMITMENTS

(a) Capital commitments

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

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

(b) Operating lease commitments

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

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

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

35 SIGNIFICANT RELATED PARTY TRANSACTIONS

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

(a) Transactions with related parties

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

(i) Provisions of goods and services

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

35 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Transactions with related parties (continued)

(ii) Purchases of goods and services

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

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

(iii) On 17 February 2009, a subsidiary of the Company has entered into a sales and purchase agreement with Luen Thai Land Limited, to acquire the entire issued share capital of Victory Land Properties Limited ("Victory Land"). Luen Thai Land Limited is beneficially owned by the Tan's family. Victory Land is principally engaged in property development business. The total consideration for this transaction was approximately US$6,318,000 (equivalent to HK$48,969,000).

35 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Key management compensation

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

(c) Banking facilities

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

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

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

The Company also provided corporate guarantees to the extent of US$11,613,000, equivalent to HK$90,000,000 (2008: US$11,613,000, equivalent to HK$90,000,000) to Yuen Thai Industrial Co. Ltd., a jointly controlled entity of the Group.

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

As at 31 December 2009, the outstanding balances with the related companies, jointly controlled entities and associated companies are unsecured, interest-free and repayable on demand.

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

(e) Loan from a minority shareholder of a subsidiary

As at 31 December 2009, there was a loan from a minority shareholder of a subsidiary amounting to US$3,097,000 (2008: US$3,097,000). The loan is unsecured, interest bearing at HIBOR plus 1.25% and repayable on 8 August 2011.

36 CONTINGENT LIABILITIES AND LITIGATION

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

FINANCIAL SUMMARY

	2005	2006	2007	2008	**2009**
Financial highlights (US$'000)					
Total assets	415,420	445,894	457,124	541,796	**525,263**
Total liabilities	191,416	231,661	227,044	295,336	**269,087**
Bank borrowings	83,687	69,434	52,158	83,540	**67,016**
Capital and reserves attributable to the equity holders of the Company	218,714	198,731	220,286	221,562	**234,355**
Working capital	118,099	126,644	123,168	111,995	**130,863**
Revenue	593,118	661,836	800,877	832,002	**774,892**
Profit attributable to the equity holders of the Company	13,240	2,509	12,515	11,829	**15,220**
Key ratios					
Current ratio	1.66	1.77	1.77	1.51	**1.66**
Gross profit margin	19.2%	18.8%	19.3%	18.5%	**18.5%**
Profit margin attributable to the equity holders of the Company	2.2%	0.4%	1.56%	1.42%	**1.96%**