Luenthai

Luen Thai Holdings Limited
聯泰控股有限公司

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

Annual Report 2013

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS
TAN Siu Lin, *Chairman*
TAN Henry, *Chief Executive Officer*
TAN Cho Lung Raymond
MOK Siu Wan Anne

NON-EXECUTIVE DIRECTORS
TAN Willie
LU Chin Chu

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

CHIEF FINANCIAL OFFICER
TAN Sunny

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
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Hong Kong

WEBSITE
http://www.luenthai.com

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
Codan Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
P.O. Box 2681, Grand Cayman
KY1–1111, Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
Computershare Hong Kong Investor Services Limited
Shops 1712–1716
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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

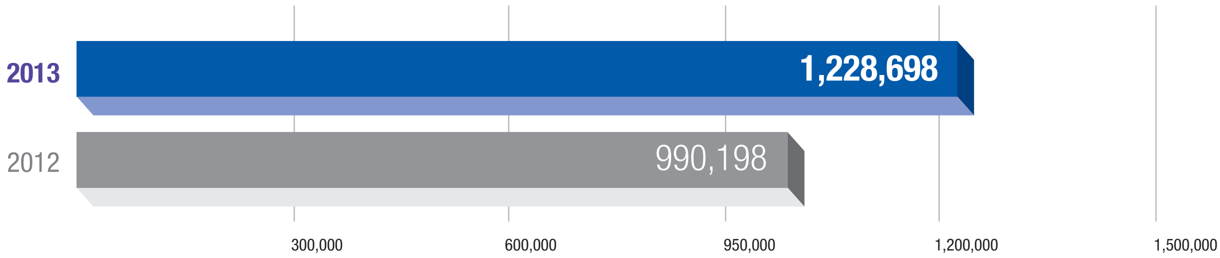
AUDITOR
PricewaterhouseCoopers
Certified Public Accountants
22nd Floor, Prince's Building
Central, Hong Kong

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

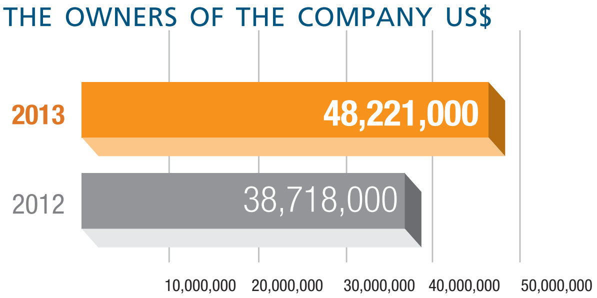
KEY FINANCIAL HIGHLIGHTS

	2013 US$'000	2012 US$'000 (Restated)
Revenue	**1,228,698**	990,198
Gross Profit	**212,001**	160,672
As a percentage of revenue	**17.3%**	16.2%
Operating Profit	**51,474**	42,835
As a percentage of revenue	**4.2%**	4.3%
Profit Attributable to the Owners of the Company	**48,221**	38,718
As a percentage of revenue	**3.9%**	3.9%
Basic Earnings Per Share	**US4.7 cents**	US3.9 cents
Dividend Per Share		
— Final	**US0.873 cent**	US0.791 cent
— Interim	**US0.526 cent**	US0.367 cent
Capital and Reserves		
Attributable to the owners of the Company	**376,368**	334,188

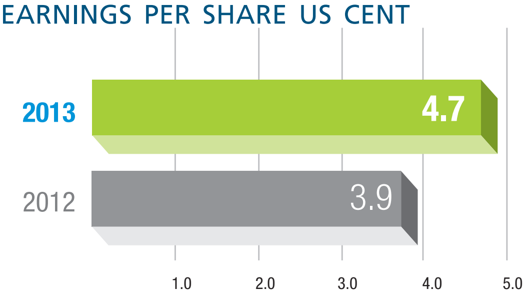
REVENUE (US$'000)



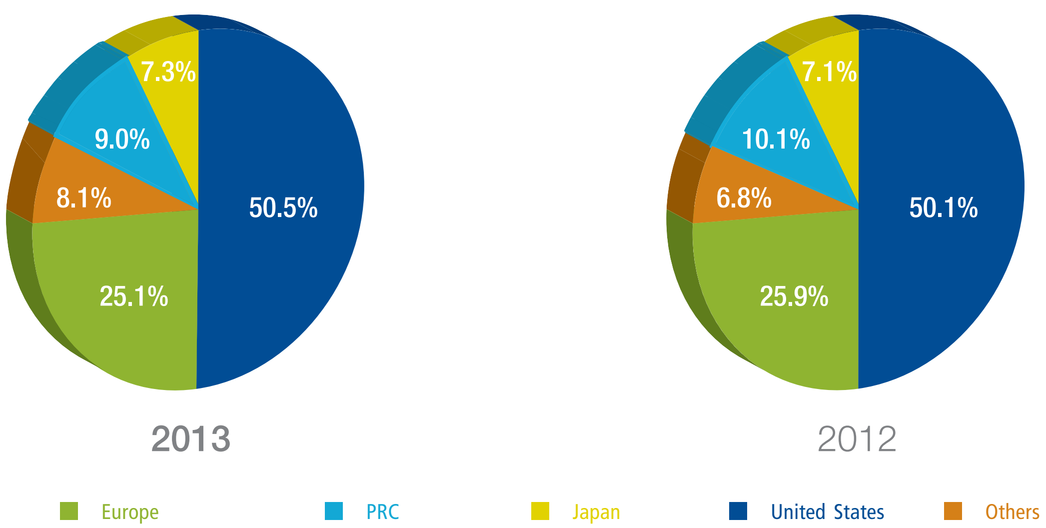
PROFIT ATTRIBUTABLE TO THE OWNERS OF THE COMPANY US$



EARNINGS PER SHARE US CENT



SALES BY GEOGRAPHICAL SEGMENT



TAN Siu Lin
Chairman

OVERVIEW

It is my pleasure to present the annual report of Luen Thai Holdings Limited ("Luen Thai" or "Company", and together with its subsidiaries, the "Group") for the year ended 31 December 2013.

Despite the persistent uncertainty of the global economy, I am pleased to report that Luen Thai achieved another year of record high revenue in 2013 of approximately US$1,228,698,000 and the profit attributable to the owners of the Company rose by 24.5% to reach a new record of US$48,221,000.

STRATEGIC DIRECTIONS

Diversification of Production Bases

Due to the constant rise of labour costs in China in the past decade, the operating costs of labour intensive industries such as garment manufacturing in mainland China is currently under great pressure. In order to cope with the growth plan of certain key customers within reasonable costs, Luen Thai will continue to identify and develop appropriate production capacities outside China. While I believe China still maintains its strong competitive edge for complex products requiring skilled labour and short lead time and therefore the Group will continue to maintain our China production facilities. On the other hand, we will also focus on diversifying to other major production bases outside China to remain competitive and resilient.

From my point of view, the continuous expansion of production capacities in other Southeast Asia countries is a critical success factor 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 lower labour costs, we have considered various 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. Other than the establishment of additional production capacities in the Philippines in 2012, the Company has successfully developed its production capacities in Cambodia and Vietnam in 2013 through the acquisition of Ocean Sky Global (S) Pte. Ltd. and its subsidiaries (collectively, the "Ocean Sky Group") which constituted a substantial development on the diversification of production bases.

As at the end of 2013, the Group had over 42,000 employees globally, representing an increase of approximately 9,000 employees compared to 2012. Such increase in headcount is substantially attributable to the completion of the acquisition of the Ocean Sky Group during the year under review.

Looking ahead, the Group will strive to capture opportunities in the apparel and accessories business by broadening our customer base and further strengthening the relationship with our existing key customers. In addition, the Group will maintain its strong and healthy financial position to overcome any unexpected adverse impact of the fragile global economy and sustained effect of the gradual tapering of quantitative easing program by the United State of America ("U.S.A.").

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 accessories 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 US0.873 cent (or equivalent to HK6.774 cents) per share for the year ended 31 December 2013.

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 and gratitude to all our customers, suppliers and shareholders for their dedicated support. Also, I wish to take this opportunity to thank all our employees for their invaluable service, commitment and diligence 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 2014

RESULT REVIEW

For the year ended 31 December 2013, the Group's revenue amounted to approximately US$1,228,698,000, representing an increase of approximately 24.1% over 2012. The Group produced about 131 million units of apparel and accessories products in 2013 representing an increase of 45.6% over 2012. The increase in revenue is mainly due to (1) the continuous organic growth of certain strategic business units during the year (2) the completion of the acquisition of the Ocean Sky Group as at 30 April 2013, (3) the full year consolidation of the footwear business acquired in the second half of 2012, and (4) the full year consolidation of Yuen Thai Industrial Company Limited, Yuen Thai Holdings Limited and Yuen Thai Philippines, Inc. (collectively, "Yuen Thai Group") which became wholly-owned subsidiaries of the Company, from being held as a joint venture of the Company, in May 2012. In line with the growth of the revenue, Luen Thai's overall gross profit for 2013 was approximately US$212,001,000, representing an increase of approximately US$51,329,000 over 2012.

During the year under review, Ocean Sky Group was grouped under the Casual and Fashion Apparel Division. The operations and transition of Ocean Sky Group have been stable and smooth since the completion of acquisition in April 2013. Due to the inclusion of the amortization of the intangible assets and additional depreciation of approximately US$1.2 million, the net profit of Ocean Sky Group for the eight months in 2013 was approximately US$2.8 million. With the completion of integrating Ocean Sky Group into Luen Thai and the continuous improvement in production efficiency in Cambodia and Vietnam operations, the Board is optimistic that Ocean Sky Group shall become part of the growth driver for the Company in the next few years.

The operating expenses (including the general administration and the selling and distribution expenses) increased to US$162,503,000 representing an increase of 33.2% over 2012. Such increase in expenses was mainly attributable to (1) the full year effect on consolidation of Yuen Thai Group and the footwear business (2) the acquisition of Ocean Sky Group and (3) the organic growth of other strategic business units.

As a result, the profit attributable to the owners of the Company increased to approximately US$48,221,000 as compared to approximately US$38,718,000 in 2012, representing a year-on-year increase of approximately US$9,503,000 or 24.5%.

SEGMENTAL REVIEW

Apparel and Accessories businesses represented the Group's most significant source of revenue, which accounted for approximately 73.1% and 25.4% respectively of the Group's total revenue for the year under review.

Apparel Supply Chain Management Services

The business of Casual and Fashion Apparel Division achieved encouraging result for the year, with revenue rose by 55.4% to approximately US$664,524,000 when compared to 2012. The segment profit of Casual and Fashion Apparel Division is approximately US$35,346,000 representing an increase of 4.9% over 2012. Notable growth in the segment turnover was contributed by the acquisition of Ocean Sky Group, the strong performance of the ladies wear business and the rapid growth of our business with one Japan based customer. Due to the economic instability in Europe during the year under review, the revenue of Life-style Apparel Division decreased by 9.9% to approximately US$131,815,000. However, despite such decrease in revenue, the segment profit of the Division increased to US$4,746,000 due to its strategic increase in provision of product design and development services to some of its customers, and the implementation of certain effective cost control initiatives.

The Sweaters Division has reported a segment profit of approximately US$1,601,000 for 2013, representing a decline of 63.2% when compared to 2012. The decrease in segment profit was mainly due to certain execution issues in one of its China factories and the loss of orders from one of its customers which adversely affected the level loading and efficiency of one of the factories under the Division. As this execution issue and sudden loss of orders have since been addressed with level loading restored, the Board has confidence in the long-term development and prospect of the Sweater Division.

Accessories Supply Chain Management Services

The Accessories Division recorded a profit of approximately US$13,550,000, representing an increase of approximately 26.3% from last year. Despite the start-up loss incurred by the footwear and travel goods business outside China, the segment margin increased in 2013 as a result of the continuous growth of the luxury bag business. With the flexibility of Luen Thai's China plus one strategy, Luen Thai has successfully gained one new luxury bag customer at the end of 2013. The management therefore expects further growth of the Accessories Division in the next few years.

Real Estate

As disclosed in our 2012 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 first phase pre-sale of this real estate project was launched in May and June 2013 with an excellent sale through rate. According to certain news reporting in the mainland China, the Light Rail from Guangzhou to Qingyuan is expected to be completed in 2016.

The Board expects that this real estate project could possibly bring in additional income stream to the Group commencing from 2015.

During the year, the Real Estate Division has reported a segment profit of approximately US$3,861,000 which is mainly attributable to the interest income accrued from the consideration receivable arisen from the disposal of the real estate project in Qingyuan to Sunshine 100.

Logistics

The Group's freight forwarding and logistics services recorded a revenue of approximately US$18,470,000 for the year under review, representing a slight increase of approximately 0.5% over 2012.

MARKETS

Geographically, the USA was the Group's key export market for the year under review, accounting for approximately 50.5% of the total revenue of the Group in 2013. The revenue derived from customers in the USA is approximately US$620,250,000, representing an increase of approximately US$123,799,000 over 2012. This increase is attributable mainly to the consolidation of Ocean Sky Group and the organic growth of other strategic business units.

Europe continued to be the second largest export market of the Group in 2013. Europe accounted for approximately 25.1% of the Group's total revenue in 2013. The revenue derived from customers in Europe is approximately US$308,215,000, representing an increase of approximately US$52,039,000 over that recorded for 2012. Such increase is also mainly due to the consolidation of Ocean Sky Group commencing from May 2013.

Asia market (the PRC and Japan) accounted for approximately 16.3% of the Group's total revenue in 2013.

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 transaction:

As disclosed in the Company's circular dated 29 April 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 Group which are primarily engaged in the business of designing, manufacturing, sales and marketing of apparel with operations in Vietnam, Cambodia, Singapore and Hong Kong.

The Board believes that through the acquisition of Ocean Sky Group, the Group can further diversify its production bases outside China in other Southeast Asia countries (i.e. Cambodia and Vietnam) with lower labour costs and expand its customer base.

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

The Company is in preliminary discussions with different potential acquisition targets with a view to expanding capacities and diversifying our product range on consumer products manufacturing. None of these discussions has materialized into any binding commitment to the Group at this stage.

FUTURE PLANS AND PROSPECT

Increase Production Capacities Outside China

As the operating costs in China are still surging, the Group will ensure the most effective use of the Group's current capacities in China and continue to expand in the Southeast Asia in order to maintain our competitiveness.

In order to cope with the development strategy of certain key customers, the Group will continue to increase the production capacities outside China in 2014. The Group will enhance its existing production capacities through the expansion of current production lines and establishment of new production capacities in the Philippines for the current and the new luxury bag customers.

In addition, the Group will also expand new production capacity in Cambodia for the sportswear business with an aim to enhancing its competitiveness in the servicing of its European customers, as Cambodia is entitled to exemption of customs duties for importing of apparel products to the European Union Market.

