Luenthai

Luen Thai Holdings Limited

聯泰控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 311)

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

ANNUAL REPORT 2012

CONTENTS

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Dr. TAN Siu Lin, *Chairman*
TAN Henry, *Chief Executive Officer*
TAN Cho Lung Raymond
MOK Siu Wan Anne
TAN Sunny, *Chief Financial Officer*
(resigned on 28 December 2012)

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

AUDITOR

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

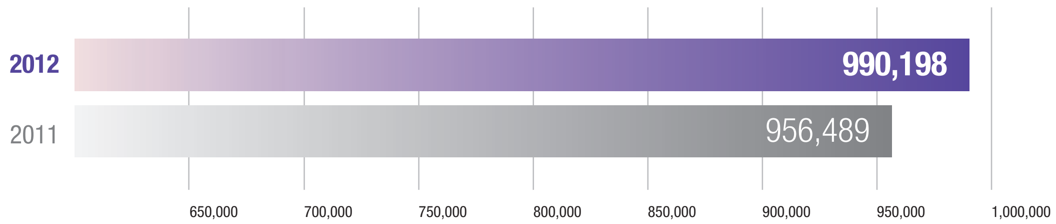
LEGAL ADVISORS

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

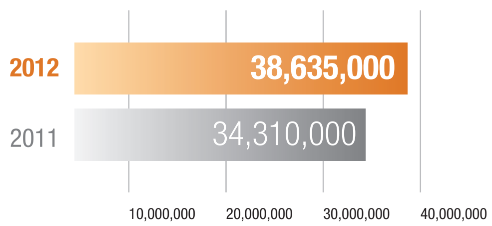
KEY FINANCIAL HIGHLIGHTS

	2012 US$'000	2011 US$'000
Revenue	**990,198**	956,489
Gross Profit	**170,058**	160,933
As a percentage of revenue	**17.2%**	16.8%
Operating Profit	**42,769**	28,592
As a percentage of revenue	**4.3%**	3.0%
Profit Attributable to the owners of the Company	**38.635**	34,310
As a percentage of revenue	**3.9%**	3.6%
Basic Earnings Per Share	**US3.9 cents**	US3.5 cents
Dividend Per Share		
— Final	**US0.791 cent**	US0.804 cent
— Interim	**US0.367 cent**	US0.233 cent
Capital and Reserves		
Attributable to the owners of the Company	**336,115**	307,954

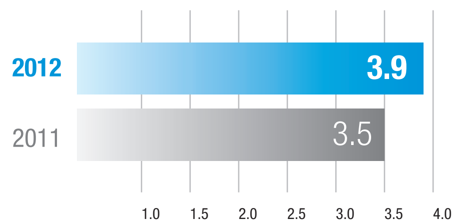
REVENUE (US$'000)



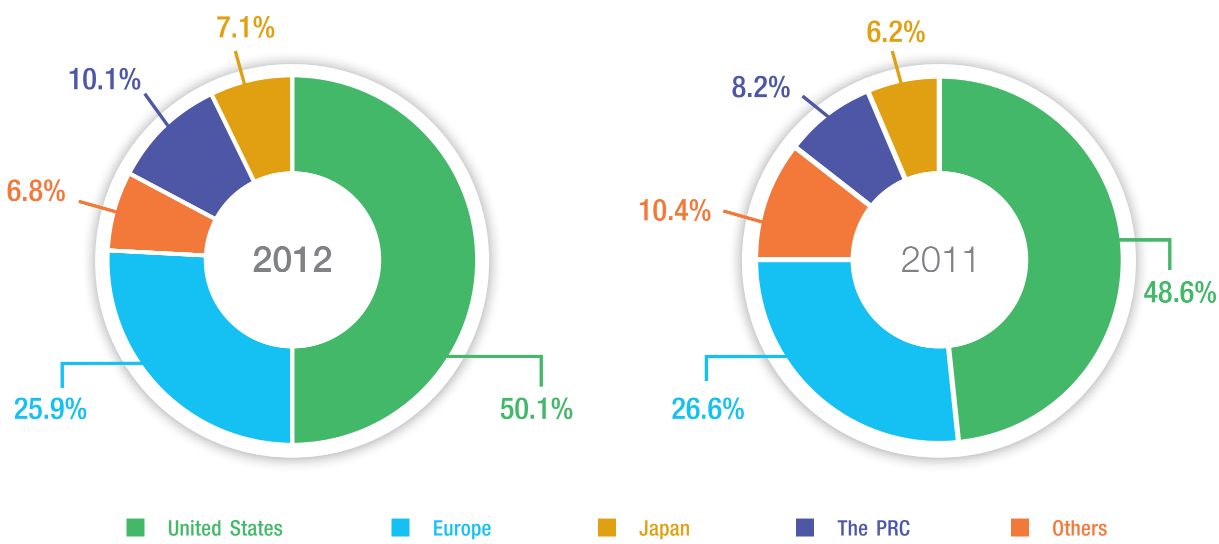
PROFIT ATTRIBUTABLE TO THE OWNERS OF THE PARENT US$



BASIC EARNINGS PER SHARE US cent



SALES BY GEOGRAPHICAL SEGMENTS



OVERVIEW

I am pleased to present the annual report of Luen Thai Holdings Limited ("Luen Thai" or "Company", and together with its subsidiaries, the "Group") for the year 2012.

Despite the doom and gloom of the global economy, I am pleased to report that Luen Thai achieved another year of record high revenue in 2012 of approximately US$990,198,000 and the profit attributable to the owners of the Company rose by 12.6% to reach a new record of US$38,635,000.

STRATEGIC DIRECTIONS

Diversification of Production Bases

Due to the surging labour cost in China in the past decade, the operating costs of labour intensive industry such as garment manufacturing in the mainland China are currently under great pressure. In order to cope with the growth plan of certain key customers within reasonable cost, Luen Thai will continue to identify and develop appropriate production capacities outside China. While I believe China still maintains its strong competitive edge for complicated products which require highly skilled labour and short lead time and therefore the Group will continue to maintain our China production facilities, we will also at the same time focus on investing in other major production bases outside China to remain competitive.

In my view, the continuous expansion of production capacities in other Southeast Asia countries is of critical importance to the sustainable growth of our manufacturing business. In pursuing our strategic direction of developing more production bases/capacities in Southeast Asia countries with relatively cheaper labour costs, we have considered different factors including the availability of workers and mid-ranking management, median age of working population, wage level and customs and tax incentive etc. Above all, the key determinant is our execution capability in these production bases. With the support from certain customers under our Accessories Division and the Casual and Fashion Apparel Division, the Company has successfully developed additional production capacities in the Philippines in 2012. In addition, I consider that the Group will also be benefited from the expansion of the Group's production capacities in Cambodia and Vietnam if the recent proposed acquisition of Ocean Sky Global (S) Pte Ltd. materializes.

Our total labour force as at the end of 2012 was around 33,000 workers globally, representing an increase of approximately 8,000 workers compared to 2011. Such increase in headcount is substantially attributable to the completion of the acquisition of the remaining 50% equity interest in Yuen Thai Industrial Company Limited, Yuen Thai Holdings Limited and Yuenthai Philippines, Inc. (collectively the "Yuen Thai Group") previously held as joint venture between Luen Thai and Yue Yuen Industrial (Holdings) Limited during the year under review.

Looking forward to the coming year, the Group will continue to focus on OEM business with stringent quality and cost controls for the existing business operations so as to maintain strong and healthy financial position to overcome any unexpected adverse impact of the sluggish global economy and sustained effect of the European sovereign debt crisis.

With the continuous consolidation of the apparel industry and our efforts to adapt and improve with a spirit to create a cutting edge in competitiveness, I believe Luen Thai's business model, being an apparel and accessory supply chain services provider with an end-to-end value proposition, has set a solid foundation for Luen Thai to grow further in the next few years.

DIVIDEND

The Board of Directors has resolved to declare a final dividend of US0.791 cent (or equivalent to HK6.140 cents) per share for the year ended 31 December 2012.

CORPORATE GOVERNANCE

The Group acknowledges the need and importance of corporate governance as one of the key elements in enhancing shareholder 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, Nomination 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 shareholders 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, 26 March 2013

RESULT REVIEW

For the year ended 31 December 2012, the Group's revenue amounted to approximately US$990,198,000, representing an increase of approximately 3.5% over 2011. The Group produced about 90 million units of apparel and accessory products in 2012 representing an increase of 13.9% over 2011. The slight increase in revenue is mainly due to (1) the consolidation of the operations of Yuen Thai Group, (2) the acquisition of footwear business during the year, (3) the continuous growth of luxury bags business during the year, (4) the decrease in average selling price as a result of the decrease in cotton price and (5) the decline in the European business under the Life-style Apparel Division. Luen Thai's overall gross profit for 2012 was approximately US$170,058,000, representing an increase of approximately US$9,125,000 over 2011.

The overall gross profit margin in 2012 was approximately 17.2%, representing a slight increase of 0.4 percentage point over 2011. The increase in gross profit was mainly due to the elimination of non-profitable accounts, cost savings for production in Southeast Asia countries and the continuous growth in Accessories Division. The Group's operating expenses (including the selling and distribution expenses and the general and administrative expenses) remained relatively stable in 2012 with a slight increase of approximately 0.4% over 2011.

As a result, the profit attributable to the owners of the Company increased to approximately US$38,635,000 as compared to approximately US$34,310,000 in 2011, representing a year-on-year increase of approximately US$4,325,000 or 12.6%.

SEGMENTAL REVIEW

Apparel businesses, comprising our Casual and Fashion Apparel Division, Sweaters Division and Life-style Apparel Division, are the Group's major source of revenue. These include the Group's OEM apparel manufacturing, apparel sourcing and trading business, which accounted for approximately 71.1% of the Group's total revenue in 2012.

Apparel Supply Chain Management Services

Despite the consolidation of Yuen Thai Group's results in 2012, the revenue of the Casual and Fashion Apparel Division in 2012 decreased by 2.5% to approximately US$427,646,000 when compared to 2011. Such decrease was mainly due to the decrease in average selling price as a result of the decrease in cotton price. The segment profit of Casual and Fashion Apparel Division is approximately US$33,618,000 representing an increase of 130.4% over 2011. The segment profit margin of 7.9% in 2012 is about 4.6 percentage point over 2011. The good segment results is due to (1) the recovery of orders from a substantial Japan customer, the orders from which was affected negatively as a result of the Japan earthquake in March 2011; (2) cost saving due to the wage differential between China and the Philippines and (3) the continuous strong performance of the ladies wear business within the Casual and Fashion Apparel Division.

The apparel business from the Life-style Apparel Division experienced a tough time for the year, which recorded a segment loss of approximately US$4,817,000. In view of the unstable economic environment in Europe and the shrinking demand from one of our major European customers, a goodwill of approximately US$6,896,000 was written down from Life-style Apparel Division with reference to a valuation performed by an independent valuer. If this one-time impairment of goodwill was not taken into account, the Life-style Apparel Division should have been making a profit of approximately US$2,079,000 in was 2012. More details of such goodwill impairment is disclosed in note 8 to the consolidated financial statements on page 82 to page 84 of this Annual Report.

The Sweaters Division has reported a segment profit of approximately US$4,351,000 for 2012, representing an increase of 34.9% over 2011. The acquisition of Tien-Hu Knitting Company (Hong Kong) Limited and its operating subsidiary in Dongguan during the year has streamlined the operations of the Sweaters Division and improved its flexibility and production efficiency in taking customers orders.

Accessories Supply Chain Management Services

The Accessories Division recorded a high profit of approximately US$10,732,000 for 2012, representing an increase of approximately 94.4% over 2011. Credit for this remarkable performance should mainly go to the continued support and commitment of a major USA luxury bag customer of the Division in increasing its orders in our factory in the Philippines and the completion of the acquisition of a footwear business in July 2012, which constituted part of the Division's result for the year under review.

Real Estate

As disclosed in our 2011 Annual Report, the Company disposed of its controlling interest in the real estate project in Qingyuan to Sunshine 100 Real Estate Group Co., Limited ("**Sunshine 100**"), thereby resulting in the formation of a joint venture between Sunshine 100, the Group and Luen Thai Land Limited. This real estate project site is near to the Guangzhou-Qingyuan Light Rail ("**Light Rail**") system which will connect Qingyuan with the Guangzhou Metro. The Light Rail system should be able to enhance the value of this real estate project which could possibly bring in additional income stream to the Group starting from 2015. In addition, the Group has recognized an additional gain of approximately US$5,092,000 on disposal of the real estate project due to the fulfillment of certain conditions as stated in the subscription and share purchase agreement with Sunshine 100.

Logistics

The Group's freight forwarding and logistics services recorded a revenue of approximately US$18,371,000 for the year under review, representing an increase of approximately 7.1% over 2011.

MARKETS

Geographically, the US market was still the Group's key export market in 2012, accounting for approximately 50.1% of the Group's total revenue in 2012. The revenue derived from customers in the USA is approximately US$496,451,000, representing an increase of approximately US$31,216,000 over 2011. Such increase represents mainly the increase of sales recorded by Accessories Division in 2012.

Europe continued to be the second largest export market of the Group in 2012. Europe accounted for approximately 25.9% of the Group's total revenue in 2012. The revenue derived from customers in Europe is approximately US$256,176,000, representing an increase of approximately US$1,431,000 over that recorded for 2011. This slight increase is mainly due to the incorporation of the operations of Yuen Thai Group with the offsetting effect on the decline in the European business under the Life-style Apparel Division.

Asia market (mainly the Greater China and Japan) is still a growing market in 2012, which accounted for approximately 17.2% of the Group's total revenue representing a 2.8 percentage points increase over that of 2011.

ACQUISITIONS AND JOINT VENTURES

It has been one of the Group's strategies to strengthen its core business by way of selective value-enhancing acquisitions and joint ventures. During the year under review, the Group has completed the following significant transactions:

On 1 February 2012, the Company, through its subsidiary, entered into a sale and purchase agreement to acquire the entire interest in Tien-Hu Knitting Company (Hong Kong) Limited, which has a wholly-owned operating subsidiary in Dongguan, from an independent third party at a consideration of HK$46,500,000. We believe that this acquisition has not only streamlined the operation of the Sweaters Division, but also increased its operational efficiency.

As disclosed in the Company's announcement dated 27 April 2012, the Company entered into a sale and purchase agreement on the same date to acquire the remaining 50% equity interest in Yuen Thai Group through the issuance of a convertible bond at a principal amount of US$4,600,000. Before the acquisition, the Yuen Thai Group was a 50/50 joint venture between the Group and Yue Yuen Industrial (Holdings) Limited. After the acquisition, Yuen Thai Group has now become wholly owned by Luen Thai. The acquisition has given the Group more flexibility in the management and decision-making matters of the Yuen Thai Group.

As disclosed in the Company's circular dated 20 June 2012, the Company, through its subsidiary, entered into a sale and purchase agreement on 30 May 2012 with Luen Thai Enterprises Limited, to acquire the entire interest in Luen Thai Industrial Company Limited and its subsidiaries, which are principally engaged in the development, manufacture, sale and trading of footwear. This acquisition has further enriched the Group's product range on consumer products manufacturing and enhanced the cross selling opportunities and enlarged its customer base. The acquisition was completed in July 2012.

Luen Thai will continue to seek for value-enhancing acquisition and joint venture opportunities to maximize the return to shareholders.

FUTURE PLANS AND PROSPECT

Increase Production Capacities Outside China

As disclosed in the Company's announcement dated 7 January 2013, the Company, through its indirect wholly owned subsidiary, entered into a share purchase agreement on 6 January 2013 with Ocean Sky International Limited to acquire the entire interest in Ocean Sky Global (S) Pte Ltd. and its subsidiaries ("**Ocean Sky Group**"), which are primarily engaged in the business of designing, manufacturing, sales and marketing of apparel in Vietnam, Cambodia, Singapore and Hong Kong. The Board believes that through this proposed acquisition, the Group can further diversify its production bases outside China in other Southeast Asia countries (i.e. Cambodia and Vietnam).

Though the operating cost in China has not increased significantly during the year under review, the statutory minimum labour wage in Guangdong province will be increased effective from May 2013. It is also expected that the wage in Guangdong Province will increase at an annual rate of at least 13% per annum in the next three years according to the 12th Five Year Plan for National Economic and Social Development of the People's Republic of China. To maintain our competitive strength, it is our strategy to continue our development of future production capacities in the Philippines, Vietnam and Cambodia while keeping the current production capacities in Indonesia and China stable. With the support of our strategic supply chain partners to formulate and implement our strategy of diversification of production bases in the Southeast Asian region, we should be able to keep our labour cost under reasonable control, which will be beneficial to our business operations and maintaining our performance in the next few years.

Apparel Supply Chain Management Services

One major Japan customer from our Casual and Fashion Apparel Division will continue to place more orders in our Philippines factory to cope with its rapid growth.

With an aim to sustain the growth of the Casual and Fashion Apparel Division, the Company has acquired the remaining 50% equity interest of Yuen Thai Group during the year under review. The Board expects Yuen Thai Group will expand other production capacities outside China and the Philippines with more flexibility.

In addition, if the proposed acquisition of Ocean Sky Group proceeds to completion, we believe that it will enable the Group to extend its customer base and geographical market coverage. It is anticipated that the Group is able to strengthen its knit production with the expertise and capacities of Ocean Sky Group.

Accessories Supply Chain Management Services

The Board believes that the Accessories Division will still be the major growth driver of the Company in the few years ahead due to the persistent strong demand from a major USA luxury bag customer and its increase in production capacity in the Philippines. In addition, the Board expects the acquisition of the footwear business during the year will be another driver for the growth of the Company.

The Group's existing manufacturing facility in the Philippines for the accessories production is operating at close to full capacity. To cope with the development strategy, the Group has leased several new production facilities in the Philippines with floor area of approximately 49,000 sq.m.. This additional production space shall allow the Group to acquire more machineries and equipments along with employing additional skill personnel to expand its accessory production capabilities.

Against the backdrop of continuous increasing cost in China, the Group's strong commitment to increase our capacities outside China was supported by our major customers from both the apparel and accessories divisions. As a result, the Board has set a management goal of revenue growth for the Group to be around an average of 10% per year in the next few years.

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 encourages dual communication with both private and institutional investors and responds to their enquiries in an informative and timely manner. 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 regularly updates its corporate information on the Company's website (www.luenthai.com) in both English and Chinese on a timely basis to all concerned parties.

FINANCIAL RESULTS AND LIQUIDITY

As at 31 December 2012, the total amount of cash and bank deposit of the Group was approximately US$165,588,000, representing an increase of approximately US$26,761,000 as compared to that as at 31 December 2011. The Group's total bank borrowings as at 31 December 2012 was approximately US$113,058,000, representing an increase of approximately US$25,005,000 as compared to that as at 31 December 2011.

As at 31 December 2012, based on the scheduled repayments set out in the relevant loan agreements with banks, the maturity profile of the Group's bank borrowings spread over six years with approximately US$91,564,000 repayable within one year, approximately US$7,555,000 in the second year, approximately US$13,725,000 in the third to fifth year, and approximately US$214,000 in after fifth year.

Gearing ratio of the Company is defined as the net debt (represented by bank borrowings net of cash and bank balances) divided by shareholders' equity. As at 31 December 2012, 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, Euro, Hong Kong dollar, Chinese Yuan and Philippine Peso. For those activities denominated in other currencies, the Group may enter into forward contracts to hedge its receivables and payables denominated in foreign currencies against the exchange rate fluctuations.

CONTINGENT LIABILITIES AND OFF-BALANCE SHEET OBLIGATIONS

The Group is involved in various labour lawsuits and claims arising from the normal course of 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 33,000 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"

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

"HERproject"

GJM, one of our Fashion Division companies, has been sponsored by ANN INC., the parent Company of Ann Taylor and LOFT to participate in the "HERproject" (HER stands for Health Enable Returns).

This is a project focusing on improving the welfare and health awareness for the female workforce that will in turn facilitate greater returns on productivity and attendance for the organization.

GJM is the only factory in China nominated by ANN INC. for this project. The sponsorship is a positive recognition of GJM's achievement in corporate social responsibility.

"I serve, I give back"

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.

EXECUTIVE DIRECTORS

Dr. TAN Siu Lin, aged 82, 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 59, is the Chief Executive Officer of Luen Thai Holdings Limited and son of Dr. TAN Siu Lin. Mr. Tan is also a member of the Remuneration Committee, Nomination Committee and the Bank Facility Committee. Mr. Tan joined the Group in January 1985 and has over 28 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), honourable life-chairman of the Hong Kong General Chamber of Textiles Limited, general committee member of Textile Council of Hong Kong Limited, board member of The Hong Kong Research Institute of Textiles and Apparel Limited, 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 51, 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 23 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. In August 2012, Mr. Tan was awarded "Outstanding Entrepreneurship Award" 2012, Hong Kong region. In January 2013, Mr. Tan was also awarded "Capital Leader of Excellence 2012" which was organized by Capital Magazine. Mr. Tan graduated with a Bachelor's degree in Business Administration from the University of Guam.