As a result of the aforementioned expansions of production capacities in Cambodia and the Philippines, the start-up costs on business expansion will be relatively higher than usual which is likely to affect the result of first half 2014. Although the operation for first half of 2014 is going to be challenging, the Board believes the enhancement of production capacities will enable the Group to sustain its long term development. With a much bigger revenue base achieved in 2013, coupled with the support from our customers, the management believes that the goal of 10% annual revenue growth is achievable.

Diversification of business

Trade preferences are different forms of free trade agreement ("FTA") or arrangement between trading countries. Certain FTAs have been signed between The Association of Southeast Asian Nations ("ASEAN") and countries like Japan, China and Korea. Other trade arrangements including Vietnam-European Union FTA and Trans-Pacific Partnership Agreement are under negotiation. Most of these trade preferences related to apparel products require ASEAN Fabrics in order to enjoy import duty savings/duty free into Japan, the European Union and the relevant countries under negotiation. As a strategic move to invest into ASEAN fabric mill, Sunny Force Limited, a wholly owned subsidiary of the Company, entered into a subscription agreement on 18 February 2014 with Thien Nam Sunrise Textile Joint Stock Company (the "JV Company") which is principally engaged in fabric manufacturing in Vietnam. The Board believes that the Group can enhance its competitiveness and gain market share in its ASEAN production facilities through investing into the JV Company.

In addition, the Group is considering a plan to form a joint venture to invest into a garment and textile industrial park with an initial developmental area of several hundred hectares in Vietnam. The Group has not entered into any binding commitment to implement the plan at this stage. If the plan proceeds and the joint venture is formed, the Group will upon completion own one-third of the equity capital in this joint venture with an investment of approximately US$16 million. Given the increasing demand for fabric and garment facilities in Vietnam, the Board believes that the investment into this industrial park is beneficial to the Group as a whole. The industrial park will also enable the future potential cooperation with other industry players in Vietnam.

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 giving not less than 20 clear business days' notice and our Directors shall be available at 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 2013, the total amount of cash and bank balances of the Group was approximately US$229,440,000, representing an increase of approximately US$63,852,000 as compared to that as at 31 December 2012. The Group's total bank borrowings as at 31 December 2013 were approximately US$176,776,000, representing an increase of approximately US$63,718,000 as compared to that as at 31 December 2012.

As at 31 December 2013, 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 five years with approximately US$115,080,000 repayable within one year, approximately US$14,384,000 in the second year and approximately US$47,312,000 in the third to 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 2013, 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, Vietnam Dong, Cambodian Riel, 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 AND CORPORATE SOCIAL RESPONSIBILITIES

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 Corporate Social Responsibility in the apparel manufacturing industry.

This leadership role is perhaps best recognized by leading US retailer Ann Inc in its presentation of the 2013 Leadership award to one of Luen Thai Group's subsidiaries as being the leader and role model of being a socially responsible supplier committed to improving the health and welfare of its employees.

With over 42,000 employees around the world, Luen Thai continuously strives to foster open communications 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 employee' contributions are recognized and rewarded.

In addition, Luen Thai is also committed to advocating corporate wellness in its various global facilities, believing that healthy employees will indeed enable better returns for the community and the business.

MANAGEMENT EXECUTIVES

EXECUTIVE DIRECTORS

Dr. TAN Siu Lin, aged 83, 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.

Dr. TAN Henry, BBS, JP, aged 60, is the Chief Executive Officer of Luen Thai Holdings Limited and son of Dr. TAN Siu Lin. Dr. Tan is also a member of the Remuneration Committee, Nomination Committee and the Bank Facility Committee. Dr. Tan joined the Group in January 1985 and has over 29 years of experience in apparel and logistics industries. Dr. 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). Dr. 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 chairman of the Hong Kong General Chamber of Textiles Limited, general committee member of Textile Council of Hong Kong Limited and the council member of Huaqiao University. Dr. Tan is the past Chairman of Po Leung Kuk, an authorized charity organization in Hong Kong. Dr. Tan holds a Master's degree in Business Administration and a Bachelor's degree in Business Administration, and he was conferred with the honorary degree of Doctor of Humane Letters from the University of Guam.

TAN Cho Lung, Raymond, aged 52, 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 24 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 2013, Mr. Tan was also awarded "Capital Leader of Excellence 2012" and "Entrepreneur of the Year 2013' which were organized respectively by Capital Magazine and Capital Entrepreneur Magazine. Mr. Tan graduated with a Bachelor's degree in Business Administration from the University of Guam.

MOK Siu Wan, Anne, aged 61, 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 of Arts degree from the University of Hong Kong. She has also been sponsored to continue with her executive education by attending 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. In 2013, Ms. Mok was awarded "Outstanding Business Woman of the Year" by Capital Entrepreneur magazine . On behalf of GJM, one of Ms Mok's operating companies, she was also the proud recipient of the Leadership Award 2013 presented by Ann Inc, in recognition of GJM's achievements in CSR initiatives and continuous commitment to improving women's health and welfare in the workplace.

NON-EXECUTIVE DIRECTORS

TAN Willie, aged 58, 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 also the Chief Executive Officer of Skechers China Limited. 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 over 30 years of 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 60, is the General Manager of Pouchen Industrial Co., Ltd. and being in charge of Global Supply Chain Management. 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 36 years of experience in the manufacturing of footwear and related components. He joined the Group in 2007.

INDEPENDENT NON-EXECUTIVE DIRECTORS

CHAN Henry, aged 48, is a member of the Audit Committee, Nomination Committee and the Remuneration Committee. Mr. Chan has over 26 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 70, 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 66, 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 39 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

TAN Sunny, aged 40, 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 (Asia Pacific). Mr. Tan was appointed as the Executive Vice Chairman of the Hong Kong General Chamber of Textiles Limited in 2009. Mr. Tan also acts as independent non-executive director of Hopewell Holdings Limited, director of Tung Wah Group of Hospitals, chairman of the Entrepreneurs' Organization Hong Kong Chapter, Vice Chairman of Group 12 and general council member of the Federation of Hong Kong Industries ("FHKI") and executive committee member of the Hong Kong Shippers' Council. In 2013, Mr. Tan was awarded "Young Industrialist Award 2013" which was organized by the FHKI. Mr. Tan was also appointed as an Advisory Board Member of the Center for Family Business at the Chinese University of Hong Kong. Mr. Tan obtained a Master of Science degree from Stanford University and Bachelor of Business Administration degree from the University of Wisconsin-Madison.

CHAN Wei Ben, Benny, aged 61, 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 65, is the Group Finance Controller and Treasurer. Ms. Choi has over 39 years of experience in various areas of the apparel manufacturing industry with over 28 years of experience in financial management. She joined the Group in 1967.

HELFENBEIN Richard A., aged 65, 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 the American Apparel and Footwear Association ("AAFA"), as well as serving as Chairman of the board of AAFA, (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 68, 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 Francisco, aged 55, is Executive Vice President of Luen Thai International Group, Ltd., and is responsible for the business units of Verte, Vestalle and BTE which manufactures mainly for Ralph-Lauren, GAP and other brands in Philippines, Cambodia and Vietnam. He has been with the Group since 1994. Mr. Sauceda obtained his degree in Business Administration from Texas Southmost College. He is a member of the Hong Kong Chamber of Commerce and the Mexican Chamber of Commerce Hong Kong.

TAN Cho Yee, Jerry, aged 52, 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 24 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 currently serves as a Board Member since June 2012. In January 2010, he was appointed by the Taipei Economic and Cultural Office in Guam as the Taipei Compatriot Affairs Commission Adviser for Overseas Compatriot Affairs. He was appointed in May 2013 by the Overseas Compatriot Affairs Commission of the Republic of China-Taiwan as the Saipan Area Adviser. In 2011, he was appointed as a Member of the CNMI Bid Committee for the 2017 Pacific Mini Games. In October 2013, he was appointed as Member of the CNMI Bid Committee for the 2021 Pacific Mini Games. Appointed by Gov. Eloy S. Inos on April 11, 2013, he currently serves as the CNMI Governor's Special Advisor for Trade and Tourism. 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 57, 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 33 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 50, is the Vice President of Corporate Finance, Company Secretary of the Company. Mr. Chiu has over 21 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.

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 2013.

PRINCIPAL ACTIVITIES

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

GROUP PROFIT

The consolidated income statement is set out on page 44 and shows the Group's profit for the year ended 31 December 2013. 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 US0.526 cent (or equivalent to HK4.080 cents) per share was paid to the shareholders during the year totaling approximately US$5,439,000 and the Directors recommend the payment of a final dividend of US0.873 cent (or equivalent to HK6.774 cents) per share totaling to approximately US$9,028,000. The proposed final dividend, if approved by the shareholders at the annual general meeting on 26 May 2014, will be paid on 26 June 2014 to shareholders whose name appear on the register of members on 6 June 2014.

SUBSIDIARIES, AN ASSOCIATE AND JOINT VENTURES

Details of the principal subsidiaries, an associated company and joint ventures of the Company and the Group as at 31 December 2013 are set out in notes 9 to 11 to the consolidated financial statements.

SHARE CAPITAL

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

RESERVES

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

DISTRIBUTABLE RESERVES

The distributable reserves of the Company available for distribution as dividends amounted to approximately US$208,752,000 as at 31 December 2013, comprising retained earnings of approximately US$13,149,000, share premium of approximately US$124,039,000 and 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 140 of the annual report.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group acquired property, plant and equipment of approximately US$15,085,000. 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 21 to the consolidated financial statements.

DONATIONS

Charitable and other donations made by the Group during the year amounted to approximately US$366,000.

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

The Existing Share Option Scheme will expire on 26 June 2014 and an ordinary resolution will be proposed at the forthcoming annual general meeting to approve the adoption of a new share option scheme. The Existing Share Option Scheme will be terminated on the date when the new share option scheme comes into effect. Up to the date of this report, no share options were granted and remained outstanding under the Existing Share Option Scheme.

The following is a summary of options exercised during the year ended 31 December 2013:

					No. of share options				
	Note	Date of grant (dd/mm/yyyy)	Exercisable Period (dd/mm/yyyy)	Exercise Price Per Share	As at 1 January 2013	Granted during the year	Lapsed/ Forfeited	Exercised	As at 31 December 2013
Mok Siu Wan, Anne	3	21/04/2008	21/04/2009–20/04/2013	HK$0.71	1,200,000	—	—	1,200,000	—
Other Employees		21/04/2008	21/04/2009–20/04/2013	HK$0.71	3,350,000	—	—	3,350,000	—
Total		21/04/2008	21/04/2009–20/04/2013	HK$0.71	4,550,000	—	—	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. Ms. Mok Siu Wan, Anne is as an executive Director of the Company.

4. As at 31 December 2013, there was no share option outstanding.

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

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

Non-executive Directors
TAN Willie
LU Chin Chu

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

PARTICULARS OF SERVICE AGREEMENTS

Except for Ms. Mok Siu Wan, Anne who has entered into a director's service contract with the Company for a fixed period of three years commencing from 1 January 2013, each of the executive Directors has renewed his service agreement with the Company for a fixed period of three years commencing from 27 June 2013, 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 an annual bonus in respect of each complete financial year of the Group. The annual bonus shall be of such amount as determined by the Board in its absolute discretion from time to time and will be paid in arrears after the audited accounts of the Group in respect of the financial year have been published.

Under the director's service contract of Ms. Mok Siu Wan, Anne with the Company, she is entitled to receive a director's fee of HK$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.

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
MOK Siu Wan, Anne	HK$280,000

Pursuant to the letter of re-appointment dated 6 September 2013, 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 2013 to 16 September 2016. Mr. Lu is entitled to an annual director fee of HK$150,000.

The directorship of Mr. Tan Willie was re-designated from an executive Director to a non-executive Director on 26 May 2006. Since then, Mr. Willie Tan continues to serve as non-executive Director of the Group. Under the director's service contract of Mr. Tan Willie dated 26 May 2012, he will continue to serve as non-executive Director of the Company for a term of another three years commencing from the same date with an annual salary and annual director's fee of US$150,000 and HK$120,000 respectively. Pursuant to a letter of director fee increment dated 30 August 2012, the annual director fee to Mr. Willie Tan was increased to HK$150,000.

Pursuant to the letter of re-appointment from the Company to each of Mr. Seing Nea Yie, Mr. Cheung Siu Kee and Mr. Henry Chan dated 12 April 2013, 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 2013. Each of the independent non-executive Directors shall be entitled to an annual fee of HK$150,000.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 31 December 2013, 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 interests in the Company
TAN Siu Lin	Trustee (note 1)	6,500,000	0.63%
	Interest of controlled corporation (note 1)	26,300,000	2.54%
TAN Henry	Interest of controlled corporation (note 2)	685,700,000	66.31%
TAN Cho Lung, Raymond	Beneficial Owner (note 3)	2,403,000	0.23%
MOK Siu Wan, Anne	Beneficial Owner (note 4)	2,000,000	0.19%
TAN Willie	Beneficial Owner (note 5)	1,000,000	0.10%

Notes:

1. Dr. 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"). Dr. Tan Siu Lin also controls and is a subscriber and founding member of Tan Siu Lin Foundation Limited, which in turn owns directly 26,300,000 Shares.

2. Dr. 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.

   Dr. 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.

   Dr. Tan Henry also has a controlling interest in Double Joy Investment Limited, a company incorporated in the British Virgin Islands ("BVI"), which directly owns 10,700,000 Shares.

3. A total of 2,403,000 Shares were acquired by an associate of Mr. Tan Cho Lung, Raymond between 2006 and 2013. He is therefore deemed under Part XV of the SFO to be interested in all of the 2,403,000 Shares acquired by his associate.

4. Ms. Mok Siu Wan, Anne owns 2,000,000 Shares through the exercise of share options granted by the Company on 21 April 2008 and none of the 2,000,000 shares 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

Continuing Connected Transactions

The Tan Private Group, comprising 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 of the Company 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 2013 and 2012. Details of these connected transactions are set out below in accordance with the Listing Rules.

Connected Party	Category	**2013 US$'000**	2012 US$'000
Tan Private Group	Provision of technological support services (note a)	**2,117**	2,054
	Lease agreements (note b)		
	— Group as tenants	**1,492**	1,497
	— Tan Private Group as tenants	**66**	66
	Freight services by the Group (note c)	**390**	362
	Shipping agency services by the Group (note d)	**605**	704
	Administrative and Support Services (note e)	**—**	48
	Advance Payments (note f)		
	— Made by the Group	**—**	23
	— Made by the Tan Private Group	**—**	3

(a) On 14 December 2012, Luen Thai Overseas Limited, a subsidiary of the Company, entered into an agreement with the Tan Private Group for a term of 3 years from 1 January 2013 to 31 December 2015 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 ("Technological Support Master Agreement").

(b) On 14 December 2012, 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 2013 to 31 December 2015. ("Properties Lease Master Agreement").

(c) On 5 December 2011, the Group 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.

(d) On 5 December 2011, the Group 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 Dr. Tan Henry, an executive director and the chief executive officer of the Company. Therefore MELL 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.

(e) 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.

(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.

The aforesaid continuing connected transactions have been reviewed by the directors (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 an unqualified letter containing the findings and conclusions in respect of the continuing connected transactions disclosed by the Group on pages 22–24 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 2013, 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	59.40%
Helmsley	(a & b)	Interest of controlled corporation	631,350,000	61.05%
Pou Chen Corporation	(c)	Interest of controlled corporation	100,746,666	9.74%
Wealthplus Holdings Limited	(c)	Interest of controlled corporation	100,746,666	9.74%
Yue Yuen Industrial (Holdings) Limited	(c)	Interest of controlled corporation	100,746,666	9.74%
Pou Hing Industrial Co. Ltd.	(c)	Interest of controlled corporation	100,746,666	9.74%
Great Pacific Investments Limited	(c)	Beneficial owner	100,746,666	9.74%

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 Dr. Tan Siu Lin and Dr. 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 100,746,666 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 2013.

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 51.5% (2012: 51.0%) of the total sales. The top five suppliers accounted for approximately 10.0% (2012: 15.3%) of the total purchases for the year. In addition, the Group's largest customer accounted for approximately 14.4% (2012: 14.6%) of the total sales and the Group's largest supplier accounted for approximately 3.6% (2012: 4.3%) 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 27 to 38 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 2014

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 2013, the Company has complied with the Corporate Governance Code (the "CG Code") 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 2013 and significant events after that date and up to the date of this report.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standards set out in the Model Code 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 for the year ended 31 December 2013.

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 2013, four Board meetings were held with a very satisfactory average attendance rate of 100%, 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%
Non-executive Directors		100%
TAN Willie*	4/4	100%
LU Chin Chu	4/4	100%
Independent Non-executive Directors		100%
CHAN Henry	4/4	100%
CHEUNG Siu Kee	4/4	100%
SEING Nea Yie	4/4	100%

* Son of TAN Siu Lin

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

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 CG 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 2013 and as of the date of this report, Dr. Tan Siu Lin is the Chairman of the Board and Dr. Tan Henry is the Chief Executive Officer of the Company. Dr. 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 2013, independent non-executive Directors constitute one-third of the Board, which is in compliance with the 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 judgment at the Board meeting;

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

(iii) serve on committees if invited; and

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

Pursuant to the letter of re-appointment from the Company to each of Mr. Seing Nea Yie, Mr. Cheung Siu Kee and Mr. Henry Chan dated 12 April 2013, 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 2013. Each of the independent non-executive Directors shall be entitled to an annual director fee of HK$150,000.

The independent non-executive Directors of the Company and their immediate family receive no payment from the Company or its subsidiaries (except the Director fee). No family member of any independent non-executive Directors is employed as an executive officer of the Company or its subsidiaries, or has been so in the past three years. The independent non-executive Directors are subject to retirement and re-election at the Annual General Meeting in accordance with the provisions of the Articles of Association. Each independent non-executive Director has provided a confirmation of his independence with reference to the independence guidelines as set out in Rule 3.13 of the Listing Rules and considers that all independent non-executive Directors are independent.

Mr. Seing Nea Yie was appointed as independent non-executive director of the Company in 2005 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. Seing Nea Yie has not relied on the remuneration given by the Company and he is independent of any connected person and substantial shareholder of the Company. Therefore, the Board is of the opinion that Mr. Seing Nea Yie is able to exercise his professional judgment and draw upon his 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 Mr. Seing Nea Yie is 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

Directors are committed to comply with Code Provision A.6.5 of the CG 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 2013.

During the year, all directors have participated in a in-house workshop on director's ethic organized by Independent Commission Against Corruption in October 2013. 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 record of each Director received for the year ended 31 December 2013 is summarized below:

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

* Son of TAN Siu Lin

A: attending training session arranged by the Company
B: attending seminars/conferences/workshops/forums

During the year ended 31 December 2013, 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 Diversity Policy

Pursuant to the CG Code, the Board has adopted a board diversity policy in August 2013. The Company recognizes and embraces the benefits of having a diverse Board, and sees increasing diversity at Board level as an essential element in maintaining a competitive advantage. A truly diverse Board will include and make good use of differences in the skills, regional and industry experience, background, race, gender and other qualities of Directors. These differences will be considered in determining the optimum composition of the Board and when possible should be balanced appropriately. All Board appointments are made on merit and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

The Nomination Committee will discuss annually for achieving diversity from a number of aspects, including but not limited to gender, age, ethnicity, skills, cultural and educational background, professional experience and knowledge. The Nomination Committee will also conduct a review of the Policy periodically which will include an assessment of the effectiveness of the Policy and recommend any proposed changes to rectify identified deficiencies for the Board approval.

BOARD COMMITTEES

The Company has established 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 (all chaired by an independent non-executive Director) 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 2013 and was content that the accounting policies of the Group are in accordance with 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 2013 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 2014.

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$1,312,000 was payable to PricewaterhouseCoopers for the provision of audit services. In addition, approximately US$1,188,000 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$51,000 and US$36,000 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. In addition, the Remuneration Committee provides effective supervision and administration of the Company's Share Option Scheme. The authorities and duties of the Remuneration Committee are set out 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 one meeting held by the Remuneration Committee during the year is set out below:

	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

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 2013.

Pursuant to paragraph B.1.5 of the CG 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 2013 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$258,065 (equivalent to HK$1,000,001 to HK$2,000,000)	2
US$258,066 to US$387,096 (equivalent to HK$2,000,001 to HK$3,000,000)	1
US$387,097 to US$516,129 (equivalent to HK$3,000,001 to HK$4,000,000)	3
US$516,130 to US$645,161 (equivalent to HK$4,000,001 to HK$5,000,000)	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 27 to the consolidated financial statements as set out on pages 120 to 122 of this annual report.

In 2013, total Directors' remuneration amounted to approximately US$3,656,000 (2012: US$3,760,000). 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 27 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 the CG Code, which is published on the website of the Stock Exchange and the Company. The Nomination Committee is currently composed of four members, including one executive Director, namely Dr. 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 2013, one Nomination Committee meeting was held.

The attendance record for the Nomination Committee's meeting during the year ended 31 December 2013 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 flows for that period. In preparing the financial statements for the year ended 31 December 2013, 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 7.

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 2013 annual general meeting ("2013 AGM") was held on 27 May 2013. The attendance record of the Directors at the 2013 AGM is set out below:

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

* Son of TAN Siu Lin

The Company's independent auditor also attended the 2013 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 on the same day as the poll.

SHAREHOLDERS' RIGHTS

Pursuant to the mandatory disclosure requirement under paragraph O of the CG 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 26 May 2014 (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 2013, the Company had 1,034,112,666 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	59.40%
Union Bright Limited (notes 1 & 3)	43,650,000	4.22%
Hanium Industries Limited (notes 1 & 4)	17,100,000	1.65%
Double Joy Investment Limited (notes 1 & 5)	10,700,000	1.04%
Other Shareholders (notes 1, 6, 7, 8 , 9 and 10)	36,525,000	3.53%
	722,225,000	69.84%
Public Shareholders		
Great Pacific Investments Limited	100,746,666	9.74%
Other Shareholders	211,141,000	20.42%
Total	1,034,112,666	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 Dr. Tan Henry.

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

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

5. Dr. Tan Henry controls and has the interest in Double Joy Investment Limited, a company incorporated in the BVI, which directly owns 10,700,000 Shares of the Company.

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

8. A total of 2,403,000 Shares of the Company ("Company Shares") were purchased by an associate of Mr. Tan Cho Lung, Raymond, between 2006 and 2013. He is therefore deemed under Part XV of the SFO to be interested in 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$2.72 as at 31 December 2013 and its market capitalization was approximately HK$ 2,812.8 million. In 2013, the highest trading price for the Company share was HK$3.59 on 2 May, and the lowest was HK$1.16 on 2 January.

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TO THE SHAREHOLDERS OF LUEN THAI HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Luen Thai Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 41 to 139, which comprise the consolidated and company balance sheets as at 31 December 2013, 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.

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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 2013, 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 2014

CONSOLIDATED BALANCE SHEET

As at 31 December 2013

	Note	As at 31 December 2013 US$'000	2012 US$'000 (Restated)	As at 1 January 2012 US$'000 (Restated)
ASSETS				
Non-current assets				
Leasehold land and land use rights	6	**11,809**	12,011	8,787
Property, plant and equipment	7	**127,813**	112,746	98,117
Intangible assets	8	**75,337**	61,985	62,519
Interest in an associated company	10	**550**	559	551
Interests in joint ventures	11	**6,011**	6,977	13,031
Amount due from a joint venture	11	**13,655**	36,941	35,285
Deferred income tax assets	12	**900**	728	741
Other non-current assets		**7,385**	4,255	3,770
Total non-current assets		**243,460**	236,202	222,801
Current assets				
Inventories	13	**113,033**	96,348	79,795
Trade and other receivables	15	**223,473**	184,340	146,501
Prepaid income tax		**4,915**	4,772	4,722
Cash and bank balances	16	**229,440**	165,588	138,827
Total current assets		**570,861**	451,048	369,845
Total assets		**814,321**	687,250	592,646
EQUITY				
Equity attributable to owners of the Company				
Share capital	17	**10,341**	9,998	9,927
Other reserves	18	**139,249**	132,014	133,349
Retained earnings				
— Proposed final dividend	32	**9,028**	7,927	7,981
— Others		**217,750**	184,249	155,737
		376,368	334,188	306,994
Non-controlling interests	9	**8,986**	8,786	9,222
Total equity		**385,354**	342,974	316,216

CONSOLIDATED BALANCE SHEET

As at 31 December 2013

	Note	As at 31 December 2013 US$'000	2012 US$'000 (Restated)	As at 1 January 2012 US$'000 (Restated)
LIABILITIES				
Non-current liabilities				
Borrowings	19	**4,235**	4,643	6,111
Retirement benefit obligations	21	**6,849**	9,900	7,453
Convertible bond	20	**—**	5,020	—
Deferred income tax liabilities	12	**7,475**	5,160	3,671
Total non-current liabilities		**18,559**	24,723	17,235
Current liabilities				
Trade and other payables	22	**228,211**	199,884	164,418
Borrowings	19	**172,541**	108,415	81,942
Derivative financial instruments	23	**659**	1,174	949
Current income tax liabilities		**8,997**	10,080	11,886
Total current liabilities		**410,408**	319,553	259,195
Total liabilities		**428,967**	344,276	276,430
Total equity and liabilities		**814,321**	687,250	592,646
Net current assets		**160,453**	131,495	110,650
Total assets less current liabilities		**403,913**	367,697	333,451

TAN SIU LIN
Director

TAN HERNY
Director

The notes on pages 48 to 139 are an integral part of these consolidated financial statements.

BALANCE SHEET

As at 31 December 2013

	Note	2013 US$'000	2012 US$'000
ASSETS			
Non-current asset			
Investments in subsidiaries	9	**202,126**	202,126
Current assets			
Amounts due from subsidiaries	9	**17,050**	15,874
Deposits, prepayments and other current assets		**28**	7
Cash and bank balances	16	**436**	537
Total current assets		**17,514**	16,418
Total assets		**219,640**	218,544
EQUITY			
Equity attributable to owners of the Company			
Share capital	17	**10,341**	9,998
Other reserves	18	**195,603**	190,518
Retained earnings			
— Proposed final dividend	32	**9,028**	7,927
— Others		**4,121**	4,529
Total equity		**219,093**	212,972
LIABILITY			
Non-current liability			
Convertible bond	20	**—**	5,020
Current liability			
Other payables and accruals	22	**547**	552
Total liabilities		**547**	5,572
Total equity and liabilities		**219,640**	218,544
Net current assets		**16,967**	15,866
Total assets less current liability		**219,093**	217,992

TAN SIU LIN
Director

TAN HERNY
Director

The notes on pages 48 to 139 are an integral part of these consolidated financial statements.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2013

	Note	2013 US$'000	2012 US$'000 (Restated) Note 39
Revenue	5	**1,228,698**	990,198
Cost of sales	26	**(1,016,697)**	(829,526)
Gross profit		**212,001**	160,672
Other gains — net	24	**1,976**	5,973
Impairment loss on goodwill	8	**—**	(6,896)
Gain on recognition of contingent consideration	25	**—**	5,092
Selling and distribution expenses	26	**(3,648)**	(4,130)
General and administrative expenses	26	**(158,855)**	(117,876)
Operating profit		**51,474**	42,835
Finance income	28	**5,381**	1,899
Finance costs	28	**(3,626)**	(2,321)
Finance income/(costs) — net	28	**1,755**	(422)
Share of (losses)/gains of an associated company		**(9)**	8
Share of losses of joint ventures		**(500)**	(180)
Profit before income tax		**52,720**	42,241
Income tax expense	29	**(2,589)**	(2,554)
Profit for the year		**50,131**	39,687
Profit attributable to:			
Owners of the Company		**48,221**	38,718
Non-controlling interests		**1,910**	969
		50,131	39,687
Earnings per share attributable to owners of the Company for the year (expressed in US cents per share)			
Basic earnings per share	31	**4.7**	3.9
Diluted earnings per share	31	**4.7**	3.8

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2013

	Note	2013 US$'000	2012 US$'000 (Restated)
Profit for the year		**50,131**	39,687
Other comprehensive income:			
Item that will not be reclassified subsequently to profit or loss:			
Actuarial gains/(losses) on retirement benefit obligations	21	**4,837**	(1,095)
Item that may be reclassified to profit or loss:			
Currency translation differences		**(2,385)**	(1,088)
Share of other comprehensive income of joint ventures		**—**	667
Total comprehensive income for the year		**52,583**	38,171
Attributable to:			
Owners of the Company		**50,371**	37,247
Non-controlling interests		**2,212**	924
		52,583	38,171

The notes on pages 48 to 139 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013