MOK Siu Wan, Anne, aged 60, is the President and Chief Merchandizing Officer of Luen Thai International Group Limited and the President of the Tien Hu Group. Ms. Mok is an accomplished industry professional with years of experience in key executive and board member positions out of which over 20 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 39, 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 is also an independent non-executive director of Hopewell Holdings Limited. Mr. Tan obtained a Master of Science degree from Stanford University and Bachelor of Business Administration degree from the University of Wisconsin-Madison. Mr. Tan has resigned as an executive director of the Company with effect from 28 December 2012.

NON-EXECUTIVE DIRECTORS

TAN Willie, aged 57, 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 30 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 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 59, is 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. Additionally, he is currently a director of Pou Chen Corporation, San Fang Chemical Industry Co. Ltd. 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. Mr. Lu is an accomplished industry professional with over 35 years of experience in the manufacturing of footwear and related components. He joined the Group in 2007.

INDEPENDENT NON-EXECUTIVE DIRECTORS

CHAN Henry, aged 47, is a member of the Audit Committee, Nomination Committee and the Remuneration Committee. Mr. Chan has over 25 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 and was a member of the Advisory Committee of the Securities and Futures Commission. Mr. Chan is currently 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 69, is a member of the Audit Committee, Nomination 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 65, is the Chairman of the Audit Committee, Nomination 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 38 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 60, is the Director and Vice Chairman of CTSI Logistics Ltd. Mr. Chan is responsible for the overall management of the operation of the logistics business in China. Mr. Chan joined the Group in 1980.

CHOI Suk Yan, Belinda, aged 64, is the Group Finance Controller and Treasurer. Ms. Choi has over 38 years of experience in various areas of the apparel manufacturing industry with over 27 years of experience in financial management. She joined the Group in 1967.

HELFENBEIN Richard A., aged 64, 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, and the Board of the Greyston Foundation in New York. He is currently a Board Member and Executive Committee Member of American Apparel and Footwear Association, as well as serving as Vice Chairman of the organization, (AAFA is the highly prestigious USA national trade organization for apparel and footwear), and he also is on the Apparel Studies Advisory Board of the University of Arkansas, and the Wisdom Council of the Greyston Foundation. Mr. Helfenbein received a Bachelor of Science degree in Economics from the Wharton Business School at the University of Pennsylvania, participates in COER (Consortium for Operational Excellence in Retailing), and lectures at Industry Events and prestigious Universities in the USA on the subjects of Marketing, Supply Chain Management, and International Trade.

Dr. ROMAGNA John, aged 67, is the Executive Vice President of Strategy, Systems, and Support Division. Dr. Romagna joined the Group in 1997 and has over 30 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 54, is Executive Vice President of Luen Thai International Group, Ltd., and is responsible for the business of Verte Company which manufactures mainly Ralph-Lauren brand. 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 Hong Kong Chamber of Commerce and the Mexican Chamber of Commerce Hong Kong.

TAN Cho Yee, Jerry, aged 51, 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 23 years of experience in logistics operations. Active in community service, Jerry serves as the Vice-Chairman of the Tan Siu Lin Foundation since 2009. He was a Board Member of the American Red Cross CNMI Chapter from 2002 to 2008, and was conferred in 2010 the status of an Honorary Board Member, a lifetime membership on the Board, in recognition of his tremendous efforts over the past 10 years. He served as a director of the Saipan Chamber of Commerce in 2003 and 2004. Jerry was the President of the Northern Marianas College Foundation from 2002 to 2006, and served as a Board Member from 2007 to May 2010. 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. He was Vice-President/Treasurer in 2004, and is currently the President/Treasurer of the Chinese Association of Saipan since 2005. He was the Chairman of the Mariana Visitor's Authority from March 2006 to March 2010, and was elected as a Board Member in June 2012. In January 2010, he was appointed by the Taipei Compatriot Affairs Commission as the Adviser for Overseas Compatriot Affairs. He was appointed by Governor Benigno R. Fitial in 2011 as a Member of the CNMI Bid Committee for the 2017 Pacific Mini Games. 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. In June 2010, the Rotary Club of Saipan bestowed him the Rotary Citizen of the Year Award in recognition for his contribution to the community. Jerry obtained a degree in Bachelor of Business Administration from the University of Guam.

WONG, Sammy, aged 56, 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 32 years of experience in sweater business. Mr. Wong obtained a Diploma in Architectural and Environmental Design of the OCAD University in Toronto, Canada.

COMPANY SECRETARY

CHIU Chi Cheung, aged 49, is the Vice President of Corporate Finance, Company Secretary of the Company. Mr. Chiu has over 20 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 2012.

PRINCIPAL ACTIVITIES

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

GROUP PROFIT

The consolidated income statement is set out on page 45 and shows the Group's profit for the year ended 31 December 2012. 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 7 to 11 of the annual report.

DIVIDENDS

An interim dividend of US0.367 cent (or equivalent to HK2.848 cents) per share was paid to the shareholders during the year totaling to approximately US$3,664,000 and the Directors recommend the payment of a final dividend of US0.791 cent (or equivalent to HK6.140 cents) per share totaling to approximately US$7,927,000.

SUBSIDIARIES, AN ASSOCIATE AND JOINTLY CONTROLLED ENTITIES

Details of the principal subsidiaries, an associated company and jointly controlled entities of the Company and the Group as at 31 December 2012 are set out in notes 9 to 11 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in share capital of the Company during the year are set out in note 16 to the consolidated financial statements.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 17 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

The distributable reserves of the Company available for distribution as dividends amounted to approximately US$201,852,000 as at 31 December 2012, comprising retained earnings of approximately US$12,456,000, a share premium of approximately US$117,832,000 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 128 of the annual report.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group acquired property, plant and equipment of approximately US$8,296,000. Details of the movements in property, plant and equipment of the Group during the year are set out in note 7 to the consolidated 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$824,000.

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 2012:

					No. of share options				
	Note	Date of grant (dd/mm/yyyy)	Exercisable Period (dd/mm/yyyy)	Exercise Price Per Share	As at 1 January 2012	Granted during the year	Lapsed/ Forfeited	Exercised	As at 31 December 2012
Mok Siu Wan, Anne	4	21/04/2008	21/04/2009–20/04/2013	HK$0.71	2,000,000	–	–	800,000	1,200,000
Other Employees		21/04/2008	21/04/2009–20/04/2013	HK$0.71	10,300,000	–	600,000	6,350,000	3,350,000
Total		21/04/2008	21/04/2009–20/04/2013	HK$0.71	12,300,000	–	600,000	7,150,000	4,550,000

Notes:

1. Upon acceptance of the options, HK$10 is paid by the grantee as consideration for the 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. A total of 2,300,000 share options granted and outstanding as at 31 December 2012 were exercised up to the date of approval of the Company's 2012 Annual Report.

4. Ms. Mok Siu Wan, Anne is an executive Director of the Company.

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)
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

Except for Mr. Tan Sunny who resigned on 28 December 2012, 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 (resigned on 28 December 2012)

Non-executive Directors
TAN Willie
LU Chin Chu

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

PARTICULARS OF SERVICE AGREEMENTS

Ms. Mok Siu Wan, Anne who has renewed her director's service contract with the Company for a fixed period of three years commencing from 1 January 2013 and Mr. Tan Sunny entered into director's service agreement for a period of 3 years commencing from 1 April 2012. Except for Ms. Mok Siu Wan, Anne and Mr. Tan Sunny, each of the executive Directors has renewed his service agreement with the Company for a fixed period of three years commencing from 27 June 2010, subject to the retirement and re-appointment provisions in the articles of association of the Company, unless terminated 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. 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$277,808
TAN Cho Lung, Raymond	HK$202,096

Under the director's service contract of Ms. Mok Siu Wan, Anne renewed with the Company on 1 January 2013, she is entitled to receive a director's fee of HK$150,000 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 as supplemented by a letter of salary increment dated 29 February 2012, Ms. Mok Siu Wan, Anne is entitled to receive a monthly salary of HK$280,000.

Under the director service contract of Mr. Tan Sunny entered into with the Company on 31 March 2012, he was entitled to a monthly salary of HK$67,000 per month and pursuant to a letter of salary increment dated 30 June 2012, the monthly salary of Mr. Tan Sunny was revised to HK$149,039. Mr. Tan Sunny has resigned as an executive director of the Company with effect from 28 December 2012 and will continue to serve as the Chief Financial Officer of the Group.

Mr. Lu Chin Chu was re-appointed as a non-executive Director of the Company for a fixed period of three years from 17 September 2010 to 16 September 2013. Pursuant to the letter of re-appointment dated 16 September 2010 and a letter of director fee increment dated 30 August 2012, Mr. Lu is entitled to an annual director fee increase from HK$120,000 to HK$150,000 effective from 1 September 2012.

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 three years commencing from 26 May 2012 with an annual salary and annual director's fee of US$150,000 and HK$120,000 respectively. Effective from 1 September 2012, Mr. Tan Willie will solely receive an annual director fee of HK$150,000 per annum.

Pursuant to the letter of re-appointment dated 28 December 2010, Mr. Seing Nea Yie was re-appointed as an independent non-executive Director of the Company for a period from 28 January 2011 to 15 April 2013.

Pursuant to the letter of re-appointment from the Company to each of Mr. Cheung Siu Kee and Mr. Henry Chan dated 12 April 2010, the re-appointment of each of these independent non-executive Directors of the Company was for a term of another 3 years commencing from 16 April 2010.

Pursuant to a letter of director fee increment dated 30 August 2012, each of Mr. Seing Nea Yie, Mr. Cheung Siu Kee and Mr. Henry Chan is entitled to an annual director fee increase from HK$120,000 to HK$150,000 effective from 1 September 2012.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 31 December 2012, 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 pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (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 interest in the Company
TAN Siu Lin	Trustee (note 1)	6,500,000	0.65%
	Interest of controlled corporation (note 1)	26,300,000	2.63%
TAN Henry	Interest of controlled corporation (note 2)	685,200,000	68.53%
TAN Cho Lung, Raymond	Beneficial Owner (note 3)	1,703,000	0.17%
MOK Siu Wan, Anne	Beneficial Owner (note 4)	2,000,000	0.20%
TAN Willie	Beneficial Owner (note 5)	1,000,000	0.10%

Notes:

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

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 and indirectly owns Hanium Industries Limited, which own 614,250,000 Shares and 17,100,000 Shares respectively.

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

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

3. A total of 1,703,000 Shares were acquired by an associate of Mr. Tan Cho Lung, Raymond between 2006 and 2011. He is therefore deemed under Part XV of the SFO to be interested in all of the 1,703,000 Shares acquired by his associate..

4. Ms. Mok Siu Wan, Anne has 2,000,000 share options granted by the Company on 21 April 2008 and she exercised 500,000 and 300,000 share options in April and September 2012. None of the 800,000 Shares obtained through the exercise of share options was disposed of up to the date of this report.

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

CONNECTED TRANSACTIONS AND DIRECTORS' INTERESTS IN CONTRACTS

Details of the connected transaction entered into by the Group during the year are as follows:

(i) On 30 January 2012, Sunny Force Limited ("SFL"), an indirect wholly owned subsidiary of the Company, entered into a sale and purchase agreement ("LT Cambodia Agreement") with Profitable Concepts Limited ("PCL"). Pursuant to the LT Cambodia Agreement, SFL agreed to sell the entire interest in Luen Thai Garment (Cambodia) Co., Ltd. ("LT Cambodia") at a consideration of US$1,670,000. LT Cambodia was previously engaged in garment manufacturing in Cambodia before it ceased operations in October 2004.

PCL is ultimately controlled by Mr. Tan Siu Lin, an executive Director and the chairman of the Company and hence PCL is a connected person of the Company. The transaction also constitutes a connected transaction of the Company which is subject to the reporting and announcement requirements under the Listing Rules, but is exempt from the requirements of independent shareholders' approval under Chapter 14A of the Listing Rules.

Further details of the transaction were disclosed in the announcement of the Company dated 30 January 2012.

(ii) On 30 May 2012, the Company, through its direct wholly owned subsidiary, Luen Thai Overseas Limited ("LTO") entered into a sale and purchase agreement ("LTIL Agreement") with Luen Thai Enterprises Limited ("LTE"). Pursuant to the LTIL Agreement, LTO agreed to acquire from LTE the entire interest in Luen Thai Industrial Company Limited ("LTIL") at a consideration of RMB88,109,763 (equivalent to approximately US$13,807,000). LTIL and its wholly owned subsidiaries are principally engaged in trading and manufacturing of footwear products.

LTE is ultimately controlled by Mr. Tan Henry, an executive Director and chief executive officer of the Company and hence LTE is a connected person of the Company. The transaction also constitutes a connected transaction of the Company which is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Further details of the transaction were disclosed in the circular of the Company dated 20 June 2012.

Details of the Continuing Connected Transactions are as follows:

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 2012 and 2011. Details of these connected transactions are more particularly described 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	2012 US$'000	2011 US$'000
Tan Private Group	Provision of technological support services (note a)	2,054	2,100
	Travel services	—	89
	Lease agreements (note b)		
	— Group as tenants	1,497	1,512
	— Tan Private Group as tenants	66	66
	Administrative and Support Services (note c)	48	50
	Freight services by the Group (note d)	362	324
	Shipping agency services by the Group (note e)	704	708
	Advance Payments (note f)		
	— Made by the Group	23	27
	— Made by the Tan Private Group	3	4

(a) On 18 December 2009, Luen Thai Overseas Limited, a subsidiary of the Company, entered into an agreement with the Tan Private Group for a term of 2 years and six months from 1 July 2010 to 31 December 2012 pursuant to which the Tan Private Group, through its subsidiary, shall continue to provide technological support services to the Group including but not limited to software and system development and maintenance services such as process mapping, analysis and design, process reengineering, scheduling, management reporting and analysis ("Old Technological Support Master Agreement").

(b) On 18 December 2009, Luen Thai Overseas Limited, a subsidiary of the Company, entered into an agreement with the Tan Private Group in relation to the leasing of properties between the Group and the Tan Private Group, pursuant to which such leasing arrangements will be for a term of 3 years from 1 January 2010 to 31 December 2012 ("Old Properties Lease Master Agreement").

(c) On 18 December 2009, Luen Thai Overseas Limited, a subsidiary of the Company, entered into an agreement with the Tan Private Group, pursuant to which the Group will provide administrative and support services to the Tan Private Group as may be required from time to time for a term of 3 years from 1 January 2010 to 31 December 2012.

(d) On 5 December 2011, the Group has entered into a master agreement with the Tan Private Group in respect of all the transactions relating to the Group's provision of freight services ("CTSI Transactions") to the Tan Private Group for a 3-year fixed term from 1 January 2012 to 31 December 2014 ("Freight Master Agreement").

The CTSI Transactions involved the booking of freight space with third party airlines, in return for commissions paid by the airlines and additional premium charged by the Group above the airline published rates. For the CTSI Transactions, the Group as a shipping operator provides freight services directly to the relevant members of the Tan Private Group.

As disclosed in the Company's announcement dated 2 November 2012, the annual cap for the freight services under the Freight Master Agreement were to be revised for the year ended 31 December 2012 and each of the two years ending on 31 December 2014 respectively. Such revision is due to the increased demand for freight services by the Tan Private Group resulting from the improvement in fish catching technology and expansion of a substantial client of the Tan Private Group, and the actual transaction amounts for the provision of freight services received by the Group from the Tan Private Group for the nine months ended 30 September 2012.

(e) On 5 December 2011, the Group has entered into an agreement with Mariana Express Lines Ltd ("MELL") in respect of the Group's provision of shipping agency services to the Tan Private Group for a 3-year fixed duration from 1 January 2012 to 31 December 2014 ("Shipping Master Agreement"). MELL is owned as to 45% by Luen Thai Enterprises Limited which in turn is controlled by Mr. Tan Henry, an executive director and the chief executive officer of the Company. Therefore is a connected person of the Company.

Pursuant to the Shipping Master Agreement, the Group provides cargo solicitation, market reports, preparation of shipping documentation, cargo loading and discharge, vessel husbanding, container monitoring and control, as well as customer services, as an agent for MELL in various jurisdictions, including the Philippines, Guam and the Commonwealth of Northern Mariana Islands. In addition, the Group acts as an agent of MELL to third parties.

As disclosed in the Company's announcement dated 2 November 2012, the annual cap for the shipping agency services under the Shipping Master Agreement were to be revised for the year ended 31 December 2012 and each of the two years ending on 31 December 2014 respectively. Such revision is due to the increased demand for shipping agency services by MELL due to the growth of MELL's business and the actual transactions amount for the provision of shipping agency services received by the Group from MELL for the nine months ended 30 September 2012.

(f) On 18 December 2009, Luen Thai Overseas Limited, a subsidiary of the Company, entered into an agreement with the Tan Private Group, in relation to arrangements for making regular advance payments between the Group and the Tan Private Group as may be required from time to time for a term of 3 years from 1 January 2010 to 31 December 2012. Such advance payments are for the day-to-day operation needs. The advance payments made by the Group for the Tan Private Group include IP VPN (internet protocol virtual private network) charges, medical fees for employees and general miscellaneous expenses, whereas the advance payments made by the Tan Private Group for the Group include charges for leased line SAP (system application and products) users and general miscellaneous expenses. All the advance payments were reimbursed to the Group or to the Tan Private Group (as the case may be) at cost.

During the year under review, the Group has also entered into the following master agreements, the term of which commenced on 1 January 2013:

(1) On 14 December 2012, Luen Thai Overseas Limited, a subsidiary of the Company, has entered into the Technological Support Master Agreement with the Tan Private Group to renew the Old Technological Support Master Agreement in respect of the provision of technological support services to extend the term for a 3-year fixed duration from 1 January 2013 to 31 December 2015. The provisions of technological support services constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

The fees paid and to be paid by Group to the Tan Private Group in relation to the technological support services are determined after arm's length negotiations with reference to the prevailing rates in the technological support services industry, and are charged on the same bases as those for independent third parties.

(2) On 14 December 2012, Luen Thai Overseas Limited, a subsidiary of the Company, has entered into the Properties Lease Master Agreement for Leasing Arrangements with the Tan Private Group to renew the Old Properties Lease Master Agreement in respect of the leasing of properties between the Group and the Tan Private Group to extend the term for a 3-year fixed duration from 1 January 2013 to 31 December 2015. The above leasing arrangements under the Properties Lease Master Agreement for Leasing Arrangements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

The fees paid and to be paid by the Tan Private Group to the Group in relation to the leasing arrangement of office and warehouse are determined after arm's length negotiations with reference to the prevailing rates in the industry of properties leasing arrangements, and are charged on the same bases as those for independent third parties.

Further details of the continuing connected transactions in relation to the above Technological Support Master Agreement and Properties Lease Master Agreement for Leasing Arrangements were disclosed in the announcement of the Company dated 14 December 2012.

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

Pursuant to Rule 14A.37 of the Listing Rules, the independent non-executive Directors have reviewed the aforesaid continuing connected transactions and have confirmed that these 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 Listing Rules and disclosed in previous announcements.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Group in pages 22–25 of the Annual Report in accordance with paragraph 14A.38 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

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 any one of the Directors 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 2012, 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	Note	Capacity	No. of ordinary Shares beneficially held	Approximate percentage of interests in the Company
Capital Glory Limited	(a & b)	Beneficial owner	614,250,000	61.44%
Helmsley	(a & b)	Interest of controlled corporation	631,350,000	63.15%
Pou Chen Corporation	(c)	Interest of controlled corporation	89,100,000	8.91%
Wealthplus Holdings Limited	(c)	Interest of controlled corporation	89,100,000	8.91%
Yue Yuen Industrial (Holdings) Limited	(c)	Interest of controlled corporation	89,100,000	8.91%
Pou Hing Industrial Co. Ltd.	(c)	Interest of controlled corporation	89,100,000	8.91%
Great Pacific Investments Limited	(c)	Beneficial owner	89,100,000	8.91%

Notes:

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

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

Save as disclosed above, so far as is known to the Directors, there are no other person (not being a Director or chief executive of the Company) who has an 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, who is directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of 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 2012.

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.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Pursuant to Rule 8.10 of the Listing Rules, there were no competing business of which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year which is required to be disclosed.