	Attributable to owners of the Company						
	Share capital US$'000	Share premium (Note 18) US$'000	Other reserves (Note 18) US$'000	Retained earnings US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
Balance at 1 January 2012, as previously reported	9,927	117,018	19,296	161,713	307,954	9,251	317,205
Impact of adoption of HKAS 19 (2011) (Note 2.1(a))	—	—	(2,965)	2,005	(960)	(29)	(989)
Balance at 1 January 2012, as restated	9,927	117,018	16,331	163,718	306,994	9,222	316,216
Profit for the year, as restated	—	—	—	38,718	38,718	969	39,687
Other comprehensive income							
Currency translation differences	—	—	(1,088)	—	(1,088)	—	(1,088)
Share of other comprehensive income of joint ventures	—	—	667	—	667	—	667
Actuarial losses on retirement benefit obligations (Note 21)	—	—	(1,050)	—	(1,050)	(45)	(1,095)
Total comprehensive income, as restated	—	—	(1,471)	38,718	37,247	924	38,171
Total contributions by and distributions to owners of the Company, recognized directly in equity							
Exercise of share options by employees (Note 18(a))	71	814	(232)	—	653	—	653
Forfeiture/lapse of share options (Note 18(a))	—	—	(1,426)	1,426	—	—	—
Convertible bond — equity conversion component (Note 18(a) and 20)	—	—	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, recognized directly in equity	71	814	(678)	(10,260)	(10,053)	(1,360)	(11,413)
Balance at 31 December 2012, as restated	9,998	117,832	14,182	192,176	334,188	8,786	342,974
Balance at 1 January 2013, as restated	**9,998**	**117,832**	**14,182**	**192,176**	**334,188**	**8,786**	**342,974**
Profit for the year	**—**	**—**	**—**	**48,221**	**48,221**	**1,910**	**50,131**
Other comprehensive income							
Currency translation differences	**—**	**—**	**(2,563)**	**—**	**(2,563)**	**178**	**(2,385)**
Actuarial gains on retirement benefit obligations (Note 21)	**—**	**—**	**4,713**	**—**	**4,713**	**124**	**4,837**
Total comprehensive income	**—**	**—**	**2,150**	**48,221**	**50,371**	**2,212**	**52,583**
Total contributions by and distributions to owners of the Company, recognized directly in equity							
Exercise of share options by employees (Note 18(a))	**45**	**513**	**(142)**	**—**	**416**	**—**	**416**
Conversion of convertible bond (Note 18(a) and 20)	**298**	**5,694**	**(980)**	**—**	**5,012**	**—**	**5,012**
Dividends paid	**—**	**—**	**—**	**(13,619)**	**(13,619)**	**(2,012)**	**(15,631)**
Total transactions with owners, recognized directly in equity	**343**	**6,207**	**(1,122)**	**(13,619)**	**(8,191)**	**(2,012)**	**(10,203)**
Balance at 31 December 2013	**10,341**	**124,039**	**15,210**	**226,778**	**376,368**	**8,986**	**385,354**

The notes on pages 48 to 139 are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2013

	Note	2013 US$'000	2012 US$'000 (Restated)
Cash flows from operating activities			
Cash generated from operations	33	78,562	58,276
Interest paid		(3,634)	(2,371)
Income tax paid		(6,026)	(2,567)
Net cash generated from operating activities		68,902	53,338
Cash flows from investing activities			
Purchases of property, plant and equipment		(15,085)	(8,296)
Decrease in bank deposits maturing beyond 3 months		740	3,321
Proceeds from disposals of property, plant and equipment	33	1,740	1,661
Acquisitions of subsidiaries, net of cash acquired	35(a)	(41,042)	(14,207)
Disposal of a subsidiary, net of cash disposed	34	—	1,659
Settlement of amount due from a joint venture		7,392	—
Interest received		2,210	1,899
Increase in other non-current assets		(1,069)	(485)
Net cash used in investing activities		(45,114)	(14,448)
Net cash generated before financing activities		23,788	38,890
Cash flows from financing activities			
Net increase in borrowing		65,264	21,712
Repayments of bank loans		(7,635)	(16,823)
Dividends paid to the Company's shareholders		(13,619)	(11,686)
Dividends paid to non-controlling shareholders of subsidiaries		(2,012)	(1,600)
Proceeds from exercising employees share options		417	653
Net cash generated from/(used in) financing activities		42,415	(7,744)
Net increase in cash, cash equivalents and bank overdrafts		66,203	31,146
Cash, cash equivalents and bank overdrafts at beginning of year		160,283	131,602
Exchange losses on cash, cash equivalents and bank overdrafts		(214)	(2,465)
Cash, cash equivalents and bank overdrafts at end of year	16	226,272	160,283

The notes on pages 48 to 139 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 the People's Republic of China (the "PRC"), the Philippines, Indonesia, Vietnam and Cambodia.

The Company is a limited liability company incorporated in the Cayman Islands. The address of its registered office and principal place of business of the Company are Cricket Square, Hutchins Drive, P.O Box 2681, Grand Cayman, KY1-1111, Cayman Islands and 5/F, Nanyang Plaza, 57 Hung To Road, Kwun Tong, Kowloon, Hong Kong respectively.

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

These consolidated financial statements are presented in United States dollars ("US$"), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 26 March 2014.

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, which are carried at fair value.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

Changes in accounting policy and disclosures

(a) Amendments to existing standards effective in 2013 and relevant to the Group

- Amendment to HKAS 1, 'Financial statement presentation' regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially re-classifiable to profit or loss subsequently (reclassification adjustments). The Group has categorized "Currency translation differences" and "Share of other comprehensive income of joint ventures" under "Items that may be reclassified subsequently to profit or loss", while "Actuarial gains/losses on retirement benefit obligations" under "Items that will not be reclassified to profit or loss" in the statement of comprehensive income.

- HKAS 19 (2011), 'Employee benefits', amends the accounting for employee benefits. There is a new term "remeasurement". This is made up of actuarial gains and losses, the difference between actual investment returns and the return implied by the net interest cost. They are recognized in other comprehensive income and not recycled to income statement. The "corridor" method and the option to spread or recognize immediately in the income statement are no longer available. The standard also requires the entity to present all actuarial gains and losses previously recognized in the income statement in other comprehensive income. The Group has applied HKAS 19 (2011) retrospectively in accordance with the standard and the impact on the financial position of the Group as at the beginning of comparative periods are as follows:

	At 1 January 2012 (as previously reported)	**Adjustments**	**At 1 January 2012 (as restated)**	**At 31 December 2012 (as previously reported)**	**Adjustments**	**At 31 December 2012 (as restated)**
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
	Debit/(credit)	Debit/(credit)	Debit/(credit)	Debit/(credit)	Debit/(credit)	Debit/(credit)
Retained earnings	(161,713)	(2,005)	(163,718)	(190,088)	(2,088)	(192,176)
Retirement benefit obligations	(6,480)	(973)	(7,453)	(7,898)	(2,002)	(9,900)
Non-controlling interests	(9,251)	29	(9,222)	(8,859)	73	(8,786)
Other reserves	(136,314)	2,965	(133,349)	(136,029)	4,015	(132,014)
Deferred income tax assets	757	(16)	741	726	2	728

- HKAS 27 (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 adoption of this standard has no significant impact on the Group's results and financial position.

- HKAS 28 (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 adoption of this standard has no significant impact on the Group's results and financial position.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

Changes in accounting policy and disclosures (continued)

(a) Amendments to existing standards effective in 2013 and relevant to the Group (continued)

- Amendment to HKFRS 7 'Financial instruments: Disclosures' on asset and liability offsetting require 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 has applied HKFRS 7 prospectively, additional disclosures required in respect of financial instruments are introduced. The adoption of this standard has no significant impact on the Group's results and financial position.

- Amendments 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 has properly followed the transition guidance.

- 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 applied HKFRS 10 retrospectively in accordance with the standard which has no significant impact on the results and the financial position of the Group.

- HKFRS 11, 'Joint arrangements' focuses on the rights and obligations of the parties to the arrangement rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. A joint operator accounts for its share of the assets, liabilities, revenue and expenses. Joint ventures arise where the investors have rights to the net assets of the arrangement; joint ventures are accounted for under the equity method. Proportional consolidation of joint arrangements is no longer permitted. The Group has applied HKFRS 11 retrospectively in accordance with the standard which has no significant impact on the results and the financial position of the Group.

- HKFRS 12, 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, structured entities and other off balance sheet vehicles. The Group has applied HKFRS 12 prospectively, additional disclosures required in respect of interest in other entities are introduced. The adoption of this standard has no significant impact on the Group's results and financial position.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

Changes in accounting policy and disclosures (continued)

(a) Amendments to existing standards effective in 2013 and relevant to the Group (continued)

- 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 has applied HKFRS 13 prospectively, additional disclosures required in respect of fair value measurements are introduced. The adoption of this standard has no significant impact on the Group's results and financial position.

- Annual improvements 2011 address six issues in the 2009-2011 reporting cycle. It includes changes to HKFRS 1 'First time adoption', HKAS 1 'Financial statement presentation', HKAS 16 'Property plant and equipment', HKAS 32 'Financial instruments; Presentation' and HKAS 34 'Interim financial reporting'. The adoption of this standard has no significant impact on the Group's results and financial position.

(b) Amendments to existing standards effective in 2013 but not relevant to the Group

- Amendment to HKFRS 1, 'First time adoption' on government loan is effective for annual periods beginning on or after 1 January 2013. This is currently not applicable to the Group, as the Group does not have any government loan.

- HK(IFRIC) Int 20, 'Stripping costs in the production phase of a surface mine' is effective for annual periods beginning on or after 1 January 2013. This is currently not applicable to the Group, as the Group does not involve in surface mining activity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

Changes in accounting policy and disclosures (continued)

(c) *New and revised standards and amendments to existing standards have been issued but are not effective for the financial year beginning 1 January 2013 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.

- Amendment to HKAS 19 (2011) regarding defined benefit plans, is a narrow scope amendment that applies to contributions from employees or third parties to defined benefit plans. The amendment distinguishes between contributions that are linked to service only in the period in which they arise and those linked to service in more than one period. The amendment allows contributions that are linked to service, and do not vary with the length of employee service, to be deducted from the cost of benefits earned in the period that the service is provided. Contributions that are linked to service, and vary according to the length of employee service, must be spread over the service period using the same attribution method that is applied to the benefits. The Group is yet to assess Amendment to HKAS 19's full impact and intends to adopt the Amendment to HKAS 19 no later than the accounting period beginning on or after 1 July 2014.

- Amendments to HKAS 27, HKFRS 10 and 12, 'Consolidation for investment entities' mean that many funds and similar entities will be exempt from consolidating most of their subsidiaries. Instead, they will measure them at fair value through profit or loss. The amendments give an exception to entities that meet an 'investment entity' definition and which display particular characteristics. Changes have also been made HKFRS 12 to introduce disclosures that an investment entity needs to make. The Group is yet to assess the full impact of Amendments to HKAS 27, HKFRS 10 and 12 and intends to adopt the Amendments to HKAS 27, HKFRS 10 and 12 no later than the accounting period beginning on or after 1 January 2014.

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

- Amendment to HKAS 36, 'Impairment of assets' on recoverable amount disclosures addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The Group is yet to assess the full impact of Amendment to HKAS 36 and intends to adopt Amendment to HKAS 36 no later than the accounting period beginning on or after 1 January 2014.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

Changes in accounting policy and disclosures (continued)

(c) *New and revised standards and amendments to existing standards have been issued but are not effective for the financial year beginning 1 January 2013 and have not been early adopted (continued)*

- Amendment to HKAS 39, 'Financial Instruments: Recognition and Measurement — Novation of derivatives' provides relief from discontinuing hedge accounting when novation of a hedging instrument to a central counterparty meets specified criteria. The Group is yet to assess the full impact of Amendment to HKAS 39 and intends to adopt Amendment to HKAS 39 no later than the accounting period beginning on or after 1 January 2014.

- HKFRS 9, 'Financial instruments' is the first standard issued as part of a wider project to replace HKAS 39. HKFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The guidance in HKAS 39 on impairment of financial assets and hedge accounting continues to apply. The Group is yet to assess the full impact of HKFRS 9.

- HKFRS 14, "Regulatory Deferral Accounts" describes regulatory deferral account balances as amounts of expense or income that would not be recognized as assets or liabilities in accordance with other standards, but that qualify to be deferred in accordance with HKFRS 14 because the amount is included, or is expected to be included, by the rate regulator in establishing the price(s) that an entity can charge to customers for rate-regulated goods or services. HKFRS 14 permits eligible first-time adopters of HKFRS to continue their previous GAAP rate-regulated accounting policies, with limited changes. HKFRS 14 requires separate presentation of regulatory deferral account balances in the balance sheet and of movements in those balances in the statement of comprehensive income. Disclosures are required to identify the nature of, and risk associated with, the form of rate regulation that has given rise to the recognition of regulatory deferral account balances. The Group is yet to assess the full impact of HKFRS 14 and intends to adopt the amendments to HKFRS 14 no later than the accounting period beginning on or after 1 January 2016.

- HK(IFRIC) 21 'Levies' is an interpretation of HKAS 37, 'Provisions, contingent liabilities and contingent assets'. HKAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. The Group is yet to assess the full impact of HK(IFRIC) 21 and intends to adopt HK(IFRIC) 21 no later than the accounting period beginning on or after 1 January 2014.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

Changes in accounting policy and disclosures (continued)

(c) New and revised standards and amendments to existing standards have been issued but are not effective for the financial year beginning 1 January 2013 and have not been early adopted (continued)

- Annual improvements 2012, include changes from the 2010-2012 cycle of the annual improvements project, that affect 7 standards:

    - HKFRS 2, 'Share-based payment', clarifies the definition of a 'vesting condition' and separately defines 'performance condition' and 'service condition'.

    - HKFRS 3, 'Business combinations' and consequential amendments to HKFRS 9, 'Financial instruments', HKAS 37, 'Provisions, contingent liabilities and contingent assets', and HKAS 39, 'Financial instruments — Recognition and measurement', is amended to clarify that an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or as equity, on the basis of the definitions in HKAS 32, 'Financial instruments: Presentation'. All non-equity contingent consideration, both financial and non-financial, is measured at fair value at each reporting date, with changes in fair value recognized in profit and loss.

    - HKFRS 8, 'Operating segments', is amended to require disclosure of the judgments made by management in aggregating operating segments and a reconciliation of segment assets to the entity's assets when segment assets are reported.

    - HKAS 16, 'Property, plant and equipment' and HKAS 38, 'Intangible assets', are amended to clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model.

    - HKAS 24, 'Related Party Disclosures', the reporting entity is not required to disclose the compensation paid by the management entity (as a related party) to the management entity's employee or directors, but it is required to disclose the amounts charged to the reporting entity by the management entity for services provided.

  The Group is yet to assess the full impact of the Annual improvements 2012 and intends to adopt the Amendments no later than the accounting period beginning on or after 1 July 2014.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

Changes in accounting policy and disclosures (continued)

(c) New and revised standards and amendments to existing standards have been issued but are not effective for the financial year beginning 1 January 2013 and have not been early adopted (continued)

Annual improvements 2013, include changes from the 2011-2013 cycle of the annual improvements project that affect 4 standards:

- HKFRS 3, 'Business combinations', clarifies that HKFRS 3 does not apply to the accounting for the formation of any joint arrangement under HKFRS 11 in the financial statements of the joint arrangement.

- HKFRS 13, 'Fair value measurement', clarifies that the portfolio exception in HKFRS 13, which allows an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis, applies to all contracts (including non-financial contracts) within the scope of HKAS 39 or HKFRS 9.

- HKAS 40, 'Investment property', preparers also need to refer to the guidance in HKFRS 3 to determine whether the acquisition of an investment property is a business combination.

The Group is yet to assess the full impact of the Annual improvements 2013 and intends to adopt the Amendments no later than the accounting period beginning on or after 1 July 2014.

There are no other HKASs, 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

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

(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 acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognized in the 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 re-measured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognized and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in the consolidated income statement (Note 2.10).

Intra-group transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

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 of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount 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 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 Joint arrangements

Under HKFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Joint arrangements (continued)

Under the equity method of accounting, interests in joint ventures are initially recognized at cost and adjusted thereafter to recognize the group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

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

2.4 Associates

An associate is an entity 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 an 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.

Gains or losses on dilution of equity interest in an associate are recognized in the consolidated income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

2.6 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.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Foreign currency translation (continued)

(c) Group companies

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

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

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

(iii) all resulting currency translation differences are recognized in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and are translated at the closing rate. Currency translation differences arising are recognized in other comprehensive income.

(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 joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the owners 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 currency translation 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 an associate or joint venture that do not result in the Group losing significant influence or joint control) the proportionate share of the accumulated currency translation 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 lease or land use right.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, where appropriate, as follows:

Buildings	20 years
Leasehold improvements	5–20 years or the remaining lease term, 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 the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.11).

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.

2.9 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 the 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) *Contractual customer relationships*

Contractual customer relationships acquired in a business combination are recognized at fair value at the acquisition date. The contractual customer relations have a finite useful life and are carried at cost less accumulated amortization 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, loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

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

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

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade, bills and other receivables' and 'cash and bank balances' in the consolidated balance sheet (Notes 2.17 and 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 re-measured at their fair values. Changes in the fair value of these derivative instruments are recognized immediately in the consolidated income statement within 'other gains — net'. The Group does not have any derivative that is designated as a hedging instrument.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Subsequent to initial recognition, 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 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 reserve will be released to retained earnings. No gain or loss is recognized in consolidated income statement 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

2.21 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 terms of a debt instrument. Such financial guarantees are given to banks on behalf of subsidiaries to secure loans, overdrafts and other banking facilities. The Group does not recognize liabilities for financial guarantee at inception, but perform a liability adequacy test at each reporting date by comparing its net liability regarding the financial guarantee with the amount that would be required if the financial guarantee would result in a present legal or constructive obligation. If the liability is less than its present legal or constructive obligation amount, the entire difference is recognized in the consolidated income statement immediately.

(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 measured 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

2.23 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 Current and deferred income tax (continued)

(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 liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, 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. Generally the Group is unable to control the reversal of the temporary difference for associates. Only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference not recognized.

Deferred income tax assets are recognized on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 pension plans.

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

Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. 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.

Past-service costs are recognized immediately in the consolidated income statement.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25 Employee benefits (continued)

(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 at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognizes costs for a restructuring that is within the scope of HKAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(d) *Profit-sharing and bonus plans*

The Group recognizes a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the company's shareholders after certain adjustments. The Group recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(e) *Employee leave entitlements*

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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).

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 for legal claims 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

2.29 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 loans 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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

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

2.31 Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where 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 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 and specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(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 the US$, the Hong Kong dollar ("HK$"), the Euro, the Philippine Peso, and the 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, Philippine Peso, and RMB bank accounts which are used by the Group to pay for the transactions denominated in these currencies.

The HK$ is pegged to the US$ and thus foreign currency exposure is considered as minimal and is not hedged. At 31 December 2013, if the US$ had weakened/strengthened by 4% (2012: 3%) against the Euro with all other variables held constant, the post-tax profit for the year would have been US$488,000 (2012: US$429,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of Euro-denominated trade receivables, payables and cash and bank balances.

At 31 December 2013, if the US$ had weakened/strengthened by 3% (2012: 2%) against the RMB with all other variables held constant, the post-tax profit for the year would have been US$507,000 (2012: US$5,000) lower/higher, mainly as a result of foreign exchange losses/gains on translation of RMB-denominated trade receivables, payables, borrowings and cash and bank balances.

At 31 December 2013, if the US$ had weakened/strengthened by 5% (2012: 4%) against the Philippine Peso with all other variables held constant, the post-tax profit for the year would have been US$941,000 (2012: US$772,000) lower/higher, mainly as a result of foreign exchange losses/gains on translation of Philippine Peso-denominated trade payables and cash and bank balances.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(ii) Cash flow interest rate risk

The Group's interest rate risk arises from bank borrowings. Borrowings obtained at variable rates expose the group to cash flow interest rate risk. During the year, the Group's borrowings at variable rate were denominated in the HK$, RMB and US$. Borrowing obtained at various rates expose the Group to cash flow interest rate risk which is partially offset by bank deposits held at various rate.

The Group analyzes its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing. Based on these scenarios, the Group calculates the impact on consolidated income statement of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies. The scenarios are run only for liabilities that represent the major interest-bearing positions.

The Group manages its certain cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Generally, the group raises long-term borrowings at floating rates and swaps them into fixed rates that are lower than those available if the group borrowed at fixed rates directly. Under the interest rate swaps, the Group agrees with other parties to exchange, at specified intervals, the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional amounts.

At 31 December 2013, if interest rates on borrowings had been 50 basis points higher/lower (2012: 50 basis points) with all other variables held constant, post-tax profit for the year would have been US$795,000 (2012: US$611,000) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(b) Credit risk

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

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

Debtors of the Group may be affected by the unfavorable economic conditions and the lower liquidity situation, which could in turn impact their ability to repay the amounts owed. 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.

As at 31 December 2013, the Group had a concentration of credit risk given that the top 5 customers account for 44% (2012: 64%) 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, an associated company and joint ventures, 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.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

Management monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities (Note 19) at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. 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 analyzes the Group's and the Company'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 and finance lease liabilities is prepared based on the scheduled repayment dates.

	On demand US$'000	Within 3 months US$'000	More than 3 months but less than 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$'000	Total undiscounted cash outflows US$'000
Group						
At 31 December 2013						
Bank overdrafts	139	—	—	—	—	139
Long term bank borrowings subject to a repayment on demand clause	68,955	—	—	—	—	68,955
Other bank borrowings	102,614	263	789	1,569	3,058	108,293
Finance lease liabilities	—	7	23	25	68	123
Trade and other payables	—	177,524	11,799	—	—	189,323
Derivative financial instruments	—	—	659	—	—	659
	171,708	177,794	13,270	1,594	3,126	367,492
Company						
At 31 December 2013						
Financial guarantee contracts in relation to corporate guarantees provided to subsidiaries	112,458	—	—	—	—	112,458
Other payables	—	547	—	—	—	547
	112,458	547	—	—	—	113,005

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

	On demand US$'000	Within 3 months US$'000	More than 3 months but less than 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$'000	Total undiscounted cash outflows US$'000
Group						
At 31 December 2012						
Bank overdrafts	1,536	—	—	—	—	1,536
Long term bank borrowings subject to a repayment on demand clause	23,437	—	—	—	—	23,437
Other bank borrowings	81,975	455	1,364	1,840	3,484	89,118
Trade and other payables	—	125,980	35,642	—	—	161,622
Derivative financial instruments	—	—	1,174	—	—	1,174
Convertible bond	—	—	299	5,027	—	5,326
	106,948	126,435	38,479	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	—	552	—	—	—	552
Convertible bond	—	—	299	5,027	—	5,326
	86,058	552	299	5,027	—	91,936

The table below summarizes the maturity analysis of bank borrowings 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 borrowings 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 2013	**116,925**	**14,093**	**46,303**	**—**	**177,321**
At 31 December 2012	90,815	6,557	11,808	222	109,402

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

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

The following table presents the Group's liabilities that are measured at fair value.

	Level 1 US$'000	**Level 2** US$'000	**Level 3** US$'000	**Total** US$'000
At 31 December 2013				
Liabilities				
— Derivative financial instruments (Note i)	**—**	**659**	**—**	**659**
At 31 December 2012				
Liabilities				
— Derivative financial instruments (Note i)	—	1,174	—	1,174
— Extension option in relation to the convertible bond (Note ii and iii)	—	—	304	304
Total liabilities	—	1,174	304	1,478

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (continued)

Notes:

(i) 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.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

(ii) As described in Note 20, 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.

(iii) The following table presents the change in level 3 instrument for the year.

	Convertible bond US$'000
Balance at 1 January 2012	—
Issue of convertible bond	304
Balance at 31 December 2012	304
Conversion of convertible bond	(304)
Balance at 31 December 2013	—

There were no transfers between levels 2 and 3 during the year.

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 addressed 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 29 for details.

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

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

(c) Impairment of property, plant and equipment, 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.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

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

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 a period of 5 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.

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

No additional impairment provision was provided for the year end 31 December 2013.

(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.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

(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) 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 21.

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.

5 SEGMENT INFORMATION (CONTINUED)

The segment information provided to the executive directors for the reportable segments for the year ended 31 December 2013 and 2012 is as follows:

	Casual and fashion apparel US$'000	Life-style apparel US$'000	Sweaters US$'000	Accessories US$'000	Freight forwarding/ logistics services US$'000	Real estate US$'000	Total US$'000
For the year ended 31 December 2013							
Total segment revenue	**951,670**	**132,405**	**122,502**	**406,745**	**18,984**	**—**	**1,632,306**
Inter-segment revenue	**(287,146)**	**(590)**	**(20,951)**	**(94,407)**	**(514)**	**—**	**(403,608)**
Revenue (from external customers)	**664,524**	**131,815**	**101,551**	**312,338**	**18,470**	**—**	**1,228,698**
Segment profit for the year	**35,346**	**4,746**	**1,601**	**13,550**	**1,394**	**3,861**	**60,498**
Profit for the year includes:							
Depreciation and amortization	**(12,871)**	**(1,552)**	**(2,319)**	**(5,698)**	**(959)**	**—**	**(23,399)**
Provision for inventory obsolescence	**(1,462)**	**—**	**—**	**(656)**	**—**	**—**	**(2,118)**
Reversal of provision/(provision) for impairment of trade and bills receivable	**100**	**(280)**	**(115)**	**26**	**(205)**	**—**	**(474)**
Share of loss of an associated company	**—**	**—**	**—**	**—**	**(9)**	**—**	**(9)**
Share of profits/(losses) of joint ventures	**100**	**—**	**—**	**—**	**—**	**(600)**	**(500)**
Income tax (expense)/credit	**(3,309)**	**(687)**	**(914)**	**2,541**	**(220)**	**—**	**(2,589)**

	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, as restated	33,702	(4,817)	4,351	10,732	1,290	4,677	49,935
Profit/(loss) for the year, as restated, 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 joint ventures	235	—	—	—	—	(415)	(180)
Gain on disposal of a subsidiary (Note 34)	392	—	—	—	—	—	392
Income tax (expense)/credit, as restated	(882)	(342)	(1,772)	637	(195)	—	(2,554)

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 and effective interest expense on convertible bond for the year.

5 SEGMENT INFORMATION (CONTINUED)

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

	2013 US$'000	2012 US$'000 (Restated)
Segment profit for the year	**60,498**	49,935
Corporate expenses (Note)	**(10,265)**	(10,122)
Effective interest expense on convertible bond (Note 20)	**(102)**	(126)
Profit for the year	**50,131**	39,687

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

	2013 US$'000	2012 US$'000
Analysis of revenue by category		
Sales of garment, textile products and accessories	**1,201,414**	969,081
Freight forwarding and logistics service fee	**18,470**	18,371
Others	**8,814**	2,746
Total revenue	**1,228,698**	990,198

The Group's revenue is mainly derived from customers located in the United States of America (the "United States"), Europe, Japan, Canada and the PRC, while the Group's business activities are conducted predominantly in Hong Kong, Macao, the PRC, the Philippines, Cambodia and the United States.

	2013 US$'000	2012 US$'000
Analysis of revenue by geographical location		
United States	**620,250**	496,451
Europe	**308,215**	256,176
PRC	**111,182**	99,883
Japan	**89,596**	70,210
Canada	**27,550**	11,520
Others	**71,905**	55,958
	1,228,698	990,198

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

Revenue of approximately US$176,444,000 (2012: US$144,804,000) and US$145,821,000 (2012: US$125,875,000) are derived from two single external customers whose sales account for more than 10% of the total year revenue. These revenues are attributable to the segments of casual and fashion apparel 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:

	2013 US$'000	2012 US$'000
Outside Hong Kong held on:		
Leases of between 10 to 50 years	**11,809**	12,011
At 1 January	**12,011**	8,787
Acquisitions of subsidiaries (Note 35)	**—**	3,441
Amortization of leasehold land and land use rights (Note 26)	**(333)**	(277)
Exchange differences	**131**	60
At 31 December	**11,809**	12,011

As at 31 December 2013, 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$1,105,000 (2012: US$1,130,000). Based on the Group's experience and after consultation with the legal adviser, the directors are of the view that such problem 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 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 2013							
Opening net book amount	**63,560**	**13,694**	**27,276**	**6,207**	**1,215**	**794**	**112,746**
Additions	**1,830**	**1,747**	**5,245**	**2,409**	**803**	**3,051**	**15,085**
Acquisitions of subsidiaries (Note 35(a))	**7,741**	**1,925**	**7,532**	**2,134**	**315**	**179**	**19,826**
Disposals/write-off	**(199)**	**(1)**	**(693)**	**(205)**	**(371)**	**(151)**	**(1,620)**
Transfer from construction-in-progress	**950**	**596**	**834**	**148**	**—**	**(2,528)**	**—**
Depreciation (Note 26)	**(5,911)**	**(2,191)**	**(7,627)**	**(3,167)**	**(452)**	**—**	**(19,348)**
Exchange differences	**1,417**	**(87)**	**(37)**	**(75)**	**(99)**	**5**	**1,124**
Closing net book amount	**69,388**	**15,683**	**32,530**	**7,451**	**1,411**	**1,350**	**127,813**
At 31 December 2013							
Cost	**115,949**	**43,712**	**104,214**	**54,155**	**5,655**	**1,350**	**325,035**
Accumulated depreciation and impairment	**(46,561)**	**(28,029)**	**(71,684)**	**(46,704)**	**(4,244)**	**—**	**(197,222)**
Net book amount	**69,388**	**15,683**	**32,530**	**7,451**	**1,411**	**1,350**	**127,813**
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)	(997)	(30)	—	—	—	—	(1,027)
Transfer from construction-in-progress	—	240	—	—	—	(240)	—
Depreciation (Note 26)	(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

Notes:

(i) Depreciation expense of US$9,113,000 (2012: US$8,078,000) has been charged to the cost of sales, and US$10,235,000 (2012: US$8,308,000) has been charged to the general and administrative expenses.