MAJOR CUSTOMERS AND SUPPLIERS

The Group's top five customers accounted for approximately 51.0% (2011: 53.3%) of the total sales. The top five suppliers accounted for approximately 15.3% (2011: 13.4%) of the total purchases for the year. In addition, the Group's largest customer accounted for approximately 14.6% (2011: 15.8%) of the total sales and the Group's largest supplier accounted for approximately 4.3% (2011: 3.5%) 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 Corporate Governance Report of the Company is set out in pages 28 to 39 of this annual report.

AUDITOR

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

26 March 2013

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 2012, the Company has complied with the Code on Corporate Governance Practices during the period from 1 January 2012 to 31 March 2012 and the Corporate Governance Code ("the Code") during the period from 1 April 2012 to 31 December 2012 as set out in the Appendix 14 of the Listing Rules.

This report includes key information relating to corporate governance practices of the Company during the year ended 31 December 2012 and significant events after that date and up to the date of this report.

UPDATE ON DIRECTOR'S INFORMATION PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of the directors of the Company since the date of the Company's 2012 interim report on 28 August 2012 are set out below:

On 28 December 2012, Mr. Tan Sunny resigned as executive director of the Company. Information in relation to Mr. Tan Sunny as required under Rule 13.51B(1) of the Listing Rules is set out in the section under Management Executives of this annual report.

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

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 as set out in Appendix 10 of the Listing Rules. After having made specific enquiry of all Directors of the Company, all the Directors are of the view that they have complied with the required standard set out in the Model Code and its code of conduct regarding securities transactions in all material respects for the year ended 31 December 2012, save for a minor occasion involving dealing of an insignificant number of the Company's shares not in compliance with paragraphs A1 and B8 of the Model Code due to oversight. In order to prevent occurrence of similar incident in the future, the Company Secretary will periodically issue reminders to the directors of the Company to comply with the Model Code in the manner as required by the Model Code.

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. Each of the Directors is required to give sufficient time and attention to the affairs of the Company. In 2012, four Board meetings were held with a very satisfactory average attendance rate of 97.5%, details of which are presented below.

Board Members	Meetings Attended/Held	Average Attendance Rate
Executive Directors		100%
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	4/4	100%
TAN Sunny* (resigned on 28 December 2012)	4/4	100%
Non-executive Directors		88%
TAN Willie*	4/4	100%
Lu Chin Chu	3/4	75%
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.

Up to the date of this report, the Chairman of the Company has held various meetings with the non-executive Directors (including the independent non-executive Directors) without the presence of the executive Directors.

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.

Board responsibilities

The Board acknowledges its responsibility for the management of the Group and is collectively responsible to ensure sound and effective internal control systems are maintained so as to safeguard the Group's assets and the interest of the shareholders. The Board is responsible to formulate the overall strategies of the Group, monitors operating and financial performance, reviews the effectiveness of the internal control system and determines the corporate governance policy of the Group. The Board members have separate and independent access to the senior management, and are provided with complete and timely information about the conduct of the business and development of the Company, including monthly reports and recommendations on significant matters.

Regarding our Group's corporate governance, the Board as a whole is responsible to perform the following corporate governance duties including:

(i) to review and monitor the Company's policies and practices in compliance with legal and regulatory requirements;

(ii) to develop and review the Company's policies and practices on corporate governance;

(iii) to review and monitor the training and continuous professional development of directors and management;

(iv) to review the Company's compliance with the Corporate Governance Code and disclosure in the Corporate Governance report; and

(v) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors.

Chairman and CEO

During the year 2012 and as of the date of this report, Dr. 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 Dr. 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 currently comprises four executive Directors, including the Chairman of the Board, two non-executive Directors and three independent non-executive Directors. As at 31 December 2012, independent non-executive Directors constitute one-third of the Board, which in compliance with the new requirement under Rule 3.10(A) of the Listing Rules. 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.

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 dated 28 December 2010, Mr. Seing Nea Yie was re-appointed as an independent non-executive Director of the Company for a period from 28 January 2011 to 15 April 2013.

Pursuant to the letter of re-appointment from the Company to each of Mr. Cheung Siu Kee and Mr. Henry Chan dated 12 April 2010, the re-appointment of each of these independent non-executive Directors of the Company was for a term of another 3 years commencing from 16 April 2010.

Pursuant to a letter of director fee increment dated 30 August 2012, each of Mr. Seing Nea Yie, Mr. Cheung Siu Kee and Mr. Henry Chan is entitled to an annual director fee increase from HK$120,000 to HK$150,000 effective from 1 September 2012.

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 Rule 3.13 of the Listing Rules and considers that all independent non-executive Directors are independent.

Mr. Cheung Siu Kee and Mr. Henry Chan both were appointed as independent non-executive directors of the Company in 2004 and will have served the Company for more than nine years as at the date of the forthcoming annual general meeting of the Company. To the best knowledge of the Board, Mr. Cheung Siu Kee and Mr. Henry Chan have not relied on the remuneration given by the Company and they are independent of any connected person and substantial shareholder of the Company. Therefore, the Board is of the opinion that both Mr. Cheung Siu Kee and Mr. Henry Chan are able to exercise their professional judgment and draw upon their extensive knowledge in financial management and corporate governance for the benefit of the Company and its shareholders as a whole and, in particular, the independent shareholders. The Board considers that both Mr. Cheung Siu Kee and Henry Chan are independent in accordance with the terms of the guidelines set out in Rule 3.13 of 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.

Continuing professional development

With effect on 1 April 2012, the Directors are committed to comply with Code Provision A.6.5 of the Corporate Governance Code on Directors' training so as to ensure that their contribution to the Board will be informed and relevant. All Directors have participated in appropriate continuous professional development to develop and refresh their knowledge and skills and provided the Company their record of training they received for the year ended 31 December 2012.

During the year, the Company organised an in-house training session in December 2012. Individual directors had also attended seminars and/or conferences or workshops or forums relevant to his profession and duties as directors.

A summary of training received by the directors since 1 April 2012 up to 31 December 2012 is as follows:

Board Members	Type of training
Executive Directors	
TAN Siu Lin *(Chairman of the Board)*	A
TAN Henry*	A, B
TAN Cho Lung, Raymond*	A
MOK Siu Wan, Anne	A
TAN Sunny* (resigned on 28 December 2012)	A, B
Non-executive Directors	
TAN Willie*	A, B
Lu Chin Chu	B, C
Independent non-executive Directors	
CHAN Henry	A, C
CHEUNG Siu Kee	A, B, C
SEING Nea Yie	A, B

* Son of TAN Siu Lin

A: attending training session arranged by the Company
B: attending seminars/conferences/workshops/forums
C: reading newspapers/journals and updates relating to their profession and director's responsibilities

During the year ended 31 December 2012, Mr. Chiu Chi Cheung, the Company Secretary has undertaken no less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules.

BOARD COMMITTEES

The Company currently maintains four board committees, namely, the Audit Committee, Remuneration Committee, Nomination Committee and Bank Facility Committee, for overseeing the respective aspects of the Company's affairs. Except for the Bank Facility Committee, all Board committees are established with defined terms of reference which are posted on the website of the Company and the Stock Exchange.

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. The Audit Committee must meet at least two times a year with the Company's external auditor and meetings shall be held at such other times 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 2012 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 Internal Audit Team ("IA Team") and up to the date of approval of the Company's 2012 Annual Report and financial statements, the Audit Committee and the Directors considered that:

(i) the internal control and accounting system are designed to provide reasonable but not absolute 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;

(ii) the internal controls systems of the Group have been implemented with room for improvement and the IA Team has actively conducted follow-up audit for any improvements which were identified; and

(iii) 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 2013.

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$872,000 was payable to PricewaterhouseCoopers for the provision of audit services. In addition, approximately US$685,000 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$90,000 and US$39,000 respectively.

REMUNERATION COMMITTEE

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	2/2

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 shall make recommendations to the Board on the Company's remuneration policy and structure for all directors' and senior management. The Remuneration Committee has reviewed the compensation of the directors and senior executives for 2012.

Pursuant to paragraph B.1.5 of the Code, the emolument of the members of the senior management (excluding the Directors) paid by the Group by band for the year ended 31 December 2012 is set out below:

Emolument band	**Number of individuals**
Nil to US$129,032 (equivalent to Nil to HK$1,000,000)	1
US$129,033 to US$193,548 (equivalent to HK$1,000,001 to HK$1,500,000)	2
US$387,097 to US$451,613 (equivalent to HK$3,000,001 to HK$3,500,000)	1
US$451,614 to US$516,129 (equivalent to HK$3,500,001 to HK$4,000,000)	2
US$774,194 to US$838,710 (equivalent to HK$6,000,000 to HK$6,500,000)	1

Further particulars regarding Directors' emoluments and the five highest paid employees as required to be disclosed pursuant to Appendix 16 to the Listing Rules are set out in note 26 to the consolidated financial statements as set out on pages 108 to 110 of this annual report.

In 2012, total Directors' remuneration amounted to approximately US$3,760,000 (2011: US$3,208,000). The executive Directors and senior management's compensation, including the long-term incentive, shall be based on the corporate and individual performance. Details of the remunerations of the Directors are set out in note 26 of the consolidated financial statements.

NOMINATION COMMITTEE

The Nomination Committee was established in March 2012 with written terms of reference in compliance with the requirements of the Listing Rules and New CG Code, which is published on the website of the Stock Exchange and the Company. The Nomination Committee is currently composed of four members, comprising one executive Director, namely Mr. Tan Henry and three independent non-executive Directors, namely Mr. Chan Henry, Mr. Cheung Siu Kee and Mr. Seing Nea Yie.

Upon acceptance of appointment, a new Director is provided with sufficient orientation package, including introduction to Group's 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.

The Nomination Committee reviews regularly the structure, size and composition of the Board and may make recommendations to the Board on the nominees for appointment as directors for their consideration and approval. During the year ended 31 December 2012, one Nomination Committee meeting was held.

The attendance record for the Nomination Committee's meeting during the year ended 31 December 2012 is as follows:

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

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 2012, 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. In addition, an explanation of the basis on which the Company generates or preserves value over the longer term and the strategy for delivering the Company's objective is included in the Chairman Statement and the Management Discussion section on pages 5 and 11.

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 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.

COMMUNICATION WITH SHAREHOLDERS

Communication with shareholders is considered an effective way to enable the shareholders of the Company (the "Shareholders") to have a clear assessment of the Group's performance as well as accountability of the Board of Directors. Major means of communication with the shareholders of the Company are as follows:

Disclosure of information on corporate website

All material information in both English and Chinese about the Group is made available on the Company's website (www.luenthai.com). The Company regularly updates its corporate information such as annual reports, interim reports, corporate governance practices, business development and operations to all concerned parties on a timely basis. Announcements made through the Stock Exchange, the same information will be made available on the Company's website.

Annual general meetings with shareholders

The Company's annual general meeting acts as a useful platform for direct communication between the Shareholders and the Board. Separate resolutions are proposed on each substantially separate issue at the general meetings.

The 2012 annual general meeting ("2012 AGM") and extraordinary general meeting ("2012 EGM") were held on 30 May 2012 and 9 July 2012 respectively. The attendance record of the Directors at the 2012 AGM and 2012 EGM are set out below:

Board Members	**AGM**	**EGM**
Executive Directors		
TAN Siu Lin *(Chairman of the Board)*	1/1	1/1
TAN Henry*	1/1	1/1
TAN Cho Lung, Raymond*	0/1	0/1
MOK Siu Wan, Anne	1/1	1/1
TAN Sunny* (resigned on 28 December 2012)	1/1	1/1
Non-executive Directors		
TAN Willie*	0/1	1/1
Lu Chin Chu	0/1	0/1
Independent non-executive Directors		
CHAN Henry	1/1	1/1
CHEUNG Siu Kee	1/1	1/1
SEING Nea Yie	1/1	1/1

* Son of TAN Siu Lin

The Company's independent external auditor also attended the 2012 AGM.

Voting by poll

Resolutions put to vote at the general meetings of the Company (other than on procedural and administrative matters) are taken by poll. Procedures regarding the conduct of the poll are explained to the shareholders at the commencement of each general meeting, and questions from shareholders regarding the voting procedures are answered. The poll results are posted on the websites of the Stock Exchange and the Company respectively on the same day as the poll.

SHAREHOLDERS' RIGHTS

Pursuant to the mandatory disclosure requirement under paragraph O of the Code, a summary of certain rights of the Shareholders of the Company is set out below:

Procedures for Shareholders to convene Extraordinary General Meeting ("EGM")

Pursuant to Article 58 of the Articles of Association of the Company, any one or more Shareholders of the Company holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require an EGM to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

The written requisition must state the objects of the EGM and must be signed by the requisitionists concerned and deposited at the registered office of the Company at 5th Floor, Nanyang Plaza, 57 Hung To Road, Kwun Tong, Kowloon, Hong Kong for the attention of the Company Secretary. The requisition may consist of several documents in like form, each signed by one or more of the requisitionists concerned.

The EGM convened by the requisitionists shall be convened in the same manner, as nearly as possible, as that in which general meetings are to be convened by the Board.

Procedures for directing Shareholders' enquiries to the Board

Shareholders may at any time send their enquiries to the Board in writing through the Company Secretary of the Company whose contact details are as follows:

5th Floor, Nanyang Plaza,
57 Hung To Road, Kwun Tong, Kowloon,
Hong Kong
Email: corporate_communications@luenthai.com

The Company Secretary shall forward the shareholders' enquiries and concerns to the Board and/or relevant board committees of the Company, where appropriate, to answer the Shareholders' questions.

In addition, Shareholders may also make enquiries to the Board at the general meetings of the Company.

Procedures for Shareholders to propose a person for election as a Director

Subject to applicable laws, rules and regulations, including the Listing Rules and the articles of association of the Company as amended from time to time, if any Shareholder(s) intends to propose a person other than a director of the Company for election as a Director at any general meeting, the following procedures shall apply:

- a notice signed by a Shareholder (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also a notice signed by the person to be proposed of his willingness to be elected shall have been lodged at the head office or at the Hong Kong Branch Share Registrar of the Company;

- the minimum length of the period during which such notice(s) are given shall be at least seven (7) days and that the period for lodgment of such notice(s) shall commence no earlier than the day after the dispatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting; and

- in order for the Company to inform Shareholders of that proposal, such notice(s) for the nomination of a director must state the full name of the person nominated for election as a Director and include the person's biographical details as required by the Listing Rules.

For Shareholders who would like to nominate a person for election as a Director of the Company at the forthcoming annual general meeting of the Company to be held on 27 May 2013 (the "AGM"), please refer to the notice of the AGM to be published for further information on the relevant nomination period.

Constitutional documents

During the year, there were no changes in any of the Company's constitutional documents.

SHAREHOLDERS' INFORMATION

Major Shareholders and Spread of Shareholders

As at 31 December 2012, the Company had 999,816,000 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	61.44%
Union Bright Limited (notes 1 & 3)	43,650,000	4.37%
Hanium Industries Limited (notes 1 & 4)	17,100,000	1.71%
Double Joy Investment Limited (notes 1 & 5)	10,200,000	1.02%
Other Shareholders (notes 1, 6, 7, 8 , 9 and 10)	35,825,000	3.58%
	721,025,000	72.12%
Public Shareholders		
Great Pacific Investments Limited	89,100,000	8.91%
Other Shareholders	189,691,000	18.97%
Total	999,816,000	100.00%

Notes:

1. Parties acting in concert.

2. Capital Glory is a wholly owned subsidiary of Helmsley, which is in turn owned as to 70% by Mr. Tan Henry.

3. Union Bright Limited is a wholly owned subsidiary of Tan Holdings Corporation, which is in turn owned as to 35% by Mr. Tan Henry.

4. Hanium Industries Limited is an indirect wholly owned subsidiary of Helmsley, which is in turn owned as to 70% by Mr. Tan Henry.

5. Mr. Tan Henry controls and has the interest in Double Joy Investment Limited, a company incorporated in the BVI, which directly owns 10,200,000 Shares of the Company.

6. Mr. Tan Siu Lin as a trustee indirectly controls the entire issued share capital of Wincare International Company Limited which holds 6,500,000 Shares of the Company.

7. Mr. Tan Siu Lin also controls and is a subscriber and founding member of Tan Siu Lin Foundation Limited, which in turn owns directly 26,300,000 Shares of the Company.

8. A total of 1,703,000 Shares of the Company ("Company Shares") were purchased by an associate of Mr. Tan Cho Lung, Raymond, between 2006 and 2011. He is therefore deemed under Part XV of the SFO to be interested in the total Company Shares purchased by his associate.

9. A total of 1,000,000 Shares of the Company ("Company Shares") were purchased by an associate of Mr. Tan Willie in 2012. He is therefore deemed under Part XV of the SFO to be interested in the total Company Shares purchased by his associate.

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

Share Performance

The Company's share price was HK$1.17 as at 31 December 2012 and its market capitalization was approximately HK$1,170 million. In 2012, the highest trading price for the Company share was HK$1.34 on 7 November, and the lowest was HK$0.54 on 5 January.

pwc 羅兵咸永道

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 42 to 127, which comprise the consolidated and company balance sheets as at 31 December 2012, 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 information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view 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, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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 about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 consolidated financial statements.

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

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

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 2012, 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, 26 March 2013

CONSOLIDATED BALANCE SHEET

As at 31 December 2012

	Note	2012 US$'000	2011 US$'000
ASSETS			
Non-current assets			
Leasehold land and land use rights	6	**12,011**	8,787
Property, plant and equipment	7	**112,746**	98,117
Intangible assets	8	**61,985**	62,519
Interest in an associated company	10	**559**	551
Interests in jointly controlled entities	11	**43,918**	48,316
Deferred income tax assets	12	**726**	757
Other non-current assets		**4,255**	3,770
Total non-current assets		**236,200**	222,817
Current assets			
Inventories	13	**96,348**	79,795
Trade and other receivables	14	**184,340**	146,501
Prepaid income tax		**4,772**	4,722
Cash and bank balances	15	**165,588**	138,827
Total current assets		**451,048**	369,845
Total assets		**687,248**	592,662
EQUITY			
Equity attributable to owners of the Company			
Share capital	16	**9,998**	9,927
Other reserves	17	**136,029**	136,314
Retained earnings			
— Proposed final dividend	31	**7,927**	7,981
— Others		**182,161**	153,732
		336,115	307,954
Non-controlling interests		**8,859**	9,251
Total equity		**344,974**	317,205

As at 31 December 2012

	Note	2012 US$'000	2011 US$'000
LIABILITIES			
Non-current liabilities			
Bank borrowings	18	**4,643**	6,111
Retirement benefit obligations	20	**7,898**	6,480
Convertible bond	19	**5,020**	—
Deferred income tax liabilities	12	**5,160**	3,671
Total non-current liabilities		**22,721**	16,262
Current liabilities			
Trade and other payables	21	**199,884**	164,418
Bank borrowings	18	**108,415**	81,942
Derivative financial instruments	22	**1,174**	949
Current income tax liabilities		**10,080**	11,886
Total current liabilities		**319,553**	259,195
Total liabilities		**342,274**	275,457
Total equity and liabilities		**687,248**	592,662
Net current assets		**131,495**	110,650
Total assets less current liabilities		**367,695**	333,467

TAN SIU LIN
Director

TAN HENRY
Director

The notes on pages 50 to 127 are an integral part of these consolidated financial statements.

BALANCE SHEET

As at 31 December 2012

	Note	2012 US$'000	2011 US$'000
ASSETS			
Non-current asset			
Investments in subsidiaries	9	**202,126**	201,326
Current assets			
Amounts due from subsidiaries	9	**15,874**	8,500
Deposits, prepayments and other receivables		**7**	—
Cash and bank balances	15	**537**	414
Total current assets		**16,418**	8,914
Total assets		**218,544**	210,240
EQUITY			
Equity attributable to owners of the Company			
Share capital	16	**9,998**	9,927
Other reserves	17	**190,518**	190,382
Retained earnings			
— Proposed final dividend	31	**7,927**	7,981
— Others		**4,529**	1,444
Total equity		**212,972**	209,734
LIABILITY			
Non-current liability			
Convertible bond	19	**5,020**	—
Current liability			
Other payables and accruals	21	**552**	506
Total liabilities		**5,572**	506
Total equity and liabilities		**218,544**	210,240
Net current assets		**15,866**	8,408
Total assets less current liability		**217,992**	209,734

TAN SIU LIN
Director

TAN HENRY
Director

The notes on pages 50 to 127 are an integral part of these consolidated financial statements.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2012

	Note	2012 US$'000	2011 US$'000
Continuing operations			
Revenue	5	**990,198**	956,489
Cost of sales	25	**(820,140)**	(795,556)
Gross profit		**170,058**	160,933
Other gains/(losses) — net	23	**5,973**	(989)
Impairment loss on goodwill	8	**(6,896)**	(357)
Gain on recognition of contingent consideration	24	**5,092**	—
Selling and distribution expenses	25	**(13,516)**	(14,742)
General and administrative expenses	25	**(117,942)**	(116,253)
Operating profit		**42,769**	28,592
Finance income	27	**1,899**	995
Finance costs	27	**(2,321)**	(1,558)
Finance costs — net	27	**(422)**	(563)
Share of profit of an associated company		**8**	41
Share of (losses)/profits of jointly controlled entities		**(180)**	269
Profit before income tax		**42,175**	28,339
Income tax expense	28	**(2,572)**	(5,160)
Profit for the year from continuing operations		**39,603**	23,179
Discontinued operations			
Profit for the year from discontinued operations	32	**—**	14,543
Profit for the year		**39,603**	37,722
Profit attributable to:			
Owners of the Company		**38,635**	34,310
Non-controlling interests		**968**	3,412
		39,603	37,722
Profit attributable to owners of the Company arises from:			
Continuing operations		**38,635**	19,767
Discontinued operations		**—**	14,543
		38,635	34,310

For the year ended 31 December 2012

	Note	2012	2011
Earnings per share from continuing and discontinued operations attributable to owners of the Company during the year (expressed in US cents per share)			
Basic earnings per share	30		
From continuing operations		**3.9**	2.0
From discontinued operations		**–**	1.5
From profit for the year		**3.9**	3.5
Diluted earnings per share	30		
From continuing operations		**3.8**	2.0
From discontinued operations		**–**	1.5
From profit for the year		**3.8**	3.5

The notes on pages 50 to 127 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	2012 US$'000	2011 US$'000
Profit for the year	**39,603**	37,722
Other comprehensive income:		
Currency translation differences	**(1,088)**	4,225
Exchange reserve released upon disposal of subsidiaries (Note 34(b))	**—**	(1,835)
Share of other comprehensive income from jointly controlled entities	**667**	—
Total comprehensive income for the year	**39,182**	40,112
Attributable to:		
Owners of the Company	**38,214**	36,700
Non-controlling interests	**968**	3,412
Total comprehensive income for the year	**39,182**	40,112
Total comprehensive income attributable to owners of the Company arises from:		
Continuing operations	**38,214**	22,157
Discontinued operations	**—**	14,543
	38,214	36,700

The notes on pages 50 to 127 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2012

	Attributable to owners of the Company						
	Share capital US$'000	Share Premium (Note 17) US$'000	Other Reserves (Note 17) US$'000	Retained earnings US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
Balance at 1 January 2011	9,927	117,018	16,893	132,883	276,721	10,839	287,560
Profit for the year	—	—	—	34,310	34,310	3,412	37,722
Other comprehensive income							
Currency translation differences	—	—	4,225	—	4,225	—	4,225
Exchange reserve released upon disposal of subsidiaries (Note 34(b))	—	—	(1,835)	—	(1,835)	—	(1,835)
Total comprehensive income	—	—	2,390	34,310	36,700	3,412	40,112
Total contributions by and distributions to owners of the Company recognized directly in equity							
Dividends paid	—	—	—	(5,480)	(5,480)	(5,000)	(10,480)
Share-based payment expenses	—	—	13	—	13	—	13
Total transactions with owners	—	—	13	(5,480)	(5,467)	(5,000)	(10,467)
Balance at 31 December 2011	9,927	117,018	19,296	161,713	307,954	9,251	317,205
Balance at 1 January 2012	9,927	117,018	19,296	161,713	307,954	9,251	317,205
Profit for the year	**—**	**—**	**—**	**38,635**	**38,635**	**968**	**39,603**
Other comprehensive income							
Currency translation differences	**—**	**—**	**(1,088)**	**—**	**(1,088)**	**—**	**(1,088)**
Share of other comprehensive income from jointly controlled entities	**—**	**—**	**667**	**—**	**667**	**—**	**667**
Total comprehensive income	**—**	**—**	**(421)**	**38,635**	**38,214**	**968**	**39,182**
Total contributions by and distributions to owners of the Company recognized directly in equity							
Exercise of share options by employees (Note 17(a))	**71**	**814**	**(232)**	**—**	**653**	**—**	**653**
Forfeiture/lapse of share options (Note 17(a))	**—**	**—**	**(1,426)**	**1,426**	**—**	**—**	**—**
Convertible bond — equity conversion component (Note 17(a) and 19)	**—**	**—**	**980**	**—**	**980**	**—**	**980**
Establishment of a non-wholly owned subsidiary	**—**	**—**	**—**	**—**	**—**	**240**	**240**
Dividends paid	**—**	**—**	**—**	**(11,686)**	**(11,686)**	**(1,600)**	**(13,286)**
Total transactions with owners	**71**	**814**	**(678)**	**(10,260)**	**(10,053)**	**(1,360)**	**(11,413)**
Balance at 31 December 2012	**9,998**	**117,832**	**18,197**	**190,088**	**336,115**	**8,859**	**344,974**

The notes on pages 50 to 127 are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2012

	Note	2012 US$'000	2011 US$'000
Cash flows from operating activities			
Cash generated from operations	33	**58,276**	45,046
Interest paid		**(2,371)**	(1,609)
Income tax paid		**(2,567)**	(2,255)
Net cash generated from operating activities		**53,338**	41,182
Cash flows from investing activities			
Purchases of property, plant and equipment		**(8,296)**	(10,950)
Decrease/(increase) in bank deposits maturing beyond 3 months		**3,321**	(7,088)
Decrease in pledged bank deposits		**—**	1,723
Proceeds from disposals of property, plant and equipment		**1,661**	991
Acquisitions of subsidiaries, net of cash acquired	35	**(14,207)**	—
Disposal of real estate business, net of cash disposed	34(b)	**—**	12,555
Disposal of a subsidiary, net of cash disposed	34	**1,659**	(292)
Increase in investment in an associated company		**—**	(16)
Increase in investment in a jointly controlled entity		**—**	(195)
Interest received		**1,899**	751
(Increase)/decrease in other non-current assets		**(485)**	57
Net cash used in investing activities		**(14,448)**	(2,464)
Net cash generated before financing activities		**38,890**	38,718
Cash flows from financing activities			
Net increase in trust receipt bank loans		**11,488**	6,798
Increase in bank loans		**10,224**	22,962
Repayments of bank loans		**(16,823)**	(5,581)
Dividends paid to the Company's shareholders		**(11,686)**	(5,480)
Dividends paid to non-controlling shareholders of subsidiaries		**(1,600)**	(5,000)
Proceeds from exercising employees share options		**653**	—
Net cash (used in)/generated from financing activities		**(7,744)**	13,699
Net increase in cash and cash equivalents and bank overdrafts		**31,146**	52,417
Cash and cash equivalents and bank overdrafts at beginning of year		**131,602**	81,392
Effect of changes in foreign exchange rates		**(2,465)**	(2,207)
Cash and cash equivalents and bank overdrafts at end of year	15	**160,283**	131,602

The notes on pages 50 to 127 are an integral part of these consolidated financial statements.

1 GENERAL INFORMATION

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

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 dollar (US$), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 26 March 2013.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

The consolidated financial statements of the Group 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 and convertible bond) at fair value through profit or loss.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment 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.

Changes in accounting policy and disclosures

(a) Amendments to existing standards effective in 2012 but not relevant to the Group

- HKAS 12 (Amendment) 'Income taxes' is effective for annual periods beginning on or after 1 January 2012. This is not currently applicable to the Group, as the Group does not hold any investment property.

- HKFRS 1 (Amendment) 'First time adoption' is effective for annual periods beginning on or after 1 July 2011. This is currently not applicable to the Group, as its functional currency is not subject to severe hyperinflation.

- HKFRS 7 (Amendment) 'Financial instruments: Disclosures' is effective for annual periods beginning on or after 1 July 2011. This is not currently applicable to the Group, as it has not made any transfer of financial assets.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

Changes in accounting policy and disclosures (continued)

(b) New and revised standards and amendments to existing standards have been issued but are not effective for the financial year beginning 1 January 2012 and have not been early adopted

The Group's assessment of the impact of these new and revised standards and amendments to existing standards is set out below.

- HKAS 1 (Amendment), 'Financial statements presentation' is effective for annual periods beginning on or after 1 July 2012. This is currently not applicable to the Group, as the Group does not hold any items which are subject to reclassification adjustments.

- HKAS 19 (Amendment), 'Employee benefits' eliminates the corridor approach and calculates finance costs on a net funding basis. The Group is yet to assess HKAS 19 (Amendment)'s full impact and intends to adopt HKAS 19 (Amendment) no later than the accounting period beginning on or after 1 January 2013.

- HKAS 27 (Revised 2011) 'Separate financial statements' includes the provisions on separate financial statements that are left after the control provisions of HKAS 27 have been included in the new HKFRS 10. The Group is yet to assess HKAS 27(Revised 2011)'s full impact and intends to adopt HKAS 27 (Revised 2011) no later than the accounting period beginning on or after 1 January 2013.

- HKAS 28 (Revised 2011), 'Associates and joint ventures' includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of HKFRS 11. The Group is yet to assess HKAS 28 (Revised 2011)'s full impact and intends to adopt HKAS 28 (Revised 2011) no later than the accounting period beginning on or after 1 January 2013.

- HKAS 32 (Amendment) 'Financial instruments: Presentation on asset and liability offsetting' is to the application guidance in HKAS 32 clarifies some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. The Group is yet to assess HKAS 32 (Amendment)'s full impact and intends to adopt HKAS 32 (Amendment) no later than the accounting period beginning on or after 1 January 2014.

- HKFRS 1 (Amendment), 'First time adoption' on government loans addresses how a first-time adopter would account for a government loan with a below-market rate of interest when transitioning to HKFRS. It also adds an exception to the retrospective application of HKFRS, which provides the same relief to first-time adopters granted to existing preparers of HKFRS financial statements when the requirement was incorporated into HKAS 20 in 2008. The Group is yet to assess HKFRS 1(Amendment)'s full impact and intends to adopt HKFRS 1 (Amendment) no later than the accounting period beginning on or after 1 January 2013.

- HKFRS 7 (Amendment), 'Financial instruments: Disclosures on asset and liability offsetting' requires new disclosure requirements which focus on quantitative information about recognized financial instruments that are offset in the statement of financial position, as well as those recognized financial instruments that are subject to master netting or similar arrangements irrespective of whether they are offset. The Group is yet to assess HKFRS 7 (Amendment)'s full impact and intends to adopt HKFRS 7 (Amendment) no later than the accounting period beginning on or after 1 January 2013.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

Changes in accounting policy and disclosures (continued)

(b) New and revised standards and amendments to existing standards have been issued but are not effective for the financial year beginning 1 January 2012 and have not been early adopted (continued)

- HKFRS 9, 'Financial instruments' addresses the classification, measurement and recognition of financial assets and financial liabilities. HKFRS 9 was issued in November 2009 and October 2010. It replaces the parts of HKAS 39 that relate to the classification and measurement of financial instruments. HKFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortized cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the HKAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Group is yet to assess HKFRS 9's full impact and intends to adopt HKFRS 9 upon its effective date, which is for the accounting period beginning on or after 1 January 2015.

- HKFRS 7 and HKFRS 9 (Amendments), 'Mandatory effective date and transition disclosures' delay the effective date to annual periods beginning on or after 1 January 2015, and also modify the relief from restating prior periods. As part of this relief, additional disclosures on transition from HKAS 39 to HKFRS 9 are required. The Group is yet to assess HKFRS 7 and HKFRS 9 (Amendments)'s full impact and intends to adopt HKFRS 7 and HKFRS 9 (Amendments) no later than the accounting period beginning on or after 1 January 2015.

- HKFRS 10, 'Consolidated financial statements' builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Group has assessed HKFRS 10's full impact and considered there is no financial impact to the consolidated financial statements. The Group intends to adopt HKFRS 10 no later than the accounting period beginning on or after 1 January 2013.

- HKFRS 11, 'Joint arrangements' is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed. The Group is yet to assess HKFRS 11's full impact and intends to adopt HKFRS 11 no later than the accounting period beginning on or after 1 January 2013.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

Changes in accounting policy and disclosures (continued)

(b) New and revised standards and amendments to existing standards have been issued but are not effective for the financial year beginning 1 January 2012 and have not been early adopted (continued)

- HKFRS 12, 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Group is yet to assess HKFRS 12's full impact and intends to adopt HKFRS 12 no later than the accounting period beginning on or after 1 January 2013.

- Amendment to HKFRSs 10, 11 and 12 on transition guidance provide additional transition relief to HKFRSs 10, 11 and 12, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. For disclosures related to unconsolidated structured entities, the amendments will remove the requirement to present comparative information for periods before HKFRS 12 is first applied. The Group is yet to assess Amendment to HKFRS 10, 11 and 12's full impact and intends to adopt Amendment to HKFRSs 10, 11 and 12 no later than the accounting period beginning on or after 1 January 2013.

- HKFRS 13, 'Fair value measurement' aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within HKFRSs. The Group is yet to assess HKFRS 13's full impact and intends to adopt HKFRS 13 no later than the accounting period beginning on or after 1 January 2013.

- Annual improvements 2011 address six issues in the 2009-2011 reporting cycle. The Group is yet to assess Annual improvements 2011's full impact and intends to adopt Annual improvements 2011 no later than the accounting period beginning on or after 1 January 2013.

There are no other HKFRSs or HK(IFRIC) interpretations that are not yet effective that would be expected to have a material impact on the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries

2.2.1 Consolidation

Subsidiaries are all entities (including special purpose 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. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control. De-facto control may arise from circumstances such as enhanced minority rights or contractual terms between shareholders, etc.

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.

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

(a) Business combinations

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

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through consolidated income statement.

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries (continued)

2.2.1 Consolidation (continued)

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

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

(c) Disposal of subsidiaries

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

2.2.2 Separate financial statements

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

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

2.3 Jointly controlled entities

The Group recognized its investment in jointly controlled entities under the equity method of accounting where interests in jointly controlled entities are initially recognized in the consolidated balance sheet at cost and adjusted thereafter to recognize the group's share of the post-acquisition of profits or losses and movements in other comprehensive income in the income statement and in other comprehensive income respectively. When the group's share of losses in jointly controlled entities equals or exceeds its interests in the jointly controlled entities (which includes any long-term interests that, in substance, form part of the group's net investment in the jointly controlled entities), the group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the jointly controlled entities.

Unrealized gains on transactions between the group and its jointly controlled entities are eliminated to the extent of the group's interest in the jointly controlled entities. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Associates

Associates are all 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. Under the equity method, the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income is reclassified to consolidated income statement where appropriate.

The Group's share of post-acquisition profit or loss is recognized in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income with a corresponding adjustment to 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 legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount adjacent to 'share of profit of associated company' in the consolidated income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognized in the Group's consolidated financial statements only to the extent of unrelated investor's interests in the associates. Unrealized losses are 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 in investments in associates are recognized in the consolidated income statement.

2.5 Segment reporting

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 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$, 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.

All 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 other comprehensive income.

(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 in other comprehensive income.

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 comprehensive income. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognized in the consolidated 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. Exchange differences arising are recognized in other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Foreign currency translation (continued)

(d) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the equity holders of the company are reclassified to consolidated income statement.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognized in consolidated income statement. For all other partial disposals (that is, reductions in the Group's ownership interest in associates or jointly controlled entities that do not result in the Group losing significant influence or joint control) the proportionate share of the accumulated exchange difference is reclassified to consolidated income statement.

2.7 Leasehold land and land use rights

Leasehold land and 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 leasehold land and land use rights is calculated on a straight-line basis over the period of the land use right.

2.8 Property, plant and equipment

Property, plant and equipment is 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. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to 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' useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

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

Gains or losses on disposals are determined by comparing proceeds with carrying amount and are recognized within 'general and administrative expenses' in the consolidated income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Construction-in-progress

Construction-in-progress represents buildings, plant 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 2.8 in this Section.

2.10 Intangible assets

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

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

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

(b) Customer relationships

Customer relationships acquired in a business combination are recognized at fair value at the acquisition date. The customer relations have a finite useful life and are carried at cost less accumulated amortization and impairment losses. Amortization is calculated using the straight-line method over the expected life of the customer relationship of 3 to 15 years.

2.11 Impairment of non-financial assets

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Financial assets

2.12.1 Classification

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

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

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade, bills and other receivables' and 'cash and cash equivalents' in the consolidated balance sheet (Note 2.17 and Note 2.18).

2.12.2 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. Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortized cost using the effective interest method.

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 — 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.

2.12.3 Offsetting financial instruments

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Impairment of financial assets — 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.

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

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

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

2.14 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'.

2.15 Compound financial instruments

Compound financial instruments issued by the Group comprise convertible bond that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Compound financial instruments (continued)

In subsequent periods, the liability component — unlisted bond of the convertible bond is carried at amortized cost using the effective interest method. The liability component — extension option of the convertible bond is re-measured at fair value at each balance sheet date. The equity component, will remain in convertible bond equity conversion reserve until the conversion option is exercised (in which case the balance stated in convertible bond equity conversion reserve will be transferred to share capital and share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible bond equity conversion reserve will be released to retained earnings. No gain or loss is recognized in profit or loss upon conversion at maturity or expiration of the option.

2.16 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods and work-in-progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.17 Trade, bills and other receivables

Trade and bills receivable 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.

2.18 Cash and cash equivalents

In the consolidated cash flows statement, cash and cash equivalents includes 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. In the consolidated balance sheet, bank overdrafts are shown within borrowings in current liabilities.

2.19 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, net of tax, from the proceeds.

2.20 Trade and bills payable

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Financial liabilities

(a) 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 consolidated 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.

(b) 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.

A substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The difference is recognized in consolidated income statement.

2.22 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 consolidated income statement over the period of the borrowings using the effective interest method.

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

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 end of the reporting period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

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

2.24 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the consolidated 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.

(a) Current income tax

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

(b) Deferred income tax

Inside basis differences

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

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

Outside basis differences

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 Current and deferred income tax (continued)

(c) Offsetting

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

2.25 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 contribution and defined benefit plans.

(i) Defined contribution plans

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

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

(ii) Defined benefit plans

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 consolidated balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognized 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 obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25 Employee benefits (continued)

(a) Pension obligations (continued)

(ii) Defined benefit plans (continued)

Past-service costs are recognized immediately in 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.

(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 the end of reporting period on high quality corporate bonds which have terms to maturity approximating the terms of the related liability.

(c) Termination benefits

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.26 Share-based payments (continued)

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. In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognizing the expense during the period between service commencement period and grant date. At the end of each reporting period, the group revises its estimates of the number of options that are expected to vest based on the non-marketing performance and service conditions. It recognizes the impact of the revision to original estimates, if any, in the consolidated income statement, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

2.27 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.

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. Provisions are recorded in the Group's other payables and accruals balance.

2.28 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 Group. 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 consolidated 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.29 Revenue recognition

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

(i) Sale of goods

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

(ii) Freight forwarding and logistics services income

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

(iii) Interest income

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

(iv) Management and commission income

Management and commission income is recognized when services are rendered.

2.30 Leases

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

2.31 Dividend distribution

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

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

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

(a) Market risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to United States 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.

HK$ is pegged to US$ and thus foreign currency exposure is considered as minimal and is not hedged. At 31 December 2012, if US$ had weakened/strengthened by 3% (2011: 4%) against the Euro with all other variables held constant, post-tax profit for the year would have been US$429,000 (2011: US$388,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of Euro-denominated trade receivables and payables and cash and cash equivalents.

At 31 December 2012, if US$ had weakened/strengthened by 2% (2011: 3%) against the RMB with all other variables held constant, post-tax profit for the year would have been US$5,000 (2011: US$98,000) lower/higher, mainly as a result of foreign exchange gains/losses on translation of RMB-denominated trade receivables, trade payables, borrowings and cash and cash equivalents.

At 31 December 2012, if US$ had weakened/strengthened by 4% (2011: 4%) against the Peso with all other variables held constant, post-tax profit for the year would have been US$772,000 (2011: US$460,000) lower/higher, mainly as a result of foreign exchange losses/gains on translation of Peso-denominated trade payables and cash and cash equivalents.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(ii) Cash flow and fair value interest rate risk

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

The Group's interest expenses arise from bank borrowings and convertible bond. As at 31 December 2012, interest on borrowings was primarily at floating rates while interest on convertible bond was at fixed rate. 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 and alternative financing. Based on these scenarios, the Group calculates the impact on profit and loss of a defined interest rate shift. There is no interest rate risk for convertible bond since the interest is fixed.