(ii) As at 31 December 2013, the Group has not yet obtained the building certificate for a building located in the PRC with a carrying amount of US$5,983,000 (2012: US$6,618,000). 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 machinery with a value of US$2,955,000 (2012: US$2,955,000) (Note 19).

7 PROPERTY, PLANT AND EQUIPMENT — GROUP (CONTINUED)

Motor vehicles includes the following amounts where the Group is a lessee under a finance lease:

	2013 **US$'000**	2012 US$'000
Cost — capitalized finance leases	**223**	—
Accumulated depreciation	**(55)**	—
Net book amount	**168**	—

The Group leases various motor vehicles under non-cancellable finance lease agreements. The lease terms are between 5 and 6 years, and ownership of the assets lie within the Group.

8 INTANGIBLE ASSETS — GROUP

	Goodwill US$'000	**Customer relationships** US$'000	**Total** US$'000
Year ended 31 December 2013			
Opening net book amount	**42,170**	**19,815**	**61,985**
Acquisitions of subsidiaries (Note 35(a))	**3,880**	**13,190**	**17,070**
Amortization (Note 26)	**—**	**(3,718)**	**(3,718)**
Closing net book amount	**46,050**	**29,287**	**75,337**
At 31 December 2013			
Cost	**54,888**	**47,892**	**102,780**
Accumulated amortization and impairment	**(8,838)**	**(18,605)**	**(27,443)**
Net book value	**46,050**	**29,287**	**75,337**
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 26)	—	(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

8 INTANGIBLE ASSETS — GROUP (CONTINUED)

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$3,718,000 (2012: US$2,353,000) is included in the general and administrative expenses.

Impairment tests for goodwill

Goodwill is allocated to the Group's CGUs identified according to operating segments.

The goodwill of US$3,880,000 arising from the business combinations during the year 31 December 2013 was allocated to the Group's "Casual and fashion apparel" segment. Please refer to Note 35(a) for details of business combinations during the year.

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

	2013	2012
	US$'000	US$'000
Sweaters	**18,272**	18,272
Life-style apparel	**19,753**	19,753
Casual and fashion apparel	**6,520**	2,640
Accessories	**1,505**	1,505
	46,050	42,170

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)

Impairment tests for goodwill (continued)

The key assumptions used, other than the financial budgets, for fair value less costs to sell calculations in 2013 are as follows:

	2013				2012		
	Sweaters	Life-style apparel	Casual and fashion apparel	Accessories	Sweaters	Life-style apparel	Casual and fashion apparel
Average revenue growth	2.8%	4.9%	5.7%	5.5%	0.3%	9.4%	4.0%
Average gross profit margin	19.0%	16.6%	14.4%	9.7%	15.6%	16.2%	11.0%
Terminal growth rate (Note i)	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Discount rate (Note ii)	14.0%	14.0%	13.0%	13.0%	13.4%	15.0%	15.0%

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

(a) Investment in subsidiaries

	2013 US$'000	2012 US$'000
Unlisted shares/investments — at cost	71,564	71,564
Amounts due from subsidiaries	130,562	130,562
	202,126	202,126

Investments in Group undertakings are recorded at cost, which is the fair value of the consideration paid.

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.

9 INVESTMENTS IN SUBSIDIARIES — COMPANY (CONTINUED)

(a) Investment in subsidiaries (continued)

Particulars of the principal subsidiaries as at 31 December 2013 are shown as follows:

Name	Place of incorporation/ establishment	Principal activities and place of operations	Particulars of issued share capital/registered capital	Proportion of ordinary shares held by parent (%)	Proportion of ordinary shares held by the Group (%)	Proportion of ordinary shares held by non-controlling interest (%)
Bloom Time Embroidery Pte Ltd	Cambodia	Printing, embroidery and washing of garments	1,000 ordinary shares of US$1,000 each	—	100%	—
Bright Sky Pte Ltd	Cambodia	Contractor manufacturing of garments	1,000 ordinary shares of US$1,000 each	—	100%	—
Consolidated Transportation Services, Inc.	CNMI	Provision of freight forwarding and logistics services in CNMI	1,000,000 ordinary shares of US$1 each	—	100%	—
CTSI Logistics, Inc.	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.	Philippines	Provision of freight forwarding and logistics services in the Philippines	100,000 ordinary shares of Philippine Peso 100 each	—	100%	—
Desk Top Bags Philippines, Inc.	Philippines	Manufacturing of bags in the Philippines	210,000 ordinary share of Philippine Peso 100 each	—	100%	—
Dluxe Bags Philippines, Inc.	Philippines	Provision of subcontracting services in the Philippines	50,000,000 ordinary share of Philippine Peso 100 each	—	100%	—
Dongguan Luen Thai Garment Co., Ltd. (東莞聯泰製衣有限公司)	PRC	Garment manufacturing in the PRC	Registered and 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)	PRC	Garment manufacturing in the PRC	Registered and total paid-in capital of HK$26,771,800	—	100%	—
Dongguan Tomwell Garment Co. Ltd. (東莞通威服裝有限公司)	PRC	Trading and manufacturing of garment products in the PRC	Registered and total paid-in capital of US$2,500,000	—	100%	—
Dongguan Hangquan Garment Management Services Co., Ltd (東莞鴻泉服裝管理公司)	PRC	Provision of garment management service in the PRC	Registered and total paid-in capital of US$1,000,000	—	100%	—
Dongguan Xing Hao Handbags Factory Co. Ltd. (東莞星浩手袋有限公司)	PRC	Manufacturing of bags in the PRC	Registered and total paid-in capital of HK$78,200,000	—	100%	—
Dongguan Xing Jun Bags Co. Ltd. (東莞星駿手袋有限公司)	PRC	Manufacturing of bags in the PRC	Registered capital of HK$10,014,600 and total paid-in capital of HK$9,930,000	—	100%	—
Fortune Investment Overseas Limited	BVI	Investment holding in Hong Kong	1 ordinary share of US$1 each	—	100%	—

9 INVESTMENTS IN SUBSIDIARIES — COMPANY (CONTINUED)

(a) Investment in subsidiaries (continued)

Name	Place of incorporation/ establishment	Principal activities and place of operations	Particulars of issued share capital/registered capital	Proportion of ordinary shares held by parent (%)	Proportion of ordinary shares held by the Group (%)	Proportion of ordinary shares held by non-controlling interest (%)
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)	PRC	Garment manufacturing in the PRC	Registered and total paid-in capital of HK$120,500,000	—	100%	—
Golden Dragon Apparel, Inc.	Philippines	Garment manufacturing in the Philippines	62,000 ordinary shares of Philippine Peso 100 each	—	100%	—
Guangzhou G.J.M. Garment Manufacturing Factory (廣州市捷進製衣廠有限公司)	PRC	Garment manufacturing in the PRC	Registered and 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)	PRC	Provision of consultancy services in the PRC	Registered and total paid-in capital of HK$1,000,000	—	100%	—
Luen Thai Footwear Co., Ltd (聯泰(泉州)輕工有限公司)	PRC	Footwear manufacturing in the PRC	Registered and 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.	Philippines	Garment manufacturing in the Philippines	20,000 ordinary shares of Philippine 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	25,000 ordinary shares of MOP1 each	—	100%	—
Luen Thai Overseas Limited	Bahamas	Investment holding in Hong Kong	16,685,804 ordinary shares of US$1 each	100%	100%	—
Manhattan Limited	Hong Kong	Garment trading and sourcing overseas/in Hong Kong	10,000 ordinary shares of HK$1 each	—	60%	40%
Ocean Sky Apparel (VN) Limited	Vietnam	Processing and exporting garment products	Registered capital of US$6,000,000 with total paid-in capital of US$1,800,000	—	100%	—
Ocean Sky Global Singapore (S) Pte Ltd	Singapore	Garment trading and sourcing overseas	Registered and total paid-in capital of US$21,223,245	—	100%	—
On Time International Limited	BVI	Investment holding in Hong Kong	500 ordinary shares of US$1 each	—	60%	40%
Philippine Luen Thai Holdings Corporation	Philippines	Investment holding in the Philippines	260,000 ordinary shares of Philippine Peso 100 each	—	100%	—

9 INVESTMENTS IN SUBSIDIARIES — COMPANY (CONTINUED)

(a) Investment in subsidiaries (continued)

Name	Place of incorporation/ establishment	Principal activities and place of operations	Particulars of issued share capital/registered capital	Proportion of ordinary shares held by parent (%)	Proportion of ordinary shares held by the Group (%)	Proportion of ordinary shares held by non-controlling interest (%)
Sunglobe Pte Ltd	Singapore	Import, export and trading of apparels	Registered and total paid-in capital of Singapore dollars 310,000	—	100%	—
Suntex Pte Ltd	Cambodia	Contract manufacturing of garments	1,200,000 ordinary shares of US$1 each	—	100%	—
TellaS Ltd.	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 Trading (Hong Kong) Limited	Hong Kong	Trading of garment products in Hong Kong	1,000,000 ordinary shares of HK$1 each	—	95%	5%
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%	5%
TMS Fashion (H.K) Limited	Hong Kong	Garment trading and investment holding in Hong Kong	3,000,000 shares of HK$1 each	—	60%	40%
TMS International Limited	Hong Kong	Garment trading in Hong Kong	2,000 ordinary shares of HK$500 each	—	60%	40%
Wonderful Choice Limited	BVI	Footwear trading in the PRC	1 ordinary share of US$1 each	—	100%	—
Yuen Thai Philippines, Inc	Philippines	Garment manufacturing in the Philippines	1,000,000 shares of Philippine Peso 1 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%	—

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$17,050,000 (2012: US$15,874,000) which is unsecured, non-interest bearing and repayment on demand and classified under current assets.

(b) Material non-controlling interests

At 31 December 2013, the total non-controlling interests are US$8,986,000 (2012: US$8,786,000), of which US$7,672,000 (2012: US$6,883,000) is for On Time International Limited ("On Time"). The non-controlling interests in respect of other subsidiaries are not material.

9 INVESTMENTS IN SUBSIDIARIES — COMPANY (CONTINUED)

(b) Material non-controlling interests (continued)

Set out below the financial information for On Time that is material to the Group.

Balance sheet

	2013 US$'000	2012 US$'000
Current		
Assets	27,677	25,793
Liabilities	(18,345)	(19,985)
Total current net assets	9,332	5,808
Non-current		
Assets	11,529	12,969
Liabilities	(1,680)	(1,569)
Total non-current net assets	9,849	11,400
Net assets	19,181	17,208

Statement of comprehensive income

	2013 US$'000	2012 US$'000
Revenue	132,405	145,923
Profit before income tax	5,433	2,298
Income tax expense	(687)	(342)
Profit for the year	4,746	1,956
Other comprehensive income	227	—
Total comprehensive income	4,973	1,956
Total comprehensive income allocated to non-controlling interests	1,989	782
Dividends paid to non-controlling interests	1,200	1,600

9 INVESTMENTS IN SUBSIDIARIES — COMPANY (CONTINUED)

(b) Material non-controlling interests (continued)

Cash flow statement

	2013 US$'000	2012 US$'000
Cash flows from operating activities		
Cash generated from operations	**7,336**	5,458
Interest paid	**—**	(6)
Income tax paid	**(713)**	(1,113)
Net cash generated from operating activities	**6,623**	4,339
Net cash used in investing activities	**(187)**	(217)
Net cash used in financing activities	**(3,000)**	(4,000)
Net increase in cash and cash equivalents	**3,436**	122
Cash and cash equivalents at beginning of year	**9,854**	9,561
Exchange gains on cash and cash equivalents	**250**	171
Cash and cash equivalents at end of year	**13,540**	9,854

The information above is the amount before inter-company eliminations.

10 INTEREST IN AN ASSOCIATED COMPANY — GROUP

	2013 US$'000	2012 US$'000
Share of net assets	**550**	559
Unlisted investment — at cost	**302**	302

Particulars of the principal associated company as at 31 December 2013 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 New Taiwan Dollar 10 each	49%

11 INTERESTS IN JOINT VENTURES AND AMOUNT DUE FROM A JOINT VENTURE (NON-CURRENT PORTION) — GROUP

	2013 US$'000	2012 US$'000
Interests in joint ventures (Note a)	**6,011**	6,977
Amount due from a joint venture — non-current portion (Note c)	**13,655**	36,941
	19,666	43,918
Unlisted investments — at cost	**14,714**	14,714

All the joint ventures are private companies and there is no quoted market price available for their shares.

(a) Share of net assets

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

Particulars of the principal joint ventures as at 31 December 2013 are shown as follows:

Name	Place of incorporation	Principal activities and place of operations	Particulars of issued share capital	% of ownership interests	Measurement method
Chang Jia International Limited	BVI	Real estate in the PRC	100 ordinary shares of US$ 1 each	24%	Equity
Hong Kong Guangthai International Company Limited	Hong Kong	Investment holding in the PRC	2 ordinary shares of HK$1 each	50%	Equity

Set out below is the summarized financial information for the joint ventures that are material to the Group.

Name	Cash and cash equivalents US$'000	Other current assets US$'000	Non-current assets US$'000	Current liabilities US$'000	Non-current liabilities US$'000	Net assets/ (liabilities) US$'000	Capital commitments US$'000
Balance sheet as at 31 December 2013							
Chang Jia International Limited	**22,268**	**240,657**	**2,915**	**(141,425)**	**(74,954)**	**49,461**	**93,663**
Hong Kong Guangthai International Company Limited	**3,837**	**13,335**	**7,191**	**(20,758)**	**(13,069)**	**(9,464)**	**—**
Balance sheet as at 31 December 2012							
Chang Jia International Limited	1,052	125,087	173	(75,611)	—	50,701	—
Hong Kong Guangthai International Company Limited	7	659	8,901	(7,845)	(8,316)	(6,594)	—

11 INTERESTS IN JOINT VENTURES AND AMOUNT DUE FROM A JOINT VENTURE (NON-CURRENT PORTION) — GROUP (CONTINUED)

(a) Share of net assets (continued)

Name	Revenue US$'000	Depreciation and amortization US$'000	Interest income US$'000	Interest expense US$'000	(Loss)/profit before income tax US$'000	Income tax credit/ (expense) US$'000	(Loss)/profit for the year US$'000	Other comprehensive income US$'000	Total comprehensive (loss)/income US$'000
Statement of comprehensive income for the year ended 31 December 2013									
Chang Jia International Limited	**—**	**(13)**	**32**	**(57)**	**(3,845)**	**1,345**	**(2,500)**	**—**	**(2,500)**
Hong Kong Guangthai International Company Limited	**15,607**	**(692)**	**5**	**—**	**233**	**(108)**	**125**	**—**	**125**
Statement of comprehensive income for the year ended 31 December 2012									
Chang Jia International Limited	—	(23)	25	—	(1,730)	—	(1,730)	—	(1,730)
Hong Kong Guangthai International Company Limited	378	(6)	—	—	(1,150)	—	(1,150)	—	(1,150)

Reconciliation of financial information of all joint ventures to the carrying amount of its interests in the joint ventures.