At 31 December 2012, if interest rates on borrowings had been increased/decreased by 50 basis point (2011: 100 basis point) with all other variables held constant, post-tax profit for the year would have been US$611,000 (2011: US$737,000) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

(b) Credit risk

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

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

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. Deteriorating operating conditions for debtors may also have an impact on management's cash flow forecasts and assessment of the impairment of receivables. To the extent that information is available, management has properly reflected revised estimate of expected future cash flows in their impairment assessments.

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

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

As at 31 December 2012, the Group had a concentration of credit risk given that the top 5 customers account for 51% (2011: 53%) of the Group's total year end trade receivables 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. For the trade and other receivables proved to be impaired, management has provided sufficient provision on those balances.

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

(c) Liquidity risk

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

Management monitors rolling forecasts of the Group's liquidity reserve which comprises undrawn borrowing facilities (Note 18) and cash and cash equivalents (Note 15) 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 following tables show the Group's non-derivative financial liabilities and net-settled derivative financial liabilities into relevant maturity grouping based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the balance sheet date) and the earliest date the Group can be required to pay.

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

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

	On demand US$'000	Within 1 year US$'000	More than 1 year but less than 2 years US$'000	More than 2 years but less than 5 years US$'000	Total un-discounted cash outflows US$'000
Group					
At 31 December 2012					
Bank overdrafts	1,536	—	—	—	1,536
Bank loans subject to a repayment on demand clause	23,437	—	—	—	23,437
Other bank loans	81,975	1,819	1,840	3,484	89,118
Trade and other payables	—	161,622	—	—	161,622
Derivative financial instruments	—	1,174	—	—	1,174
Convertible bond	—	299	5,027	—	5,326
	106,948	164,914	6,867	3,484	282,213
Company					
At 31 December 2012					
Financial guarantee contracts in relation to corporate guarantees provided to subsidiaries	86,058	—	—	—	86,058
Other payables and accruals	—	552	—	—	552
Convertible bond	—	299	5,027	—	5,326
	86,058	851	5,027	—	91,936

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

	On demand US$'000	Within 1 year US$'000	More than 1 year but less than 2 years US$'000	More than 2 years but less than 5 years US$'000	More than 5 years US$'000	Total un-discounted cash outflows US$'000
Group						
At 31 December 2011						
Bank overdrafts	135	—	—	—	—	135
Bank loans subject to a repayment on demand clause	20,250	—	—	—	—	20,250
Other bank loans	61,460	101	1,062	5,811	332	68,766
Trade and other payables	—	164,564	—	—	—	164,564
Derivative financial instruments	—	949	—	—	—	949
Financial guarantee contracts in relation to corporate guarantee provided to a jointly controlled entity	11,613	—	—	—	—	11,613
	93,458	165,614	1,062	5,811	332	266,277
Company						
At 31 December 2011						
Financial guarantee contracts in relation to corporate guarantees provided to subsidiaries	118,245	—	—	—	—	118,245
Other payables and accruals	—	506	—	—	—	506
	118,245	506	—	—	—	118,751

The table below summarizes the maturity analysis of bank loans with a repayment on demand clause based on agreed scheduled repayments set out in the loan agreements. The amounts include interest payments computed using contractual rates. Taking into account the Group's financial position, the directors do not consider that it is probable that the bank will exercise its discretion to demand immediate repayment. The directors believe that such bank loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

	Maturity Analysis — Bank loans subject to a repayment on demand clause based on scheduled repayments				
	Within 1 year US$'000	More than 1 year but less than 2 years US$'000	More than 2 years but less than 5 years US$'000	More than 5 years US$'000	Total outflows US$'000
At 31 December 2012	**90,815**	**6,557**	**11,808**	**222**	**109,402**
At 31 December 2011	68,144	4,644	12,397	—	85,185

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

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 stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

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

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

3.3 Fair value estimation

The different levels for analysis of financial instruments carried at fair value, by valuation method are defined as follows:

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

The fair values of financial instruments, which are not traded in an active market, which primarily represented the forward foreign exchange contracts and interest rate swaps, are determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. As all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

As described in Note 19, the Group's convertible bond contains a number of embedded financial derivatives that are measured at fair value through profit and loss, which is included in level 3. The Group engaged an independent valuer to assist it in determining the fair value of these embedded financial derivatives. The fair value determined was based on generally accepted valuation procedures and practices that rely extensively on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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 numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Please refer to Note 28 for details.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

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

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

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

Property, plant and equipment, 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 such as declines in asset's market value and significant increase in interest rates that may affect the discount rate used in calculating the asset's recoverable amount. The recoverable amounts have been determined based on fair value less cost to sell calculations or value in use calculations. These calculations require the use of judgments and estimates.

Management judgment 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 continuous use of the asset in the business; (iii) whether a decline in asset's market value, increase in interest rates or other market rates that may affect the discount rate used in calculating the asset's recoverable amount; (iv) whether there is any assets are being obsolescence or any plan to discontinue or restructure; and (v) 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 financial budgets and forecasts covering period 2 to 3 years approved by management and estimated terminal value at the end of the budget 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 and forecasts reflecting actual and prior year performance and market development expectations. Judgment 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.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

(d) Impairment of goodwill (continued)

An impairment loss of US$6,896,000 (2011: Nil) arose in the CGU in relation to the goodwill allocated to Group's life-style apparel business during the year ended 31 December 2012, resulting in the carrying amount of the CGU being written down to its recoverable amount.

If the budgeted sales used in the fair value less cost to sell calculation for the Group's life-style apparel businesses had been decreased by 100 basis points, an additional impairment loss of approximately US$139,000 on goodwill will be recognized.

If the terminal growth rate used in the fair value less cost to sell calculation for the recoverable amount of the Group's life-style apparel businesses had been decreased by 100 basis points, an additional impairment loss of approximately US$778,000 on goodwill will be recognized.

(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 the end of each reporting period.

(f) Impairment of 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 judgments and estimates. Management reassesses the provision at the end of each reporting period.

(g) Fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded in an active market (for example, derivatives arising from convertible bond) is determined by using valuation techniques. The Group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

(h) Pension benefits

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the 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 the terms of the related pension obligation.

Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in Note 20.

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 development.

The segment information provided to the executive directors for the reportable segments for the year ended 31 December 2012 and 2011 are 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 US$'000
For the year ended 31 December 2012							
Total segment revenue	647,422	148,472	152,072	339,316	18,924	–	1,306,206
Inter-segment revenue	(219,776)	(2,188)	(21,801)	(71,690)	(553)	–	(316,008)
Revenue (from external customers)	427,646	146,284	130,271	267,626	18,371	–	990,198
Segment profit/(loss) for the year	33,618	(4,817)	4,351	10,732	1,290	4,677	49,851
Profit/(loss) for the year includes:							
Depreciation and amortization	(9,483)	(1,964)	(2,044)	(4,555)	(970)	–	(19,016)
Impairment loss on goodwill	–	(6,896)	–	–	–	–	(6,896)
Provision for inventory obsolescence	(348)	–	–	(281)	–	–	(629)
Provision for impairment of trade and bills receivable	(20)	(219)	(40)	(464)	(304)	–	(1,047)
Share of profit of an associated company	–	–	–	–	8	–	8
Share of profits/(losses) of jointly controlled entities	235	–	–	–	–	(415)	(180)
Gain on disposal of a subsidiary (Note 34(a))	392	–	–	–	–	–	392
Income tax (expense)/credit	(900)	(342)	(1,772)	637	(195)	–	(2,572)

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 US$'000
For the year ended 31 December 2011							
Total segment revenue	702,469	207,702	123,447	205,670	17,775	—	1,257,063
Inter-segment revenue	(263,777)	(1,538)	(19,240)	(15,394)	(625)	—	(300,574)
Revenue (from external customers)	438,692	206,164	104,207	190,276	17,150	—	956,489
Segment profit for the year	14,588	8,106	3,226	5,521	461	14,543	46,445
Profit for the year includes:							
Depreciation and amortization	(10,178)	(2,205)	(1,589)	(3,829)	(975)	(926)	(19,702)
Impairment loss on goodwill	—	—	(357)	—	—	—	(357)
Reversal of provision/ (provision) for inventory obsolescence	327	—	—	(213)	—	—	114
Reversal of provision/ (provision) for impairment of trade and bills receivable	2	(2,939)	(494)	—	(981)	—	(4,412)
Share of profit of an associated company	—	—	—	—	41	—	41
Share of profits of jointly controlled entities	269	—	—	—	—	—	269
(Losses)/gains on disposals of subsidiaries (Note 34 (b) and (c))	(3,870)	—	—	—	—	16,046	12,176
Income tax expense	(1,022)	(1,192)	(1,770)	(1,036)	(140)	—	(5,160)

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, effective interest expense on convertible bond and change in estimates of financial liabilities and the amortized interest costs of the financial liabilities for the year.

5 SEGMENT INFORMATION (CONTINUED)

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

	2012 US$'000	2011 US$'000
Segment profit for the year	49,851	46,445
Corporate expenses (Note)	(10,122)	(8,967)
Effective interest expense on convertible bond (Note 19)	(126)	—
Change in estimates of financial liabilities — net	—	244
Profit for the year	39,603	37,722

Note: Corporate expenses represent general corporate expenses such as executive salaries and other unallocated general and administrative expenses.

	2012 US$'000	2011 US$'000
Analysis of revenue by category		
Sales of garment, textile products and accessories	969,081	933,918
Freight forwarding and logistics service fee	17,908	16,752
Management fee income	918	793
Others	2,291	5,026
Total revenue	990,198	956,489

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, Macao, the PRC, the Philippines and the United States.

	2012 US$'000	2011 US$'000
Analysis of revenue by geographical location		
The United States	496,451	465,235
Europe	256,176	254,745
The PRC	99,883	78,177
Japan	70,210	59,339
Others	67,478	98,993
	990,198	956,489

Revenue is allocated based on the countries where the Group's customers are located.

Revenue of approximately US$144,804,000 (2011: US$151,400,000) and US$125,875,000 (2011: US$88,409,000) are derived from two single external customers. These revenues are attributable to the segments of casual and fashion apparels and accessories, respectively.

6 LEASEHOLD LAND AND LAND USE RIGHTS — GROUP

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:

	2012	2011
	US$'000	US$'000
Outside Hong Kong held on:		
Leases of between 10 to 50 years	**12,011**	8,787
At 1 January	**8,787**	8,788
Acquisitions of subsidiaries (Note 35)	**3,441**	—
Amortization of leasehold land and land use rights (Note 25)	**(277)**	(219)
Exchange differences	**60**	218
At 31 December	**12,011**	8,787

As at 31 December 2012, 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$1,130,000 (2011: US$1,155,000). Based on the Group's experience and after consultation with the legal adviser, the directors are of the view that this is unlikely to have a material effect on the carrying amounts of the land use rights and the property located on this land.

7 PROPERTY, PLANT AND EQUIPMENT — GROUP

	Land and buildings	Leasehold improvements	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles	Construction-in-progress	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Year ended 31 December 2012							
Opening net book amount	56,554	14,118	19,265	6,900	1,065	215	98,117
Additions	642	1,324	3,595	1,265	690	780	8,296
Acquisitions of subsidiaries (Note 35)	11,460	457	10,574	906	190	36	23,623
Disposals/write-off	(85)	(276)	(378)	(140)	(266)	—	(1,145)
Disposal of a subsidiary (Note 34(a))	(997)	(30)	—	—	—	—	(1,027)
Transfer from construction-in-progress	—	240	—	—	—	(240)	—
Depreciation (Note 25)	(4,966)	(2,234)	(5,886)	(2,780)	(520)	—	(16,386)
Exchange differences	952	95	106	56	56	3	1,268
Closing net book amount	63,560	13,694	27,276	6,207	1,215	794	112,746
At 31 December 2012							
Cost	100,024	38,747	85,084	47,822	5,268	794	277,739
Accumulated depreciation and impairment	(36,464)	(25,053)	(57,808)	(41,615)	(4,053)	—	(164,993)
Net book amount	63,560	13,694	27,276	6,207	1,215	794	112,746

7 PROPERTY, PLANT AND EQUIPMENT — GROUP (CONTINUED)

	Land and buildings US$'000	Leasehold improvements US$'000	Plant and machinery US$'000	Furniture, fixtures and equipment US$'000	Motor vehicles US$'000	Construction-in-progress US$'000	Total US$'000
Year ended 31 December 2011							
Opening net book amount	60,923	14,922	20,033	7,773	1,315	513	105,479
Additions	378	1,525	6,078	1,993	221	755	10,950
Disposals/write-off	—	(157)	(361)	(173)	(73)	—	(764)
Disposals of subsidiaries (Note 34)	(1,824)	(4)	(1,185)	(38)	(30)	(208)	(3,289)
Transfer from construction-in-progress	12	186	488	116	55	(857)	—
Depreciation (Note 25)	(5,350)	(2,504)	(5,974)	(2,983)	(480)	—	(17,291)
Exchange differences	2,415	150	186	212	57	12	3,032
Closing net book amount	56,554	14,118	19,265	6,900	1,065	215	98,117
At 31 December 2011							
Cost	86,744	36,954	72,294	45,608	5,175	215	246,990
Accumulated depreciation and impairment	(30,190)	(22,836)	(53,029)	(38,708)	(4,110)	—	(148,873)
Net book amount	56,554	14,118	19,265	6,900	1,065	215	98,117

(i) Depreciation expense of US$8,078,000 (2011: US$6,904,000) has been charged to cost of sales, and US$8,308,000 (2011: US$10,387,000) has been charged to the general and administrative expenses.

(ii) As at 31 December 2012, the Group has not yet obtained the building certificate for a building located in the PRC with the carrying amount of US$6,618,000 (2011: US$7,239,000). Please refer to Note 6 for details.

(iii) 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 categories of property, plant and equipment.

(iv) Bank borrowings are secured on machineries for the value of US$2,955,000 (2011: US$2,955,000) (Note 18).

8 INTANGIBLE ASSETS — GROUP

	Goodwill US$'000	Customer relationships US$'000	Total US$'000
Year ended 31 December 2012			
Opening net book amount	44,925	17,594	62,519
Acquisitions of subsidiaries (Note 35)	4,141	4,574	8,715
Amortization (Note 25)	—	(2,353)	(2,353)
Impairment loss (Note i)	(6,896)	—	(6,896)
Closing net book amount	42,170	19,815	61,985
At 31 December 2012			
Cost	51,008	34,702	85,710
Accumulated amortization and impairment	(8,838)	(14,887)	(23,725)
Net book value	42,170	19,815	61,985
Year ended 31 December 2011			
Opening net book amount	**45,282**	**19,786**	**65,068**
Amortization (Note 25)	**—**	**(2,192)**	**(2,192)**
Impairment loss	**(357)**	**—**	**(357)**
Closing net book amount	**44,925**	**17,594**	**62,519**
At 31 December 2011			
Cost	**46,867**	**30,128**	**76,995**
Accumulated amortization and impairment	**(1,942)**	**(12,534)**	**(14,476)**
Net book value	**44,925**	**17,594**	**62,519**

Notes:

(i) For the year ended 31 December 2012, in view of unstable economic environment in Europe resulting in poor performance of the Group's life-style apparel business, management has made an impairment loss of US$6,896,000 on the goodwill allocated to the life-style apparel business.

(ii) Amortization of customer relationships of US$2,353,000 (2011: US$2,192,000) is included in the general and administrative expenses.

8 INTANGIBLE ASSETS — GROUP (CONTINUED)

Impairment tests for goodwill

Goodwill is allocated to the Group's cash-generating units ("CGUs") identified according to operating segments.

The goodwill arising from the business combinations during the year ended 31 December 2012 was allocated to the Group's CGUs identified according to the operating segments. An operating segment level summary of goodwill allocation as at 31 December 2012 is presented below:

	Casual and fashion apparel US$'000	Sweaters US$'000	Accessories US$'000	Total US$'000
Dongguan Tien-Hu Group	—	676	—	676
Sportswear Business	260	—	—	260
Luen Thai Footwear Group	—	—	1,505	1,505
New Sunshine Group	—	1,700	—	1,700
	260	2,376	1,505	4,141

Please refer to Note 35 for details of business combinations during the year.

An operating segment level summary of the goodwill allocation is presented below:

	2012 US$'000	2011 US$'000
Sweaters	18,272	15,896
Life-style apparel	19,753	26,649
Casual and fashion apparel	2,640	2,380
Accessories	1,505	—
	42,170	44,925

The recoverable amount of a CGU is determined based on fair value less costs to sell calculations. These calculations use post-tax cash flow projections based on financial budgets and forecasts approved by management covering a two to three-year period.

Inherent in the development of the present value of future cash flow projections are assumptions and estimates derived from a review of the expected revenue growth rates, gross profit margins, business plans, cost of capital and tax rates. Certain assumptions are made about future market conditions, market prices, interest rates, and changes in business strategies. Changes in assumptions or estimates could materially affect the determination of the fair value of a CGU, and therefore could eliminate the excess of fair value over carrying value of a CGU entirely and, in some cases, could result in impairment.

8 INTANGIBLE ASSETS — GROUP (CONTINUED)

The key assumptions used, other than the financial budgets, for fair value less costs to sell calculations in 2012 are as follows:

	Sweaters	**Life-style apparel**	**Sleepwear**
Terminal growth rate (Note i)	**3.0%**	**3.0%**	**3.0%**
Discount rate (Note ii)	**13.4%**	**15.0%**	**15.0%**

The key assumptions used, other than the financial budgets, for fair value less costs to sell calculations in 2011 are as follows:

	Sweaters	Life-style apparel	Sleepwear
Terminal growth rate (Note i)	3.0%	3.0%	3.0%
Discount rate (Note ii)	12.0%	14.0%	14.0%

Notes:

(i) The terminal growth rates do not exceed the long-term average growth rate of the business in which the CGUs operate.

(ii) Post-tax discount rate applied to the post-tax 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 discount rates used are post-tax and reflect specific risks relating to the relevant segments.

9 INVESTMENTS IN SUBSIDIARIES — COMPANY

	2012 US$'000	2011 US$'000
Unlisted shares/investments — at cost	**71,564**	71,564
Amounts due from subsidiaries	**130,562**	129,762
	202,126	201,326

9 INVESTMENTS IN SUBSIDIARIES — COMPANY (CONTINUED)

The Directors are of the opinion that a complete list of the particulars of all the subsidiaries will be of excessive length and therefore the following list contains only the particulars of the subsidiaries which materially affect the results or assets of the Group.

Name	Place of incorporation/ establishment	Principal activities and place of operations	Particulars of issued share capital/registered capital	Interest held
Consolidated Transportation Services, Inc.	CNMI	Provision of freight forwarding and logistics services in CNMI	1,000,000 ordinary shares of US$1 each	100%
CTSI Logistics, Inc.	The United States	Provision of freight forwarding and logistics services in the United States.	10,000 ordinary shares with total paid-in capital of US$100,000	100%
CTSI Logistics Limited	Hong Kong	Provision of freight forwarding and logistics services in Hong Kong	100,000 ordinary shares of HK$10 each	100%
CTSI Logistics Phils., Inc.	The Philippines	Provision of freight forwarding and logistics services in the Philippines	100,000 ordinary shares of Peso 100 each	100%
Desk Top Limited	Hong Kong	Trading and manufacturing of bags in Hong Kong	23,206,000 ordinary shares of HK$1 each	100%
Dluxe Bags Limited	Hong Kong	Trading and manufacturing of bags in Hong Kong	1 ordinary share of US$1 each	100%
Dluxe Bags Philippines, Inc.	The Philippines	Provision of subcontracting services in the Philippines	50,000,000 ordinary share of Peso 100 each	100%
Dongguan Luen Thai Garment Co., Ltd. (東莞聯泰製衣有限公司)	The PRC	Garment manufacturing in the PRC	Registered capital of HK$264,850,000 with total paid-in capital of HK$264,850,000	100%
Dongguan Tien-Hu Knitting Co., Ltd (東莞天河針織有限公司)	The PRC	Garment manufacturing in the PRC	Registered capital of HK$26,771,800 with paid-in capital of HK$26,771,800	95%
Dongguan Tomwell Garment Co. Ltd. (東莞通威服裝有限公司)	The PRC	Trading and manufacturing of garment products in the PRC	US$2,500,000	100%
Dongguan Quan Thai Garment Co., Ltd (東莞泉泰服飾有限公司)	The PRC	Sourcing and trading of garment products in the PRC	HK$8,000,000	100%
Dongguan Xingxi Handbags Factory Co. Ltd. (東莞星系手袋廠有限公司)	The PRC	Manufacturing of bags in the PRC	HK$20,000,000	100%
Dongguan Xing Hao Handbags Factory Co. Ltd. (東莞星浩手袋有限公司)	The PRC	Manufacturing of bags in the PRC	HK$54,000,000	100%

9 INVESTMENTS IN SUBSIDIARIES — COMPANY (CONTINUED)

Name	Place of incorporation/ establishment	Principal activities and place of operations	Particulars of issued share capital/registered capital	Interest held
Fortune Investment Overseas Limited	BVI	Investment holding in Hong Kong	1 ordinary share of US$1 each	100%
G.J.M. (HK) Ltd	Hong Kong	Sourcing and trading of garment products in Hong Kong	2 ordinary shares of HK$1 each	100%
GJM (Qingyuan) Light Industrial Development Limited (捷進(清遠)輕工開發有限公司)	The PRC	Garment manufacturing in the PRC	Registered capital of HK$120,500,000 with total paid-in capital of HK$120,500,000	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 (廣州市捷進製衣廠有限公司)	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. (鴻泉諮詢服務(深圳)有限公司)	The PRC	Provision of consultancy services in the PRC	HK$1,000,000	100%
Luen Thai Footwear Co., Ltd (聯泰(泉州)輕工有限公司)	The PRC	Footwear manufacturing in the PRC	Registered capital of US$3,200,000 with total paid-in capital of US$3,200,000	100%
Luen Thai Footwear Macao Commercial Offshore Co. Limited	Macao	Trading company in Macao	100,000 ordinary share of MOP1 each	100%
Luen Thai Industrial Company Limited	BVI	Investment holding in the PRC	1 ordinary share of US$1 each	100%
L & T International Group Phils., Inc.	The Philippines	Garment manufacturing in the Philippines	20,000 ordinary shares of Peso 100 each	100%
Luen Thai International Group Limited	Hong Kong	Sourcing, manufacturing and trading of textile and garment products in Hong Kong	2 ordinary shares of HK$1 each	100%
Luen Thai Macao Commercial Offshore Company Limited	Macao	Sourcing, manufacturing and trading of textile and garment products in Macao	Registered capital of MOP25,000	100%
Luen Thai Overseas Limited	Bahamas	Investment holding in Hong Kong	16,685,804 ordinary shares of US$1 each	#100%

9 INVESTMENTS IN SUBSIDIARIES — COMPANY (CONTINUED)

Name	Place of incorporation/ establishment	Principal activities and place of operations	Particulars of issued share capital/registered capital	Interest held
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 shares 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%
TellaS Ltd.	The United States	Import and distribution of garments in the United States	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 Knitting Company (Hong Kong) Limited	Hong Kong	Garment manufacturing in the PRC	23,760,000 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%
Wonderful Choice Limited	BVI	Footwear trading in the PRC	1 ordinary share of US$1 each	100%
Yuen Thai Philippines, Inc	The Philippines	Garment manufacturing in the Philippines	1,000,000 shares of Peso1 each	100%
Yuen Thai Holdings Limited	BVI	Investment holding in the Philippines	2 ordinary shares of US$1 each	100%
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	100%

Shares held directly by the Company

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, except for an amount of US$15,874,000 (2011: US$8,500,000) which is unsecured, non-interest bearing and repayment on demand and classified under current assets.

10 INTEREST IN AN ASSOCIATED COMPANY — GROUP

	2012 US$'000	2011 US$'000
Share of net assets	**559**	551
Unlisted investment — at cost	**302**	302

Particulars of the principal associated company as at 31 December 2012 are as follows:

Name	Place of incorporation	Principal activities and place of operations	Particulars of issued share capital	Interest held
CTSI Logistics (Taiwan), Inc. (鴻新運通股份有限公司)	Taiwan	Provision of freight forwarding and logistics services in Taiwan	1,420,000 ordinary shares of NT$10 each	49%

11 INTERESTS IN JOINTLY CONTROLLED ENTITIES — GROUP

	2012 US$'000	2011 US$'000
Share of net assets	**6,977**	13,031
Amounts due from jointly controlled entities	**36,941**	35,285
	43,918	48,316
Unlisted investments — at cost	**14,714**	15,037

At 31 May 2012, the Group has acquired remaining equity interest in Yuen Thai Industrial Company Limited and Yuen Thai Holdings Limited (the "Yuen Thai Group"), in which carrying values of the equity interest in jointly controlled entities amounted to US$5,412,000 were derecognized. Please refer to Note 35(b) for details.

Pursuant to a subscription and share purchase agreement on 9 June 2011, the Group has established a jointly controlled entity namely Chang Jia International Limited ("Chang Jia") with two other joint venture partners for the joint development of the real estate project. The Group's equity interest in Chang Jia of US$12,366,000 represents 24% of the issued share capital of Chang Jia. Please refer to Note 34(b) for details.

The loans to jointly controlled entities are unsecured, non-interest bearing and not repayable within the next twelve months, except for that an amount due from a jointly controlled entity of US$36,605,000 (2011: US$31,683,000), which includes a balance of US$32,218,000 (2011: US$31,683,000) interest-bearing, unsecured and is wholly repayable within the next five years.

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 or have been renegotiated in the past.

11 INTERESTS IN JOINTLY CONTROLLED ENTITIES — GROUP (CONTINUED)

The Directors are of the opinion that a complete list of the particulars of all the jointly controlled entities will be of excessive length and therefore the following list contains only the particulars of the jointly controlled entities which are materially affect the results or assets of the Group.

Name	Place of incorporation/ establishment	Principal activities and place of operations	Particulars of issued share capital/ registered capital	Assets	Liabilities	Revenue	(loss)/profit	Interest held
				US$'000	US$'000	US$'000	US$'000	
Chang Jia International Limited	BVI	Real estate in the PRC	100 ordinary shares of US$ 1 each	126,312	75,611	–	(1,730)	24%
Shenzhen Guangthai International Co. Ltd. (深圳廣新聯泰商貿有限公司)	The PRC	Garment trading in the PRC	HK$20,000,000	2,705	138	–	10	50%
Shenzhen Li Da Silk Garment Company Limited (深圳利達絲綢服裝有限公司)	The PRC	Garment manufacturing in the PRC	RMB2,400,000	1,360	1,712	–	–	25%
Wuxi Liantai Garments Co., Ltd. (無錫聯泰製衣集團有限公司)	The PRC	Garment manufacturing in the PRC	Registered capital of US$2,050,000 with total paid-in capital of US$1,241,400	3,331	494	4,354	66	50%
Hong Kong Guangthai International Company Limited	Hong Kong	Investment holding in the PRC	2 ordinary shares of HK$1 each	9,567	16,161	378	(1,150)	50%

12 DEFERRED INCOME TAX — GROUP

The analysis of deferred income tax assets and deferred income tax liabilities is as follows:

	2012 US$'000	2011 US$'000
Deferred income tax assets:		
— Deferred income tax assets to be recovered within 12 months	**(726)**	(757)
Deferred income tax liabilities:		
— Deferred income tax liabilities to be settled within 12 months	**549**	413
— Deferred income tax liabilities to be settled after more than 12 months	**4,611**	3,258
	5,160	3,671
Deferred income tax liabilities — net	**4,434**	2,914

12 DEFERRED INCOME TAX — GROUP (CONTINUED)

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

	2012 US$'000	2011 US$'000
At 1 January	**2,914**	5,927
Credited to consolidated income statement (Note 28)	**(303)**	(463)
Acquisitions of subsidiaries (Note 35)	**1,823**	—
Disposals of subsidiaries (Note 34(b))	**—**	(2,550)
At 31 December	**4,434**	2,914

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

Deferred income tax liabilities	**Accelerated tax depreciation** US$'000	**Intangible assets** US$'000	**Others** US$'000	**Total** US$'000
At 1 January 2011	3,354	2,199	1,619	7,172
Credited to consolidated income statement	(439)	(231)	(94)	(764)
Disposals of subsidiaries (Note 34(b))	(2,550)	—	—	(2,550)
At 31 December 2011	365	1,968	1,525	3,858
Credited to consolidated income statement	(74)	(231)	(71)	(376)
Acquisitions of subsidiaries (Note 35)	1,646	177	—	1,823
At 31 December 2012	**1,937**	**1,914**	**1,454**	**5,305**

Deferred income tax assets	**Provision** US$'000	**Others** US$'000	**Total** US$'000
At 1 January 2011	(601)	(644)	(1,245)
(Credited)/charged to consolidated income statement	(39)	340	301
At 31 December 2011	(640)	(304)	(944)
Charged/(credited) to consolidated income statement	123	(50)	73
At 31 December 2012	**(517)**	**(354)**	**(871)**

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$2,456,000 (2011: US$2,122,000) in respect of losses amounting to US$9,508,000 (2011: US$8,639,000) that can be carried forward against future taxable income. These tax losses have an expiry date from 2012 to 2019.

12 DEFERRED INCOME TAX — GROUP (CONTINUED)

Deferred income tax liabilities of US$9,602,000 (2011: US$8,425,000) have not been recognized for the withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries. Such amounts are permanently reinvested. Unremitted earnings totalled US$70,095,000 at 31 December 2012 (2011: US$63,444,000).

13 INVENTORIES — GROUP

	2012 US$'000	2011 US$'000
Raw materials	**50,141**	33,923
Work in progress	**34,457**	29,045
Finished goods	**11,750**	16,827
	96,348	79,795

The cost of inventories recognized as expense and included in cost of sales amounted to US$657,772,000 (2011: US$658,156,000).

As at 31 December 2012, inventories amounting to US$38,212,000 (2011: US$26,724,000) were held under trust receipt bank loan arrangement (Note 18).

14 TRADE AND OTHER RECEIVABLES — GROUP

	2012 US$'000	2011 US$'000
Trade and bills receivable — net (Note a)	**159,474**	124,107
Deposits, prepayment and other receivables	**21,476**	17,350
Amounts due from related companies (Note b)	**1,876**	1,306
Amounts due from an associated company and jointly controlled entities (Note b)	**1,514**	3,738
	184,340	146,501

14 TRADE AND OTHER RECEIVABLES — GROUP (CONTINUED)

(a) Trade and bills receivable — net

	2012 **US$'000**	2011 US$'000
Trade and bills receivable	**163,265**	127,868
Less: provision for impairment	**(3,791)**	(3,761)
Trade and bills receivable — net	**159,474**	124,107

The carrying amounts of trade and bills receivable approximate their fair values.

The Group normally grants credit terms to its customers up to 120 days. As at 31 December 2012 and 2011, the ageing analysis of the trade and bills receivable based on due date, net of provision, is as follows:

	2012 **US$'000**	2011 US$'000
Current	**113,728**	94,719
1 to 30 days	**32,373**	20,877
31 to 60 days	**8,313**	2,305
61 to 90 days	**1,056**	1,974
91 to 120 days	**796**	216
Over 120 days	**3,208**	4,016
Amounts past due but not impaired	**45,746**	29,388
	159,474	124,107

The impairment provision was approximately US$3,791,000 as at 31 December 2012 (2011: US$3,761,000). The provision made during the year has been included in general and administrative expenses in the consolidated income statement.

Movement of provision for impairment of trade and bills receivable are as follows:

	2012 **US$'000**	2011 US$'000
At 1 January	**3,761**	773
Provision for impairment of trade and bills receivable (Note 25)	**1,047**	4,412
Utilization of provision	**(1,017)**	(1,424)
At 31 December	**3,791**	3,761

14 TRADE AND OTHER RECEIVABLES — GROUP (CONTINUED)

(a) Trade and bills receivable — net (Continued)

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

	2012 **US$'000**	2011 US$'000
US$	**132,749**	99,557
HK$	**412**	1,906
Euro	**9,391**	11,001
RMB	**10,527**	8,854
Philippines Peso	**6,364**	2,748
Other currencies	**31**	41
	159,474	124,107

The maximum exposure to credit risk at the reporting date is the carrying values of the receivables mentioned above. The Group does not hold any collateral as security.

(b) Amounts due from related companies, an associated company and jointly controlled entities

As at 31 December 2012 and 2011, the amount due from related companies, an associated company and jointly controlled entities are unsecured, interest-free and repayable on demand.

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

15 CASH AND BANK BALANCES — GROUP AND COMPANY

	Group		**Company**	
	2012 **US$'000**	2011 US$'000	**2012** **US$'000**	2011 US$'000
Cash at bank and on hand	**105,897**	79,215	**537**	414
Short-term bank deposits	**55,922**	52,522	**—**	—
Bank deposits with a maturity period of over 3 months	**3,769**	7,090	**—**	—
Cash and bank balances	**165,588**	138,827	**537**	414
Less: bank overdrafts (Note 18)	**(1,536)**	(135)		
Less: bank deposits with a maturity period of over 3 months	**(3,769)**	(7,090)		
Cash and cash equivalents in the consolidated cash flow statement	**160,283**	131,602		

15 CASH AND BANK BALANCES — GROUP AND COMPANY (CONTINUED)

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

Group	2012 US$'000	2011 US$'000
US$	**77,987**	55,909
HK$	**5,701**	12,727
Euro	**3,047**	5,598
RMB	**37,064**	46,546
Philippines Peso	**40,130**	16,297
Other currencies	**1,659**	1,750
	165,588	138,827

Company	2012 US$'000	2011 US$'000
US$	**326**	253
Other currencies	**211**	161
	537	414

The effective interest rate on short-term bank deposits was 1.32% (2011: 1.48%) per annum; these deposits have an average maturity period of 62 days (2011: 77 days).

16 SHARE CAPITAL — GROUP AND COMPANY

	Number of shares	Nominal value US$'000
Authorized — ordinary shares of US$0.01 each		
At 31 December 2011 and 2012	1,500,000,000	15,000

	Number of shares	Nominal value US$'000
Issued and fully paid — ordinary shares of US$0.01 each		
At 31 December 2011	992,666,000	9,927
Exercise of share options by employees	7,150,000	71
At 31 December 2012	999,816,000	9,998

16 SHARE CAPITAL — GROUP AND COMPANY (CONTINUED)

Share option

Share options are granted to selected full-time employees and directors of the Company and subsidiaries. The exercise price of the granted options is determined by the highest of (i) the closing price of the Company's shares on the grant date; (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. Options are conditional on the employee completing a year of service (the vesting period). One-third of the options are exercisable starting one year from the grant date, another one-third of the options are exercisable after two years from the grant date and the rest of the options are exercisable after three years from the grant date. The group has no legal or constructive obligation to repurchase or settle the options in cash.

Movement in the number of share options outstanding and their related weighted average exercise prices is as follows:

	2012		2011	
	Average exercise price in HK$ per share option	**Options (thousands)**	Average exercise price in HK$ per share option	Options (thousands)
At 1 January	**0.71**	**12,300**	0.88	24,685
Forfeited/lapsed	**0.71**	**(600)**	1.05	(12,385)
Exercised	**0.71**	**(7,150)**	—	—
At 31 December	**0.71**	**4,550**	0.71	12,300

As at 31 December 2012, 4,550,000 outstanding options were exercisable (2011: 12,300,000 options were exercisable).

Options exercised in 2012 resulted in 7,150,000 shares being issued at a weighted average price of HK$0.71 (equivalent to US$0.09) per share. The related weighted average share price at the time of exercise was HK$1.01 (equivalent to US$0.13) per share.

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**	
		2012	2011
		'000	'000
20 April 2013	HK$0.71	**4,550**	12,300

As at 31 December 2012, the fair value of share options recognized in equity amounted to US$142,000 (2011: US$ 1,800,000). No option was granted in the current year.

17 OTHER RESERVES — GROUP AND COMPANY

(a) Group

	Share premium US$'000	Capital reserve (Note i) US$'000	Other capital reserves (Note ii) US$'000	Share-based compensation reserves US$'000	Convertible bond-equity conversion reserve US$'000	Exchange reserve US$'000	Total US$'000
At 1 January 2011	117,018	11,722	(4,799)	1,787	–	8,183	133,911
Share-based payment expenses	–	–	–	13	–	–	13
Exchange differences arising on translation of foreign subsidiaries	–	–	–	–	–	4,225	4,225
Exchange reserve released upon disposal of subsidiaries (Note 34(b))	–	–	–	–	–	(1,835)	(1,835)
At 31 December 2011	117,018	11,722	(4,799)	1,800	–	10,573	136,314
At 1 January 2012	**117,018**	**11,722**	**(4,799)**	**1,800**	**–**	**10,573**	**136,314**
Exchange differences arising on translation of foreign subsidiaries	**–**	**–**	**–**	**–**	**–**	**(1,088)**	**(1,088)**
Share of other comprehensive income from jointly controlled entities	**–**	**–**	**–**	**–**	**–**	**667**	**667**
Exercise of share options by employees	**814**	**–**	**–**	**(232)**	**–**	**–**	**582**
Forfeiture/lapse of share options	**–**	**–**	**–**	**(1,426)**	**–**	**–**	**(1,426)**
Convertible bond-equity conversion component (Note 19)	**–**	**–**	**–**	**–**	**980**	**–**	**980**
At 31 December 2012	**117,832**	**11,722**	**(4,799)**	**142**	**980**	**10,152**	**136,029**

17 OTHER RESERVES — GROUP AND COMPANY (CONTINUED)

(b) Company

	Share premium US$'000	Capital reserve (Note iii) US$'000	Share-based compensation reserve US$'000	Convertible bond-equity conversion reserve US$000	Total US$'000
At 1 January 2011	117,018	71,564	1,787	—	190,369
Share-based payment expenses	—	—	13	—	13
At 31 December 2011	117,018	71,564	1,800	—	190,382
At 1 January 2012	**117,018**	**71,564**	**1,800**	**—**	**190,382**
Exercise of share options by employees	**814**	**—**	**(232)**	**—**	**582**
Forfeiture/lapse of share options	**—**	**—**	**(1,426)**	**—**	**(1,426)**
Convertible bond-equity conversion component (Note 19)	**—**	**—**	**—**	**980**	**980**
At 31 December 2012	**117,832**	**71,564**	**142**	**980**	**190,518**

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 non-controlling shareholders and the subsequent derecognition of such financial liabilities upon the put options are exercised, expired or terminated, the non-controlling interest equity being allocated to the parent equity and any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received.

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

18 BANK BORROWINGS — GROUP

	2012 US$'000	2011 US$'000
Non-current		
Bank borrowings	**4,643**	6,111
Current		
Bank overdrafts (Note 15)	**1,536**	135
Trust receipt bank loans	**38,212**	26,724
Portion of bank borrowings due for repayment within 1 year	**51,816**	39,333
Portion of bank borrowings due for repayment after 1 year which contain a repayment on demand clause	**16,851**	15,750
	108,415	81,942
Total bank borrowings	**113,058**	88,053

	2012 US$'000	2011 US$'000
Non-current bank borrowings		
— Secured	**1,779**	—
— Non-secured	**2,864**	6,111
Current bank borrowings		
— Secured	**39,576**	29,869
— Non-secured	**68,839**	52,073
	113,058	88,053

The interest-bearing bank borrowings, including the term loans repayable on demand, are carried at amortized cost.

18 BANK BORROWINGS — GROUP (CONTINUED)

As at 31 December 2012 and 2011, the Group's borrowings were repayable as follows:

	Bank overdrafts		Trust receipt bank loans		Bank borrowings		Total	
	2012	2011	2012	2011	2012	2011	2012	2011
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Within 1 year	1,536	135	38,212	26,724	51,816	39,333	91,564	66,192
Bank borrowings due for repayment after 1 year (Note):								
After 1 year but within 2 years	–	–	–	–	7,555	5,495	7,555	5,495
After 2 years but within 5 years	–	–	–	–	13,725	16,078	13,725	16,078
After 5 years	–	–	–	–	214	288	214	288
	–	–	–	–	21,494	21,861	21,494	21,861
	1,536	135	38,212	26,724	73,310	61,194	113,058	88,053

	Bank overdrafts		Trust receipt bank loans		Bank borrowings		Total	
	2012	2011	2012	2011	2012	2011	2012	2011
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Wholly repayable within 5 years	1,536	135	38,212	26,724	71,667	58,132	111,415	84,991
Wholly repayable after 5 years	–	–	–	–	1,643	3,062	1,643	3,062
	1,536	135	38,212	26,724	73,310	61,194	113,058	88,053

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

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

	2012	2011
	US$'000	US$'000
HK$	28,872	16,574
US$	80,406	71,479
RMB	3,780	–
	113,058	88,053

18 BANK BORROWINGS — GROUP (CONTINUED)

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

	As at 31 December 2012			As at 31 December 2011		
	US$	**HK$**	**RMB**	US$	HK$	RMB
Bank loans	**2.93%**	**1.49%**	**6.80%**	2.74%	0.19%	—
Trust receipt bank loans	**0.90%**	**1.32%**	**—**	0.95%	0.82%	—
Bank overdrafts	**—**	**5.00%**	**—**	5.00%	5.00%	—

As at 31 December 2012, the Group had aggregate banking facilities of approximately US$356,463,000 (2011: US$302,985,000) for overdrafts, loans, trade financing and bank guarantees. Unused facilities as at the same date amounted to approximately US$208,644,000 (2011: US$184,740,000). These facilities are secured/guaranteed by:

(i) Floating charges over the Group's inventories held under trust receipt bank loan arrangement (Note 13); and

(ii) Assignment over the Group's machineries of US$2,955,000 (Note 7); and

(iii) Corporate guarantee provided by the Company (Note 37(c)).