	2013 US$'000	2012 US$'000
Opening net assets at 1 January	**23,130**	45,478
Loss for the year	**(2,331)**	(1,025)
Other comprehensive income for the year	**—**	2,779
Disposals of joint ventures	**—**	(16,113)
Elimination of intercompany transactions	**(4,158)**	(6,700)
Exchange difference	**645**	(1,289)
Closing net assets at 31 December	**17,286**	23,130
Interests in joint ventures	**6,011**	6,977

(b) Capital commitments

As at 31 December 2013 and 2012, the Group's share of capital commitments of joint ventures is as follows:

	2013 US$'000	2012 US$'000
Approved expenditures but not yet contracted for	**13,721**	—
Commitments contracted for	**8,758**	—
	22,479	—

11 INTERESTS IN JOINT VENTURES AND AMOUNT DUE FROM A JOINT VENTURE (NON-CURRENT PORTION) — GROUP (CONTINUED)

(c) Amount due from a joint venture — non-current portion

The amount due from a joint venture is unsecured, non-interest bearing and not repayable within the next twelve months, except that a balance of US$6,333,000 (2012: US$32,218,000) is interest-bearing, unsecured and is wholly repayable within the next two years.

The credit quality of the amount due from a joint venture that is neither past due nor impaired can be assessed by reference to historical information about counter party default rates. The balance did not have defaults nor have been renegotiated in the past.

12 DEFERRED INCOME TAX — GROUP

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

	2013 US$'000	2012 US$'000 (Restated)
Deferred income tax assets:		
— Deferred income tax assets to be recovered within 12 months	**(900)**	(728)
Deferred income tax liabilities:		
— Deferred income tax liabilities to be settled within 12 months	**622**	549
— Deferred income tax liabilities to be settled after more than 12 months	**6,853**	4,611
Deferred income tax liabilities — net	**6,575**	4,432

The gross movements in the deferred income tax account are as follows:

	2013 US$'000	2012 US$'000 (Restated)
At 1 January	**4,432**	2,930
Credited to consolidated income statement (Note 29)	**(668)**	(321)
Acquisitions of subsidiaries (Note 35(a))	**2,811**	1,823
At 31 December	**6,575**	4,432

12 DEFERRED INCOME TAX — GROUP (CONTINUED)

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

Deferred income tax liabilities	Accelerated tax depreciation	Intangible assets	Others	Total
	US$'000	US$'000	US$'000	US$'000
At 1 January 2012	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
(Credited)/charged to consolidated income statement	(449)	(266)	93	(622)
Acquisitions of subsidiaries (Note 35)	569	2,242	—	2,811
At 31 December 2013	2,057	3,890	1,547	7,494

Deferred income tax assets	Provision	Others	Total
	US$'000	US$'000	US$'000
At 1 January 2012, as restated	(640)	(288)	(928)
Charged/(credited) to consolidated income statement, as restated	123	(68)	55
At 31 December 2012, as restated	(517)	(356)	(873)
Credited to consolidated income statement	(36)	(10)	(46)
At 31 December 2013	(553)	(366)	(919)

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$525,000 (2012: US$2,456,000) in respect of losses amounting to US$3,132,000 (2012: US$9,508,000) that can be carried forward against future taxable income. These tax losses have expiry dates from 2013 to 2019.

Deferred income tax liabilities of US$10,150,000 (2012: US$9,602,000) 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$72,257,000 at 31 December 2013 (2012: US$70,095,000).

13 INVENTORIES — GROUP

	2013 US$'000	2012 US$'000
Raw materials	**45,297**	50,141
Work in progress	**55,630**	34,457
Finished goods	**12,106**	11,750
	113,033	96,348

The cost of inventories recognized as expense and included in cost of sales amounted to US$829,659,000 (2012: US$657,772,000), which included provision for inventories obsolescence of US$2,118,000 (2012: US$629,000).

As at 31 December 2013, inventories amounting to US$42,064,000 (2012: US$38,212,000) were held under trust receipt bank loan arrangement (Note 19).

14 FINANCIAL INSTRUMENTS BY CATEGORY — GROUP AND COMPANY

(a) Group

	Loans and receivables	
	2013 US$'000	2012 US$'000
Assets as per consolidated balance sheet		
Trade and other receivables excluding prepayment	**221,251**	206,237
Cash and bank balances	**229,440**	165,588
Total	**450,691**	371,825

14 FINANCIAL INSTRUMENTS BY CATEGORY — GROUP AND COMPANY (CONTINUED)

(a) Group (continued)

	Liabilities at fair value through the profit and loss	Other financial liabilities at amortized cost	Total
	US$'000	US$'000	US$'000
31 December 2013			
Liabilities as per consolidated balance sheet			
Borrowings (excluding finance lease liabilities)	**—**	**176,665**	**176,665**
Finance lease liabilities	**—**	**111**	**111**
Derivative financial instruments	**659**	**—**	**659**
Trade and other payables excluding non-financial liabilities	**—**	**189,323**	**189,323**
Total	**659**	**366,099**	**366,758**
31 December 2012			
Liabilities as per consolidated balance sheet			
Borrowings (excluding finance lease liabilities)	—	113,058	113,058
Derivative financial instruments	1,174	—	1,174
Trade and other payables excluding non-financial liabilities	—	161,622	161,622
Total	1,174	274,680	275,854

14 FINANCIAL INSTRUMENTS BY CATEGORY — GROUP AND COMPANY (CONTINUED)

(b) Company

	Loans and receivables	
	2013 US$'000	2012 US$'000
Assets as per balance sheet		
Cash and bank balances	**436**	537

	Financial liabilities at amortized cost	
	2013 US$'000	2012 US$'000
Liabilities as per balance sheet		
Other payables	**547**	552

15 TRADE AND OTHER RECEIVABLES — GROUP

	2013 US$'000	2012 US$'000
Trade and bills receivable — net (Note a)	**171,789**	159,474
Deposits, prepayments and other receivables	**22,238**	21,476
Amounts due from related companies (Note b)	**1,568**	1,876
Amounts due from joint ventures (Note b)	**27,878**	1,514
	223,473	184,340

(a) Trade and bills receivable — net

	2013 US$'000	2012 US$'000
Trade and bills receivable	**173,084**	163,265
Less: provision for impairment	**(1,295)**	(3,791)
Trade and bills receivable — net	**171,789**	159,474

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

15 TRADE AND OTHER RECEIVABLES — GROUP (CONTINUED)

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

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

	2013 **US$'000**	2012 US$'000
Current	**135,597**	113,728
1 to 30 days	**17,185**	32,373
31 to 60 days	**7,179**	8,313
61 to 90 days	**7,806**	1,056
91 to 120 days	**1,021**	796
Over 120 days	**3,001**	3,208
Amounts past due but not impaired	**36,192**	45,746
	171,789	159,474

The impairment provision was approximately US$1,295,000 as at 31 December 2013 (2012: US$3,791,000). The provision made during the year has been included in general and administrative expenses in the consolidated income statement.

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

	2013 **US$'000**	2012 US$'000
At 1 January	**3,791**	3,761
Provision for impairment of trade and bills receivable (Note 26)	**474**	1,047
Utilization of provision	**(2,970)**	(1,017)
At 31 December	**1,295**	3,791

15 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:

	2013 US$'000	2012 US$'000
US$	**152,989**	132,749
Euro	**6,939**	9,391
RMB	**9,137**	10,527
Philippine Peso	**2,604**	6,364
Other currencies	**120**	443
	171,789	159,474

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 and joint ventures

As at 31 December 2013 and 2012, the amounts due from the related companies and joint ventures are unsecured, interest-free and repayable on demand, except for an amount due from a joint venture of US$20,515,000 (2012: Nil) is interest-bearing.

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.

16 CASH AND BANK BALANCES — GROUP AND COMPANY

	Group		Company	
	2013 US$'000	2012 US$'000	**2013 US$'000**	2012 US$'000
Cash at bank and on hand	**128,400**	105,897	**436**	537
Short-term bank deposits	**98,011**	55,922	**—**	—
Bank deposits with a maturity period of over 3 months	**3,029**	3,769	**—**	—
Cash and bank balances	**229,440**	165,588	**436**	537
Less: bank overdrafts (Note 19)	**(139)**	(1,536)		
Less: bank deposits with a maturity period of over 3 months	**(3,029)**	(3,769)		
Cash, cash equivalents and bank overdrafts in the consolidated cash flow statement	**226,272**	160,283		

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

Group

	2013 US$'000	2012 US$'000
US$	**101,480**	77,987
HK$	**9,668**	5,701
Euro	**4,899**	3,047
RMB	**58,607**	37,064
Philippine Peso	**50,944**	40,130
Other currencies	**3,842**	1,659
	229,440	165,588

Company

	2013 US$'000	2012 US$'000
US$	**311**	326
Other currencies	**125**	211
	436	537

The effective interest rate on short-term bank deposits was 1.64% (2012: 1.32%) per annum; these deposits have an average maturity period of 57 days (2012: 62 days).

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

Significant restrictions

Cash and short-term deposits of US$30,209,000 (2012: US$36,394,000) are held in the PRC and are subject to local exchange control regulations. These local exchange control regulations provided for restrictions on exporting capital from the country, other than through normal dividends.

17 SHARE CAPITAL — COMPANY

	Number of shares	Nominal value US$'000
Authorized — ordinary shares of US$0.01 each		
At 31 December 2012 and 2013	1,500,000,000	15,000
Issued and fully paid — ordinary shares of US$0.01 each		
At 1 January 2012	992,666,000	9,927
Exercise of share options by employees	7,150,000	71
At 31 December 2012	999,816,000	9,998
Exercise of share options by employees	4,550,000	45
Conversion of convertible bond	29,746,666	298
At 31 December 2013	1,034,112,666	10,341

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.

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

	2013		2012	
	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**	**4,550**	0.71	12,300
Forfeited/lapsed	**—**	**—**	0.71	(600)
Exercised	**0.71**	**(4,550)**	0.71	(7,150)
At 31 December	**0.71**	**—**	0.71	4,550

17 SHARE CAPITAL — COMPANY (CONTINUED)

Share option (continued)

As at 31 December 2012, 4,550,000 outstanding options were exercisable.

Options exercised in 2013 resulted in 4,550,000 (2012: 7,150,000) shares being issued at a weighted average price of HK$0.71, equivalent to US$0.09 (2012: HK$0.71) per share. The related weighted average share price at the time of exercise was HK$2.24, equivalent to US$0.29 (2012: HK$1.01) per share.

There was no share option outstanding as at 31 December 2013 (2012: 4,550,000 share options).

18 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$'000	Employment benefits reserve (note iv) US$'000	Exchange reserve US$'000	Total US$'000
At 1 January 2012, as restated	117,018	11,722	(4,799)	1,800	—	(2,965)	10,573	133,349
Exchange differences arising on translation of foreign subsidiaries	—	—	—	—	—	—	(1,088)	(1,088)
Share of other comprehensive income from joint ventures	—	—	—	—	—	—	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 20)	—	—	—	—	980	—	—	980
Actuarial losses on retirement benefit obligations	—	—	—	—	—	(1,050)	—	(1,050)
At 31 December 2012, as restated	117,832	11,722	(4,799)	142	980	(4,015)	10,152	132,014
At 1 January 2013, as restated	**117,832**	**11,722**	**(4,799)**	**142**	**980**	**(4,015)**	**10,152**	**132,014**
Exchange differences arising on translation of foreign subsidiaries	**—**	**—**	**—**	**—**	**—**	**—**	**(2,563)**	**(2,563)**
Exercise of share options by employees	**513**	**—**	**—**	**(142)**	**—**	**—**	**—**	**371**
Conversion of convertible bond (Note 20)	**5,694**	**—**	**—**	**—**	**(980)**	**—**	**—**	**4,714**
Actuarial gains on retirement benefit obligations	**—**	**—**	**—**	**—**	**—**	**4,713**	**—**	**4,713**
At 31 December 2013	**124,039**	**11,722**	**(4,799)**	**—**	**—**	**698**	**7,589**	**139,249**

18 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 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 20)	—	—	—	980	980
At 31 December 2012	117,832	71,564	142	980	190,518
At 1 January 2013	**117,832**	**71,564**	**142**	**980**	**190,518**
Exercise of share options by employees	**513**	**—**	**(142)**	**—**	**371**
Conversion of convertible bond (Note 20)	**5,694**	**—**	**—**	**(980)**	**4,714**
At 31 December 2013	**124,039**	**71,564**	**—**	**—**	**195,603**

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 Offering ("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.

(iv) The employment benefits reserve of the Group represents the re-measurements for the defined benefit plans and long service payment.

19 BORROWINGS — GROUP

	2013 US$'000	2012 US$'000
Non-current		
Bank borrowings	4,151	4,643
Finance lease liabilities	84	—
	4,235	4,643
Current		
Bank overdrafts (Note 16)	139	1,536
Trust receipt bank loans	42,064	38,212
Portion of bank borrowings due for repayment within 1 year	72,850	51,816
Portion of bank borrowings due for repayment after 1 year which contain a repayment on demand clause	57,461	16,851
Finance lease liabilities	27	—
	172,541	108,415
Total borrowings	176,776	113,058
Non-current borrowings		
— Secured	1,482	1,779
— Non-secured	2,753	2,864
Current borrowings		
— Secured	42,790	39,576
— Non-secured	129,751	68,839
	176,776	113,058

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

As at 31 December 2013 and 2012, the Group's borrowings were repayable as follows:

	Bank overdrafts		Trust receipt bank loans		Finance lease liabilities		Bank borrowings		Total	
	2013 US$'000	2012 US$'000	2013 US$'000	2012 US$'000	2013 US$'000	2012 US$'000	2013 US$'000	2012 US$'000	2013 US$'000	2012 US$'000
Within 1 year	139	1,536	42,064	38,212	27	—	72,850	51,816	115,080	91,564
Bank borrowings due for repayment after 1 year (Note):										
After 1 year but within 2 years	—	—	—	—	84	—	14,300	7,555	14,384	7,555
After 2 years but within 5 years	—	—	—	—	—	—	47,312	13,725	47,312	13,725
After 5 years	—	—	—	—	—	—	—	214	—	214
	—	—	—	—	84	—	61,612	21,494	61,696	21,494
	139	1,536	42,064	38,212	111	—	134,462	73,310	176,776	113,058
Representing:										
Maturity within 5 years	139	1,536	42,064	38,212	111	—	134,462	71,667	176,776	111,415
Maturity after 5 years	—	—	—	—	—	—	—	1,643	—	1,643
	139	1,536	42,064	38,212	111	—	134,462	73,310	176,776	113,058

19 BORROWINGS — GROUP (CONTINUED)

Note: The amounts due are based on the scheduled repayment dates set out in the loan agreements.