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

19 CONVERTIBLE BOND — GROUP AND COMPANY

The Group issued a convertible bond with coupon rate of 6.5% per annum at a total principal value of US$4,600,000 on 27 April 2012 (the "date of issue") as the consideration to acquire an additional 50% equity interest in Yuen Thai Industrial Company Limited, Yuen Thai Holdings Limited and its subsidiary (together, the "Sportswear Business") from a shareholder of the Group (the "bondholder") as detailed in Note 35(b).

The convertible bond will mature 2 years from the date of issue at its principal amount or can be converted into 29,708,333 shares at the bondholder's option at rate of HK$1.2 per share. The bondholder has an extension option to roll-over the outstanding principal amount for an additional 2 years with the same terms and conditions.

The fair value of the convertible bond of US$6,050,000 was valued by an independent valuer as at 31 May 2012. The convertible bond comprises of liability components and an equity conversion component.

The fair value of the unlisted bond component was calculated by using a market interest rate of similar non-extendable and non-convertible bonds. The fair values of the convertible bond and the extension option components were valued by using the Binomial Option Pricing Model. The residual amount, representing the value of the equity conversion component, is included in the convertible bond-equity conversion reserve under equity attributable to owners of the Company.

19 CONVERTIBLE BOND — GROUP AND COMPANY (CONTINUED)

The convertible bond recognized in the consolidated balance sheet is as follows:

	US$'000
Face value of convertible bond issued on 31 May 2012 (Note 35(b))	6,050
Equity conversion component (Note 17)	(980)
Liability component on initial recognition on 31 May 2012 (Note)	5,070
Interest paid	(176)
Interest expense (Note 27)	126
	5,020

Note:

Liability component includes the unlisted bond at amortized cost of US$4,716,000 and the fair value of embedded derivatives in relation to the extension option of US$304,000 as at 31 December 2012.

The fair value of the unlisted bond component of the convertible bond as at 31 December 2012 is calculated using cash flows discounted at a rate based on the discount rate of 4.5%.

The convertible bond liability component is classified under non-current liabilities.

20 RETIREMENT BENEFIT OBLIGATIONS — GROUP

	2012 **US$'000**	2011 US$'000
Balance sheet obligations for:		
Defined benefit plans (Note b)	**(7,493)**	(6,111)
Provision for long service payments (Note c)	**(405)**	(369)
	(7,898)	(6,480)
Income statement charges for (Note 26(a)):		
Defined contribution plans (Note a)	**3,631**	2,485
Defined benefit plans (Note b)	**1,276**	955
Provision/(reversal of provision) for long service payments (Note c)	**59**	(276)
	4,966	3,164

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 and Indonesia are valued by Real Actuarial Consulting Limited, an independent qualified actuary valuer.

20 RETIREMENT BENEFIT OBLIGATIONS — GROUP (CONTINUED)

(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$3,631,000 for the year ended 31 December 2012 (2011: US$2,485,000) (Note 26(a)).

(b) Defined benefit plans

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

	2012 US$'000	2011 US$'000
Present value of unfunded obligations	**9,311**	6,815
Unrecognized actuarial gains	**(1,818)**	(704)
Liability in the consolidated balance sheet	**7,493**	6,111

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

	2012 US$'000	2011 US$'000
Current service cost	**842**	573
Interest cost	**408**	382
Actuarial gain recognized during the year	**26**	—
Total — included in employee benefit expenses (Note 26(a))	**1,276**	955

The movement of the liability recognized in the consolidated balance sheet is as follows:

	2012 US$'000	2011 US$'000
At 1 January	**6,111**	5,235
Total expenses — included in employee benefit expenses as shown above	**1,276**	955
Contributions paid	**(36)**	(55)
Exchange difference	**142**	(24)
At 31 December	**7,493**	6,111

The principal actuarial assumptions used are as follows:

	2012	2011
Discount rate	**5.20%–5.70%**	6.10%–6.23%
Future salary increase rate	**4.00%–12.00%**	3.00%–14.00%

20 RETIREMENT BENEFIT OBLIGATIONS — 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 as follows:

	2012 US$'000	2011 US$'000
Present value of unfunded obligations	589	638
Unrecognized actuarial gains	(184)	(269)
Liability in the consolidated balance sheet	405	369

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

	2012 US$'000	2011 US$'000
Current service cost	14	9
Interest cost	5	7
Actuarial losses/(gains) recognized during the year	40	(292)
Total — included in employee benefit expenses (Note 26(a))	59	(276)

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

Movement of the provision for long service payments of the Group is as follows:

	2012 US$'000	2011 US$'000
At 1 January	369	452
Total expense/(income) — included in employee benefit expenses as shown above	59	(276)
Mandatory Provident Fund refund received	86	193
Curtailment/settlement	(19)	—
Payment made	(90)	—
At 31 December	405	369

20 RETIREMENT BENEFIT OBLIGATIONS — GROUP (CONTINUED)

(c) Long service payments (Continued)

The principal actuarial assumptions used are as follows:

	2012	2011
Discount rate	**0.32%**	0.96%
Future salary increase rate	**3.00%**	3.00%

21 TRADE AND OTHER PAYABLES — GROUP AND COMPANY

	Group		**Company**	
	2012 **US$'000**	2011 US$'000	**2012** **US$'000**	2011 US$'000
Trade and bills payable (Note a)	**113,017**	82,720	**—**	—
Other payables and accruals	**84,646**	77,944	**552**	506
Amounts due to related companies (Note b)	**2,108**	2,025	**—**	—
Amounts due to jointly controlled entities (Note b)	**113**	1,729	**—**	—
	199,884	164,418	**552**	506

(a) Trade and bills payable — Group

As at 31 December 2012 and 2011, the ageing analysis of the trade and bills payable based on invoice date are as follows:

	2012 **US$'000**	2011 US$'000
0 to 30 days	**102,230**	78,145
31 to 60 days	**4,411**	1,929
61 to 90 days	**768**	414
Over 90 days	**5,608**	2,232
	113,017	82,720

21 TRADE AND OTHER PAYABLES — GROUP AND COMPANY (CONTINUED)

(a) Trade and bills payable — Group (Continued)

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

	2012 US$'000	2011 US$'000
US$	**75,936**	59,626
HK$	**15,428**	16,469
Euro	**1,933**	1,490
RMB	**17,759**	4,318
Philippines Peso	**1,882**	668
Other currencies	**79**	149
	113,017	82,720

The carrying amounts of trade and bills payable approximate their fair values.

(b) Amounts due to related companies and jointly controlled entities — Group

As at 31 December 2012 and 2011, the outstanding balances due to related companies and jointly controlled entities are unsecured, interest-free and repayable on demand.

The carrying amounts of amounts due to related companies and jointly controlled entities approximate their fair values and are denominated in US$.

22 DERIVATIVE FINANCIAL INSTRUMENTS — GROUP

	2012 US$'000	2011 US$'000
Forward foreign exchange contracts (Note i)	**530**	21
Interest rate swaps (Note ii)	**644**	928
	1,174	949

Notes:

(i) The notional principal amounts of the outstanding forward foreign exchange contracts as at 31 December 2012 were approximately US$13,975,000 (2011: US$18,329,000). The forward foreign exchange contracts fixed the EUR/USD exchange rate at 1.17 to 1.32 (2011: 1.24 to 1.42).

(ii) The notional principal amount of the outstanding interest rate swap contract as at 31 December 2012 was approximately US$15,750,000 (2011: US$30,050,000). Maturity of the interest rate swap matches with the maturity of the underlying fixed rate borrowings. The swap pre-determined the interest rate at 2.6% (2011: 1.25% to 2.6%).

23 OTHER GAINS/(LOSSES) — NET

	2012 US$'000	2011 US$'000
From continuing operations:		
Fair value (losses)/gains on derivative financial instruments		
— net (losses)/gains on forward foreign exchange contracts	**(530)**	96
— net gains/(losses) on interest rate swaps	**166**	(247)
Net gains on forward foreign exchange contracts	**926**	2,102
Net foreign exchange gains	**3,631**	930
Gain/(loss) on disposal of interest in a subsidiary (Note 34(a))	**392**	(3,870)
Gain on measuring equity interest in the jointly controlled entities held before the business combination	**336**	—
Indemnification income for income tax (Note 28(ii))	**1,052**	—
	5,973	(989)
From discontinued operations:		
Gain on disposal of interests in subsidiaries (Note 34(b))	**—**	16,046

24 GAIN ON RECOGNITION OF CONTINGENT CONSIDERATION

During the year ended 31 December 2011, the Group disposed of certain subsidiaries in the real estate segment (the "Disposal Group") to a jointly controlled entity. In accordance with the subscription and share purchase agreement, a final cash consideration of RMB56,644,612 (equivalent to US$9,136,000) will be required to pay by the jointly controlled entity to the Group if certain conditions were met. In considering the uncertainties surrounding the fulfillment of conditions in prior year, the Group has not recognized the contingent consideration for the year ended 31 December 2011.

During the current year, management obtained confirmation from the jointly controlled entity that the prescribed conditions were met and hence the contingent asset became virtually certain as at 31 December 2012. As a result, the Group has recognized the contingent receivable to be settled in 2017 which results in a gain of RMB31,569,000 (equivalent to US$5,092,000) in the current year. The calculation of the gain has accounted for the discounting impact and the elimination of gains from transactions with a jointly controlled entity.

25 EXPENSES BY NATURE

	2012 US$'000	2011 US$'000
From continuing operations:		
Raw materials and consumables used	656,808	653,064
Changes in inventories of finished goods and work in progress	335	5,206
Employee benefit expenses (Note 26)	195,394	168,428
Gains on disposals of property, plant and equipment — net	(516)	(227)
Auditors' remuneration	1,078	1,109
Amortization of leasehold land and land use rights (Note 6)	277	219
Amortization of intangible assets (Note 8)	2,353	2,192
Depreciation of property, plant and equipment (Note 7)	16,386	16,365
Provision for impairment of trade and bills receivable (Note 14(a))	1,047	4,412
Provision/(reversal of provision) for inventory obsolescence	629	(114)
Operating leases		
— office premises and warehouses	6,991	7,057
— plant and machinery	556	345
Transportation expenses	5,487	5,619
Commission	600	1,896
Communication, supplies and utilities	23,064	21,384
Other expenses	41,109	39,596
	951,598	926,551
From discontinued operations:		
Employee benefit expenses (Note 26)	—	376
Depreciation of property, plant and equipment (Note 7)	—	926
Other expenses	—	150
	—	1,452

	2012 US$'000	2011 US$'000
From continuing operations:		
Representing:		
Cost of sales	820,140	795,556
Selling and distribution expenses	13,516	14,742
General and administrative expenses	117,942	116,253
	951,598	926,551
From discontinued operations:		
Representing:		
General and administrative expenses	—	1,452

26 EMPLOYEE BENEFIT EXPENSES — INCLUDING DIRECTORS' EMOLUMENTS

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

	2012 US$'000	2011 US$'000
Wages, salaries and allowances	187,009	164,929
Termination benefits	3,419	698
Share options granted to directors and employees	—	13
Pension costs		
— Defined contribution plans (Note 20(a))	3,631	2,485
— Defined benefit plans (Note 20(b))	1,276	955
Long service payments (Note 20(c))	59	(276)
	195,394	168,804

(b) Directors' and senior management's emoluments

The remuneration of every director for the year ended 31 December 2012 is set out below:

Name of director	Fees US$'000	Salary US$'000	Discretionary bonuses US$'000	Other benefits (Note ii) US$'000	Employer's contribution to pension scheme US$'000	Total US$'000
Executive directors						
Mr. Tan Siu Lin *(Chairman)*	—	113	—	—	—	113
Mr. Tan Henry *(Chief Executive Officer)*	—	466	777	—	2	1,245
Mr. Tan Cho Lung, Raymond	—	339	452	36	2	829
Ms. Mok Siu Wan, Anne	17	459	695	—	12	1,183
Mr. Tan Sunny *(Chief Financial Officer)* (Note i)	17	186	—	—	2	205
Non-executive directors						
Mr. Tan Willie	100	—	—	17	—	117
Mr. Lu Chin Chu	17	—	—	—	—	17
Independent non-executive directors						
Mr. Chan Henry	17	—	—	—	—	17
Mr. Cheung Siu Kee	17	—	—	—	—	17
Mr. Seing Nea Yie	17	—	—	—	—	17

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

(b) Directors' and senior management's emoluments (Continued)

The remuneration of every director for the year ended 31 December 2011 is set out below:

Name of director	Fees US$'000	Salary US$'000	Discretionary bonuses US$'000	Other benefits (Note ii) US$'000	Employer's contribution to pension scheme US$'000	Total US$'000
Executive directors						
Mr. Tan Siu Lin *(Chairman)*	—	113	—	—	—	113
Mr. Tan Henry *(Chief Executive Officer)*	—	466	485	—	2	953
Mr. Tan Cho Lung, Raymond	—	339	298	36	2	675
Ms. Mok Siu Wan, Anne	15	403	626	—	69	1,113
Mr. Tan Sunny *(Chief Financial Officer)*	15	112	—	—	2	129
Non-executive directors						
Mr. Tan Willie	150	—	—	15	—	165
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

Notes:

(i) Mr. Tan Sunny resigned to be the director of the Company on 28 December 2012.

(ii) Other benefits mainly include share options and other allowances.

None of the directors of the Company waived any emoluments paid by the Group companies during the year (2011: Nil).

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included three (2011: three) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2011: two) individuals during the year are as follows:

	2012 US$'000	2011 US$'000
Basic salaries, other allowances and benefits in kind	**562**	494
Discretionary bonuses	**715**	551
Pension scheme contributions	**20**	17
Others	**390**	540
	1,687	1,602

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

(c) Five highest paid individuals (Continued)

The emoluments of the remaining two (2011: two) highest paid individuals fell within the following bands:

	Number of individuals	
	2012	2011
Emolument bands		
US$709,678 to US$774,194 (equivalent to HK$5,500,001 to HK$6,000,000)	**—**	1
US$774,195 to US$838,709 (equivalent to HK$6,000,001 to HK$6,500,000)	**1**	—
US$838,710 to US$903,226 (equivalent to HK$6,500,001 to HK$7,000,000)	**1**	1
	2	2

During the year, no emoluments have been paid to any of the directors of the Company nor the five highest paid individuals as an inducement to join or as compensation for loss of office.

27 FINANCE COSTS — NET

	2012	2011
	US$'000	US$'000
From continuing operations:		
Interest expense on bank loans and overdrafts	**2,195**	1,558
Effective interest expense on convertible bond (Note 19)	**126**	—
Finance costs	**2,321**	1,558
Interest income from bank deposits	**(1,899)**	(751)
Change in estimates of financial liabilities (Note)	**—**	(244)
Finance income	**(1,899)**	(995)
Finance costs — net	**422**	563
From discontinued operations:		
Interest expense on bank loans and overdrafts	**—**	51

Note:

The net effect of the change in estimates related to the financial liabilities in connection with the put options granted to the non-controlling interests of certain subsidiaries. Such change in estimates represented the changes in estimated final redemption amount.

28 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 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.

	2012 US$'000	2011 US$'000
Current income tax	3,929	6,123
Over-provision in prior years	(1,054)	(500)
Deferred income tax (Note 12)	(303)	(463)
Income tax expense	2,572	5,160

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:

	2012 US$'000	2011 US$'000
Profit before income tax including discontinued operations	42,175	42,882
Tax calculated at domestic tax rates applicable to profits in the respective countries	2,343	7,100
Income not subject to tax	(2,085)	(2,981)
Expenses not deductible for tax purposes	2,596	1,998
Utilization of previously unrecognized tax losses	(90)	(533)
Tax losses for which no deferred income tax asset was recognized	805	176
Tax effect of share of results of an associated company and jointly controlled entities	57	(100)
Over-provision in prior years	(1,054)	(500)
Income tax expense	2,572	5,160

Notes:

(i) In prior years, a Hong Kong subsidiary received notices of additional assessments/assessments from the Hong Kong Inland Revenue Department (the "IRD") for the years of assessment 2000/01 to 2007/08, 2009/10 and 2010/11 demanding for tax totalling US$3,960,000 in respect of certain income, which the directors have regarded as being not subject to Hong Kong Profits Tax. The directors have thoroughly revisited the situations and have concluded that the subsidiary company has grounds to defend that the relevant profits are not subject to Hong Kong Profits Tax. In these circumstances, the directors have filed objections to these additional assessments/assessments and consider that sufficient tax provision has been made in the financial statements. The subsidiary company has paid the amount of US$3,752,000 in the form of Tax Reserve Certificates. The Tax Reserve Certificates amount paid was included in prepaid income tax in the consolidated balance sheet as at 31 December 2012.

28 INCOME TAX EXPENSE (CONTINUED)

Notes: (Continued)

(ii) In prior years, the IRD conducted a tax audit on two other subsidiaries of the Group and had issued additional assessments for 2000/01 to 2008/09, demanding tax totalling US$10,185,000. Some of these assessments were protective assessments issued before the expiry of the statutory time-barred period pending the result of the tax audit. Pursuant to the notices of revised assessment and notices for penalty issued by the IRD on 14 September 2012 and 20 February 2013, respectively, the IRD has agreed with the settlement proposed by these subsidiaries of US$2,897,000.

Pursuant to the sales and purchase agreement in relation to the acquisition of these subsidiaries, the former shareholder has indemnified the Group for the settlement of the additional tax provision in excess of the tax liabilities being provided in the subsidiaries' books and records as at the acquisition date. Therefore, the Group has recorded indemnification income from the former shareholder of these subsidiaries of US$1,052,000 during the year ended 31 December 2012.

29 PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The profit attributable to owners of the Company is dealt with in the financial statements of the Company to the extent of approximately US$13,416,000 (2011: US$10,454,000).

30 EARNINGS PER SHARE

(a) Basic

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

	2012 **US$'000**	2011 US$'000
Profit from continuing operations attributable to owners of the Company	**38,635**	19,767
Profit from discontinued operations attributable to owners of the Company	**—**	14,543
Profit attributable to owners of the Company	**38,635**	34,310
Weighted average number of ordinary shares in issue (thousands)	**996,844**	992,666
Basic earnings per share (US cents per share)	**3.9**	3.5

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

The Company has share options and convertible bond which have potential dilutive effect on its ordinary shares.

The dilutive effect of share options on number of shares is calculated to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options.

30 EARNINGS PER SHARE (CONTINUED)

(b) Diluted (Continued)

The convertible bond is assumed to have been converted into ordinary shares, and the net profit is adjusted to eliminate the interest expense less the tax effect.

The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options and the conversion of the convertible bond.

	2012 US$'000	2011 US$'000
Earnings		
Profit from continuing operations attributable to owners of the Company	**38,635**	19,767
Interest expense on convertible bond (net of tax)	**126**	—
Profit used to determine diluted earnings per share	**38,761**	19,767
Profit from discontinued operations attributable to owners of the Company	**—**	14,543
	38,761	34,310
Weighted average number of ordinary shares in issue (thousands)	**996,844**	992,666
Adjustments for:		
— Assumed conversion of convertible bond (thousands)	**17,330**	—
— Share options (thousands)	**1,860**	214
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**1,016,034**	992,880
Diluted earnings per share (US cents per share)	**3.8**	3.5

31 DIVIDENDS

	2012 US$'000	2011 US$'000
Interim dividend paid of US0.367 cent or equivalent to HK2.848 cents (2011: US0.233 cent) per ordinary share	**3,664**	2,313
Proposed final dividend of US0.791 cent or equivalent to HK6.140 cents (2011: US0.804 cent) per ordinary share	**7,927**	7,981
	11,591	10,294

The directors have recommended the payment of a final dividend of US cent of 0.791 per share, totaling US$7,927,000. Such dividend is to be approved by the shareholders at the forthcoming Annual General Meeting. These financial statements do not reflect this dividend proposed.

32 DISCONTINUED OPERATIONS

Pursuant to a subscription and share purchase agreement signed on 9 June 2011, the Group entered into a transaction involving the disposal of the subsidiaries in the real estate segment (the "Disposal Group") to a jointly controlled entity.

The results and the cash flows of the discontinued operations for the Disposal Group included in the consolidated income statement and the consolidated cash flow statement are set out below:

	2011 US$'000
Revenue	—
Expenses	(1,503)
Other gain	16,046
Profit before income tax from discontinued operations	14,543
Income tax expense	—
Profit after tax from discontinued operations	14,543
Profit for the year from discontinued operations attributed to:	
— Owners of the Company	14,543
— Non-controlling interests	—
Profit for the year from discontinued operations	14,543
Net cash outflow from operating activities	(526)
Net cash inflow from investing activity	12,555
Net cash outflow from financing activity	(51)
Net cash generated from discontinued operations	11,978

33 CASH GENERATED FROM OPERATIONS

	2012 US$'000	2011 US$'000
Profit before income tax including discontinued operations	**42,175**	42,882
Adjustments for:		
Add:		
Share of losses of jointly controlled entities	**180**	—
Finance expense (Note 27)	**2,321**	1,609
Impairment loss on goodwill (Note 8)	**6,896**	357
Amortization of intangible assets (Note 8)	**2,353**	2,192
Amortization of leasehold land and land use rights (Note 6)	**277**	219
Depreciation of property, plant and equipment (Note 7)	**16,386**	17,291
Share-based payment expenses	**—**	13
	70,588	64,563
Less:		
Share of profit of an associated company	**(8)**	(41)
Share of profits of jointly controlled entities	**—**	(269)
Finance income (Note 27)	**(1,899)**	(995)
Fair value gains on derivative financial instruments	**(562)**	(1,951)
Gains on disposals of subsidiaries — net (Note 34)	**(392)**	(12,176)
Gains on disposals of property, plant and equipment — net	**(516)**	(227)
Gain on recognition of contingent consideration	**(5,092)**	—
Gain on measuring equity interest in the jointly controlled entities held before the business combination	**(336)**	—
Operating profit before working capital changes	**61,783**	48,904
Changes in working capital (excluding the effects of disposals and acquisitions of subsidiaries and exchange differences on consolidation):		
Inventories	**(18)**	(3,475)
Properties under development	**—**	(8,077)
Trade and other receivables	**8,752**	(5,643)
Trade and other payables	**(14,446)**	10,371
Derivative financial instruments	**787**	2,173
Retirement benefit obligations	**1,418**	793
Cash generated from operations	**58,276**	45,046

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

	2012 US$'000	2011 US$'000
Net book amount (Note 7)	**1,145**	764
Gains on disposals of property, plant and equipment — net	**516**	227
Proceeds from disposals of property, plant and equipment	**1,661**	991

34 DISPOSAL OF SUBSIDIARIES

(a) Disposal of interest in a subsidiary — Luen Thai Garment (Cambodia) Co., Ltd.

During the year, the Group has signed a sale and purchase agreement to dispose of its 100% equity interest in Luen Thai Garment (Cambodia) Co., Ltd., ("LTCB"), which was engaged in the manufacturing of causal and fashion apparel in Cambodia, at a cash consideration of US$1,670,000 to a related company. The completion took place on 31 January 2012 and the net assets of LTCB as at the date of disposal were as follows:

	US$'000
Total consideration satisfied by:	
Cash consideration	1,670
Net assets disposed:	
Property, plant and equipment	1,027
Inventories	—
Cash and cash equivalent	11
Other receivables	314
Other payables and accruals	(74)
Net assets at the date of disposal	1,278
Gain on disposal of interest in a subsidiary	392
Analysis of the net cash inflow in respect of the disposal of 100% interest in LTCB	
— Cash consideration	1,670
— Less: cash and cash equivalents disposed	(11)
Net cash inflow in respect of the disposal of 100% interest in LTCB	1,659

(b) Disposal of interest in subsidiaries — real estate business

The Group has signed a subscription and share purchase agreement on 9 June 2011 for the disposal of certain subsidiaries which were engaged in real estate business in the PRC.

In order to further enhance the value and development potential of the land plots in Qingyuan, Guangdong, the PRC (the "PRC Land"), the Group has co-operated with Luen Thai Land Limited, a related company, and Sunshine 100 Real Estate Group Co. Ltd. ("Sunshine 100"), a third party, to establish a jointly controlled entity (the "JCE") for the joint development of the real estate project. All the assets under the real estate project have been transferred to the JCE with consideration which was determined with reference to the fair value of the land. In return, the Group would be entitled to 24% equity interest in the JCE and a cash consideration of RMB298,055,000 (equivalent to US$46,923,000). The consideration excluded the contingent consideration of RMB56,644,612 (equivalent to US$9,136,000) which would be realized upon the fulfillment of certain conditions. The transaction was completed on 29 November 2011. During the year, since these conditions have been met and hence the contingent receivables has been recognized. Please refer to Note 24 for details.

34 DISPOSAL OF SUBSIDIARIES (CONTINUED)

(b) Disposal of interest in subsidiaries — real estate business (Continued)

	US$'000
Total consideration satisfied by:	
Cash consideration	46,923
Fair value of 24% equity interest in the JCE	12,366
	59,289
Net assets disposed:	
Properties under development	31,063
Property, plant and equipment	3,045
Cash and cash equivalents	2,685
Other receivables	661
Other payables and accruals	(4,296)
Deferred income tax liabilities	(2,550)
Net assets at the date of disposal	30,608
Exchange reserve released upon disposal	1,835
	32,443
Gain on disposal of interest in subsidiaries before elimination of gain from transactions with jointly controlled entities	26,846
Less: elimination of gain from transactions with jointly controlled entities	(6,443)
Less: tax charge	(4,357)
Gain on disposal of interest in subsidiaries	16,046

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

	US$'000
Cash consideration	46,923
Less: cash and cash equivalents disposed	(2,685)
Less: amount due from a jointly controlled entity	(31,683)
Net cash inflow in respect of the disposal of interest in subsidiaries	12,555

34 DISPOSAL OF SUBSIDIARIES (CONTINUED)

(c) Disposal of interest in a subsidiary — Lian Xin Garment Company

On 9 August 2011, the Group disposed of its 80% equity interest in Lian Xin Garment Company ("DGLX"), a subsidiary which was engaged in causal and fashion apparel business, at a cash consideration of RMB 1 to a non-controlling interest shareholder, which has 20% equity interest in DGLX prior to the disposal. The completion of the disposal took place on 31 August 2011. The net assets of DGLX at the date of disposal were as follows:

	US$'000
Net assets disposed:	
Property, plant and equipment	244
Inventories	2,910
Cash and cash equivalents	292
Trade and bills receivable	391
Deposits, prepayments and other receivables	948
Trade and bills payable	(44)
Accrued liabilities and other payable	(871)
Net assets at date of disposal	3,870
Loss on disposal of interest in a subsidiary	(3,870)
Total consideration	—
Satisfied by:	
Cash consideration	—
Analysis of the net cash outflow in respect of the disposal of 80% equity interest in DGLX:	
— Cash consideration	—
— Less: cash and cash equivalents disposed	(292)
Net cash outflow in respect of the disposal of 80% equity interest in DGLX	(292)

35 BUSINESS COMBINATION

(a) Acquisition of subsidiaries — Dongguan Tien-Hu Group

On 1 February 2012, the Group entered into a sale and purchase agreement to acquire 100% equity interest in Tien-Hu Knitting Company (Hong Kong) Limited and its subsidiary (the "Dongguan Tien-Hu Group"), which are engaged in the manufacturing of sweaters in the PRC, at a cash consideration of HK$46,500,000 (equivalent to US$6,000,000). The transaction was completed on 1 February 2012.

Details of the consideration for the acquisition of Dongguan Tien-Hu Group and the amounts of the net identifiable assets recognized at the 1 February 2012 are as follows:

	US$'000
Cash consideration paid	6,000
Less: fair values of net assets acquired (as shown below)	(5,324)
Goodwill	676

35 BUSINESS COMBINATION (CONTINUED)

(a) Acquisition of subsidiaries — Dongguan Tien-Hu Group (Continued)

The net assets of Dongguan Tien-Hu Group are as follows:

	Carrying value US$'000	Fair value US$'000
Leasehold land and land use rights	69	879
Property, plant and equipment	1,533	4,892
Trade and other receivables	5	5
Prepaid income tax	13	13
Cash and cash equivalents	21	21
Trade and other payables	(69)	(69)
Deferred income tax liabilities	—	(417)
	1,572	5,324

The goodwill is attributable to the synergy expected from combining the operations of the Group and the acquired business.

Analysis of outflow of cash and cash equivalents in respect of the Dongguan Tien-Hu Group acquisition:

	US$'000
Cash consideration paid	(6,000)
Less: cash and cash equivalents acquired	21
Net cash outflow in respect of the Dongguan Tien-Hu Group acquisition	(5,979)

(b) Acquisition of remaining equity interest in jointly controlled entities — Sportswear Business

On 27 April 2012, the Group entered into a sale and purchase agreement to acquire the remaining 50% equity interest in Yuen Thai Group, which is engaged in the trading and manufacturing of sports and active wear in the PRC and the Philippines (the "Sportswear Business"), from a shareholder of the Group by issuing a convertible bond at fair value of US$6,050,000 as the consideration (Note 19). The transaction was completed on 31 May 2012.

Details of the consideration for the acquisition of the Sportswear Business and the amounts of the net identifiable assets recognized at 31 May 2012 are as follows:

	US$'000
Purchase consideration — convertible bond	6,050
Fair value of 50% equity interest in the Sportswear Business previously held (Note)	5,664
	11,714
Less: fair values of net assets acquired (as shown below)	(11,454)
Goodwill	260

35 BUSINESS COMBINATION (CONTINUED)

(b) Acquisition of remaining equity interest in jointly controlled entities — Sportswear Business (Continued)

The net assets of the Sportswear Business are as follows:

	Carrying value	Fair value (Note)
	US$'000	US$'000
Property, plant and equipment	7,123	7,431
Intangible assets	—	1,070
Trade and other receivables	28,903	28,903
Inventories	12,623	12,623
Cash and cash equivalents	1,264	1,264
Bank borrowings	(9,609)	(9,609)
Deferred tax liabilities	—	(177)
Trade and other payables	(28,195)	(28,765)
Current income tax liabilities	(1,286)	(1,286)
	10,823	11,454

Note: The Group has appointed an independent valuer to estimate the fair value of 50% equity interest in the Sportswear Business previously held and the fair values of the net assets acquired.

The goodwill is attributable to the synergy expected from combining the operations of the Group and the acquired business.

Analysis of inflow of cash and cash equivalents in respect of the Sportswear Business Acquisition:

	US$'000
Cash and cash equivalents acquired	1,264

(c) Acquisition of subsidiaries — Luen Thai Footwear Group

On 30 May 2012, the Group entered into a sale and purchase agreement to acquire 100% equity interest in Luen Thai Industrial Company Limited and its subsidiaries (the "Luen Thai Footwear Group"), which are engaged in the trading and manufacturing of footwear in the PRC, from a shareholder of the Group at a cash consideration of RMB88,109,763 (equivalent to US$13,807,000). The transaction was completed on 10 July 2012.

Details of the consideration for the acquisition of Luen Thai Footwear Group and the amounts of the net identifiable assets recognized at 10 July 2012 are as follows:

	US$'000
Cash consideration paid	13,807
Less: fair values of net assets acquired (as shown below)	(12,528)
Goodwill	1,279

35 BUSINESS COMBINATION (CONTINUED)

(c) Acquisition of subsidiaries — Luen Thai Footwear Group (Continued)

The net assets of the Luen Thai Footwear Group are as follows:

	Carrying Value	Fair Value (Note)
	US$'000	US$'000
Leasehold land and land use rights	230	2,562
Property, plant and equipment	5,365	7,949
Goodwill	226	226
Intangible assets	—	3,504
Interest in a jointly controlled entity	79	79
Trade and other receivables	17,886	17,886
Inventories	3,547	3,547
Cash and cash equivalents	3,598	3,598
Bank borrowings	(6,727)	(6,727)
Deferred income tax liabilities	—	(1,229)
Trade and other payables	(18,660)	(18,660)
Current income tax liabilities	(207)	(207)
	5,337	12,528

Note: The Group has appointed an independent valuer to estimate the fair values of the net assets acquired.

The goodwill is attributable to the synergy expected from combining the operations of the Group and the acquired business.

Analysis of outflow of cash and cash equivalents in respect of the Luen Thai Footwear Group acquisition:

	US$'000
Cash consideration paid	(13,807)
Less: cash and cash equivalents acquired	3,598
Net Cash outflow in respect of the Luen Thai Footwear Group acquisition	(10,209)

35 BUSINESS COMBINATION (CONTINUED)

(d) Acquisition of remaining equity interest in jointly controlled entities — New Sunshine Group

On 31 December 2012, the Group entered into a sale and purchase agreement to acquire the remaining 50% equity interest in New Sunshine Limited and its subsidiaries (the "New Sunshine Group"), which are engaged in the manufacturing of sweaters in the PRC, from an independent third party at a cash consideration of HK$1. The transaction was completed on 31 December 2012.

Details of the consideration for the acquisition of New Sunshine Group and the amounts of the net identifiable assets recognized at 31 December 2012 are as follows:

	US$'000
Cash consideration paid	—
Fair value of 50% equity interest in New Sunshine Group previously held	—
	—
Less: fair values of net assets acquired (as shown below)	(1,700)
Goodwill	1,700

The net assets of New Sunshine Group are as follows:

	Carrying value US$'000	**Fair value** (Note) US$'000
Property, plant and equipment	3,351	3,351
Trade and other receivables	111	111
Inventories	365	365
Prepaid income tax	28	28
Cash and cash equivalents	717	717
Bank borrowings	(3,780)	(3,780)
Trade and other payables	(1,690)	(1,690)
Amounts due to fellow subsidiaries	(802)	(802)
	(1,700)	(1,700)

Note: As at 31 December 2012, the carrying values of the net assets acquired approximate their fair values.

The goodwill is attributable to the synergy expected from combining the operations of the Group and the acquired business.

Analysis of inflow of cash and cash equivalents in respect of the New Sunshine Group Acquisition:

	US$'000
Cash and cash equivalents acquired	717

35 BUSINESS COMBINATION (CONTINUED)

(e) Financial impacts of acquisitions in 2012

The acquired subsidiaries as described in Notes (a) to (d) above, in aggregate, contributed revenue of US$97,722,000 and net loss of US$98,000 to the Group since the respective dates of acquisitions. If all the acquisitions had occurred on 1 January 2012, the Group's revenue would have been US$1,172,402,000 and profit attributable to owners of the Company would have been US$38,612,000. These amounts have been calculated using the Group's accounting policies and by adjusting the results of the subsidiaries to reflect the additional depreciation and amortization that would have been charged assuming the fair value adjustments to leasehold land and land use rights, property, plant and equipment and intangible assets had applied from 1 January 2012, together with the consequential tax effects.

36 COMMITMENTS

(a) Capital commitments — Group

As at 31 December 2012 and 2011, the Group has the following capital commitments:

	2012	2011
	US$'000	US$'000
Contracted but not provided for		
— Property, plant and equipment	**1,792**	690

(b) Operating lease commitments — Group

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

	2012	2011
	US$'000	US$'000
Land and buildings		
— No later than 1 year	**4,040**	3,797
— Later than 1 year and no later than 5 years	**6,787**	5,356
— Later than 5 years	**3,776**	4,976
	14,603	14,129
Property, plant and equipment		
— No later than 1 year	**79**	216
— Later than 1 year and no later than 5 years	**24**	131
	103	347

The Company has no other material commitments as at 31 December 2012 and 2011.

37 RELATED-PARTY TRANSACTIONS

Capital Glory Limited, a company incorporated in the British Virgin Islands, owns 61.88% 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 Dr. Tan Siu Lin and his close family members.

37 RELATED-PARTY TRANSACTIONS (CONTINUED)

(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 Dr. 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

	2012 US$'000	2011 US$'000
Management fee income from		
— related companies	**222**	422
— jointly controlled entities	**112**	371
	334	793
Commission income from		
— related companies	**707**	712
— jointly controlled entities	**15**	—
	722	712
Freight forwarding and logistics service income from		
— related companies	**984**	517
— jointly controlled entities	**73**	316
	1,057	833
Rental income from related companies	**527**	369
Subcontracting income from a jointly controlled entity	**125**	2,760
Service income from		
— related companies	**350**	253
— jointly controlled entities	**214**	—
	564	253
Advance payment to		
— related companies	**42**	58
— a jointly controlled entity	**—**	1,401
	42	1,459
Recharge of material costs and other expenses to		
— related companies	**1,502**	1,367
— jointly controlled entities	**3,729**	13,513
	5,231	14,880

37 RELATED-PARTY TRANSACTIONS (CONTINUED)

(a) Transactions with related parties (Continued)

(i) Provisions of goods and services (Continued)

	2012 US$'000	2011 US$'000
Sales of apparels, textile products and accessories to		
— a related company	**723**	—
— jointly controlled entities	**9**	122
	732	122

(ii) Purchases of goods and services

	2012 US$'000	2011 US$'000
Rental expenses for occupying office premises, warehouses and staff quarters charged by related companies	**1,453**	1,476
Professional and technological support service fees to related companies	**2,151**	2,155
Subcontracting fee charged by jointly controlled entities	**15,230**	16,251
Commission expense charged by jointly controlled entities	**752**	2,569
Recharge of material costs and other expenses by		
— related companies	**725**	709
— jointly controlled entities	**3,838**	4,542
	4,563	5,251
Purchase of materials from		
— related companies	**24**	—
— jointly controlled entities	**843**	8
	867	8

37 RELATED-PARTY TRANSACTIONS (CONTINUED)

(a) Transactions with related parties (Continued)

(ii) Purchases of goods and services (Continued)

	2012 **US$'000**	2011 US$'000
Management fees charged by a jointly controlled entity	**–**	670
Freight forwarding and logistics service charged by an associated company	**192**	60
Medical benefits & other employee related expenses charged by related companies	**221**	199

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

(b) Key management compensation

	2012 **US$'000**	2011 US$'000
Basic salaries and allowance	**4,320**	4,088
Bonus	**4,412**	3,700
Pension scheme contributions	**50**	101
	8,782	7,889

(c) Banking facilities

As at 31 December 2012, certain banking facilities of the Group to the extent of US$358,088,000 (2011: US$333,443,000) were supported by corporate guarantees given by the Company.

As at 31 December 2011, the Company also provided corporate guarantees to the extent of US$11,613,000 (equivalent to HK$90,000,000) to Yuen Thai Industrial Co. Ltd., previously as a jointly controlled entity of the Group, which becomes a wholly-owned subsidiary in 2012.

(d) In accordance with the deed of the indemnity dated 27 June 2004 in connection with the group reorganization in contemplation of the listing of the Company's shares on The Stock Exchange of Hong Kong Limited, any claims, actions, losses, damages, tax and charges against the Group in relation to periods prior to July 2004 would, subject to the terms contained in the deed, be indemnified and reimbursed by certain of the then shareholders of the Company.

37 RELATED-PARTY TRANSACTIONS (CONTINUED)

(e) On 30 January 2012, the Group signed a sale and purchase agreement to dispose of its 100% equity interest in LTCB at a cash consideration of US$1,670,000 to a related company. Please refer to Note 34(a) for details.

(f) On 30 May 2012, the Group entered into a sale and purchase Agreement with Luen Thai Enterprises Limited, a related company owned by a director, to acquire the entire issued capital of Luen Thai Footwear Group at a cash consideration of RMB88,109,763 (equivalent to US$13,807,000). Please refer to Note 35(c) for details.

38 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.

39 EVENTS AFTER THE BALANCE SHEET DATE

On 6 January 2013, the Group entered into a sale and purchase agreement with Capital Glory, an independent third party to acquire the entire issued capital of Ocean Sky Global(S) Pte. Ltd and its wholly-owned subsidiaries (the "Ocean Sky Group") at an estimated consideration of US$55,000,000.

Ocean Sky Group is principally engaged in manufacturing and trading of apparels in Singapore, Vietnam and Cambodia. The Group is in the progress of assessing the financial impact to the Group's financial statements as a result of this acquisition.

FINANCIAL SUMMARY

For the year ended 31 December 2012

	2008	2009	2010	2011	2012
Financial highlights (US$'000)					
Total assets	541,796	525,263	528,383	592,662	**687,248**
Total liabilities	295,336	269,087	240,823	275,457	**342,274**
Bank borrowings	83,540	67,016	64,252	88,053	**113,058**
Capital and reserves attributable to the owners of the Company	221,562	234,355	276,721	307,954	**336,115**
Working capital	78,736	103,792	85,349	110,650	**131,495**
Revenue	832,002	774,892	794,017	956,489	**990,198**
Profit attributable to the owners of the Company	11,829	15,220	18,052	34,310	**38,635**
Key ratios					
Current ratio	1.31	1.46	1.38	1.43	**1.41**
Gross profit margin	18.5%	18.5%	16.9%	16.8%	**17.2%**
Profit margin attributable to the owners of the Company	1.42%	1.96%	2.30%	3.6%	**3.9%**