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

	2013 US$'000	2012 US$'000
HK$	**4,006**	28,872
US$	**169,556**	80,406
RMB	**3,090**	3,780
Other currencies	**124**	—
	176,776	113,058

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

	As at 31 December 2013			As at 31 December 2012		
	US$	**HK$**	**RMB**	US$	HK$	RMB
Bank loans	**1.80%**	**2.21%**	**6.72%**	2.93%	1.49%	6.80%
Trust receipt bank loans	**1.09%**	**1.26%**	**—**	0.90%	1.32%	—
Bank overdrafts	**—**	**5.00%**	**—**	—	5.00%	—

As at 31 December 2013, the Group had aggregate banking facilities of approximately US$547,888,000 (2012: US$356,463,000) for overdrafts, loans, trade financing and bank guarantees. Unused facilities as at the same date amounted to approximately US$326,409,000 (2012: US$208,644,000). These facilities are secured/ guaranteed by:

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

(ii) Security over the Group's machinery of US$2,955,000 (2012:US$ 2,955,000) (Note 7); and

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

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

20 CONVERTIBLE BOND — GROUP AND COMPANY

Pursuant to the sale and purchase agreement signed on 27 April 2012, 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 31 May 2012 ("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(c).

20 CONVERTIBLE BOND — GROUP AND COMPANY (CONTINUED)

The convertible bond would mature 2 years from the date of issue at its principal amount or could be converted into 29,746,666 shares at the bondholder's option at rate of HK$1.2 per share. The bondholder had 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 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.

The convertible bond was fully converted into shares during 2013.

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

	2013 **US$'000**	2012 US$'000
Fair value of convertible bond at initial recognition	**6,050**	6,050
Equity component		
Equity conversion component at 1 January 2013 and initial recognition at 31 May 2012	**980**	980
Conversion during the year	**(980)**	—
Net equity conversion component (Note 18)	**—**	980
Liability components		
Liability components at 1 January 2013 and initial recognition at 31 May 2012	**5,020**	5,070
Conversion during the year	**(5,012)**	—
Interest paid	**(110)**	(176)
Interest expense (Note 28)	**102**	126
Net liability components	**—**	5,020

Note:

Liability components include 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.

21 RETIREMENT BENEFIT OBLIGATIONS — GROUP

	2013 US$'000	2012 US$'000 (Restated)
Consolidated balance sheet obligations for:		
Defined benefit plans (Note b)	**6,361**	9,311
Provision for long service payments (Note c)	**488**	589
	6,849	9,900
Consolidated income statement charges included in operating profit for (Note 27(a)):		
Defined contribution plans (Note a)	**6,403**	3,631
Defined benefit plans	**1,878**	1,250
Provision for long service payments (Note c)	**9**	19
	8,290	4,900
Re-measurements for:		
Defined benefit plans	**(4,764)**	1,140
Provision for long service payments (Note c)	**(73)**	(45)
	(4,837)	1,095

The Group's major plans are valued by qualified actuaries annually using the projected unit credit method.

(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$6,403,000 (2012: US$3,631,000) for the year ended 31 December 2013 (Note 27(a)).

(b) Defined benefit plans

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.

21 RETIREMENT BENEFIT OBLIGATIONS — GROUP (CONTINUED)

(b) Defined benefit plans (continued)

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

	2013 US$'000	2012 US$'000 (Restated)
Present value of unfunded obligations	**3,921**	7,247
Present value of funded obligations	**2,774**	2,397
Fair value of plan assets	**(334)**	(333)
Liabilities in the consolidated balance sheet	**6,361**	9,311

The movement in the present values of defined benefit obligations over the year is as follows.

	2013 US$'000	2012 US$'000 (Restated)
At 1 January	**9,644**	7,084
Current service cost	**1,367**	841
Interest cost	**530**	427
Total — included in employee benefit expenses	**1,897**	1,268
Re-measurements:		
— (Gain)/loss from change in financial assumptions	**(3,939)**	1,105
— Gain from change in demographic assumptions	**(169)**	(13)
— Experience (gain)/loss	**(666)**	94
	(4,774)	1,186
Contribution paid	**(80)**	(36)
Exchange difference	**8**	142
At 31 December	**6,695**	9,644

21 RETIREMENT BENEFIT OBLIGATIONS — GROUP (CONTINUED)

(b) Defined benefit plans (continued)

The movement in the fair values of plan assets over the year is as follows.

	2013 US$'000	2012 US$'000 (Restated)
At 1 January	**(333)**	(269)
Interest income — included in employee benefit expenses	**(19)**	(18)
Re-measurements:		
— Return on plan assets, excluding amounts included in interest income	**10**	(46)
Contribution paid	**8**	—
At 31 December	**(334)**	(333)

There were no plan amendments and curtailments during the year.

The principal actuarial assumptions used are as follows:

	2013	2012
Discount rate	**4.68%–8.44%**	5.20%–5.70%
Future salary increases rate	**3.00%–11.00%**	4.00%–12.00%

The sensitivity of the defined benefit plans to changes in the weighted principal assumptions is:

		Impact on defined benefit plans	
	Change in assumption	**Increase in assumption**	**Decrease in assumption**
Discount rate	1%	Decrease by US$1,075,000	Increase by US$1,318,000
Future salary increases rate	1%	Increase by US$1,261,000	Decrease by US$1,058,000

The above sensitivity analyzes are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligations to significant actuarial assumptions the same method (present value of the defined benefit obligations calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liabilities recognized within the consolidated balance sheet.

21 RETIREMENT BENEFIT OBLIGATIONS — GROUP (CONTINUED)

(c) Long service payment

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:

	2013 **US$'000**	2012 US$'000 (Restated)
Present value of unfunded obligations	**488**	589

As at 31 December 2013 and 2012, there are no plan assets.

The movement in the long service payment over the year is as follows.

	2013 **US$'000**	2012 US$'000 (Restated)
At 1 January	**589**	638
Current service cost	**8**	14
Interest cost	**1**	5
Total — included in employee benefit expenses	**9**	19
Re-measurements:		
— Gain from change in financial assumptions	**(73)**	(45)
Mandatory Provident Fund refund received	**—**	86
Contribution paid	**(37)**	(109)
At 31 December	**488**	589

21 RETIREMENT BENEFIT OBLIGATIONS — GROUP (CONTINUED)

(c) Long service payment (continued)

The principal actuarial assumptions used are as follows:

	2013	2012
Discount rate	**1.40%**	0.32%
Future salary increases rate	**3.00%**	3.00%

The sensitivity of the long service payments to changes in the weighted principal assumptions is:

		Impact on defined benefit plans	
	Change in assumption	**Increase in assumption**	**Decrease in assumption**
Discount rate	0.50%	Decrease by US$11,000	Increase by US$11,000
Future salary increases rate	0.50%	Increase by US$4,000	Decrease by US$4,000

The above sensitivity analyzes are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligations to significant actuarial assumptions the same method (present value of the defined benefit obligations calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liabilities recognized within the consolidated balance sheet.

(d) Risks for defined benefit plans and long service payment

Through its defined benefit plans and long service payment, the Group is exposed to a number of risks, the most significant of which are detailed below:

(i) Changes in discount rate

A decrease in discount rate will increase plan liabilities.

(ii) Inflation risk

The Group's pension obligations are linked to inflation, and higher inflation will lead to higher liabilities.

(iii) Life expectancy

The majority of the plans' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plans' liabilities.

21 RETIREMENT BENEFIT OBLIGATIONS — GROUP (CONTINUED)

(d) Risks for defined benefit plans and long service payment (continued)

Expected contributions to defined benefit plans and provision for long service payment for the year ending 31 December 2014 are US$1,205,000.

The weighted average duration of the defined benefit obligations is 27.6 years.

An expected maturity analysis of undiscounted pension as at 31 December 2013 is as follows:

	Less than 1 year US$'000	More than 1 year but less than 5 years US$'000	More than 5 years US$'000	Total US$'000
Retirement benefits	340	721	126,313	127,374

22 TRADE AND OTHER PAYABLE — GROUP AND COMPANY

	Group		Company	
	2013 US$'000	2012 US$'000	**2013 US$'000**	2012 US$'000
Trade and bills payable (Note a)	**126,078**	113,017	**—**	—
Other payables and accruals	**99,685**	84,646	**547**	552
Amounts due to related companies (Note b)	**2,336**	2,108	**—**	—
Amounts due to joint ventures (Note b)	**112**	113	**—**	—
	228,211	199,884	**547**	552

(a) Trade and bills payable — Group

As at 31 December 2013 and 2012, the ageing analysis of the trade and bills payable based on invoice date is as follows:

	2013 US$'000	2012 US$'000
0 to 30 days	**106,871**	102,230
31 to 60 days	**12,598**	4,411
61 to 90 days	**4,017**	768
Over 90 days	**2,592**	5,608
	126,078	113,017

22 TRADE AND OTHER PAYABLE — 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:

	2013 US$'000	2012 US$'000
US$	**79,191**	75,936
HK$	**13,607**	15,428
Euro	**1,923**	1,933
RMB	**28,014**	17,759
Philippine Peso	**3,150**	1,882
Other currencies	**193**	79
	126,078	113,017

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

(b) Amounts due to related companies and joint ventures — Group

As at 31 December 2013 and 2012, the outstanding balances due to the related companies and joint ventures are unsecured, interest-free and repayable on demand.

The carrying amounts of amounts due to related companies and joint ventures approximate their fair values and are denominated in US$.

23 DERIVATIVE FINANCIAL INSTRUMENTS — GROUP

	2013 US$'000	2012 US$'000
Forward foreign exchange contracts (Note i)	**301**	530
Interest rate swaps (Note ii)	**358**	644
	659	1,174

Notes:

(i) The notional principal amounts of the outstanding forward foreign exchange contracts as at 31 December 2013 were approximately US$10,556,000 (2012: US$13,975,000).

(ii) The notional principal amount of the outstanding interest rate swap contract as at 31 December 2013 was approximately US$409,500 (2012: US$15,750,000). 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% (2012: 2.6%) per annum.

24 OTHER GAINS — NET

	2013 US$'000	2012 US$'000
Fair value (losses)/gains on derivative financial instruments		
— net losses on forward foreign exchange contracts	**(244)**	(530)
— net gains on interest rate swaps	**285**	166
Net gains on forward foreign exchange contracts	**950**	926
Net foreign exchange gains	**985**	3,631
Gain on disposal of interest in a subsidiary (Note 34)	**—**	392
Gain on measuring equity interest in the joint ventures held before the business combination	**—**	336
Indemnification income for income tax (Note 29(ii))	**—**	1,052
	1,976	5,973

25 GAIN ON RECOGNITION OF CONTINGENT CONSIDERATION

During the year ended 31 December 2012, the Group recognized a contingent receivable resulting in a gain of RMB31,569,000 (equivalent to US$5,092,000) relating to the disposal of certain subsidiaries in the real estate segment (the "Disposal Group") to a joint venture as the prescribed conditions stated in the subscription and share purchase agreement were met. The calculation of the gain has accounted for the discounting impact and the elimination of gains from transactions with a joint venture.

26 EXPENSES BY NATURE

	2013 US$'000	2012 US$'000 (Restated)
Raw materials and consumables used	**806,980**	656,808
Changes in inventories of finished goods and work in progress	**20,561**	335
Employee benefit expenses (Note 27)	**244,960**	195,328
Gains on disposals of property, plant and equipment — net	**(120)**	(516)
Auditors' remuneration	**1,363**	1,078
Amortization of leasehold land and land use rights (Note 6)	**333**	277
Amortization of intangible assets (Note 8)	**3,718**	2,353
Depreciation of property, plant and equipment (Note 7)	**19,348**	16,386
Provision for impairment of trade and bills receivable (Note 15(a))	**474**	1,047
Provision for inventory obsolescence	**2,118**	629
Operating leases		
— office premises and warehouses	**9,226**	7,181
— plant and machinery	**415**	366
Transportation expenses	**7,192**	5,487
Commission	**345**	600
Communication, supplies and utilities	**29,550**	23,064
Other expenses	**32,737**	41,109
	1,179,200	951,532

27 EMPLOYEE BENEFIT EXPENSES — INCLUDING DIRECTORS' EMOLUMENTS

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

	2013 US$'000	2012 US$'000 (Restated)
Wages, salaries and allowances	**235,468**	187,009
Termination benefits	**1,202**	3,419
Pension costs		
— Defined contribution plans (Note 21(a))	**6,403**	3,631
— Defined benefit plans (Note 21(b))	**1,878**	1,250
Long service payments (Note 21(c))	**9**	19
	244,960	195,328

(b) Directors' and senior management's emoluments

The remuneration of every director for the year ended 31 December 2013 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	629	—	2	1,097
Mr. Tan Cho Lung, Raymond	—	339	602	36	2	979
Ms. Mok Siu Wan, Anne	19	470	718	—	2	1,209
Non-executive directors						
Mr. Tan Willie	19	—	—	163	—	182
Mr. Lu Chin Chu	19	—	—	—	—	19
Independent non-executive directors						
Mr. Chan Henry	19	—	—	—	—	19
Mr. Cheung Siu Kee	19	—	—	—	—	19
Mr. Seing Nea Yie	19	—	—	—	—	19

27 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 2012 is set out below:

Name of director	Fees	Salary	Discretionary bonuses	Other benefits (Note ii)	Employer's contribution to pension scheme	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Executive directors						
Mr. Tan Siu Lin *(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

Notes:

(i) Mr. Tan Sunny resigned as a 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 or payable by the Group companies during the year (2012: Nil).

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

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included three (2012: three) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2012: two) individuals during the year are as follows:

	2013 **US$'000**	2012 US$'000
Basic salaries, other allowances and benefits in kind	**614**	562
Discretionary bonuses	**347**	715
Pension scheme contributions	**21**	20
Others	**365**	390
	1,347	1,687

The emoluments of the remaining two (2012: two) highest paid individuals fell within the following bands:

	Number of individuals	
	2013	2012
Emolument bands		
US$516,129 to US$645,161 (equivalent to HK$4,000,001 to HK$5,000,000)	**1**	—
US$645,161 to US$774,193 (equivalent to HK$5,000,001 to HK$6,000,000)	**1**	—
US$774,194 to US$903,226 (equivalent to HK$6,000,001 to HK$7,000,000)	**—**	2
	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.

28 FINANCE INCOME/(COSTS) — NET

	2013 US$'000	2012 US$'000
Interest expense on bank loans and overdrafts	**(3,513)**	(2,195)
Interest expense on finance lease	**(11)**	—
Effective interest expenses on convertible bond (Note 20)	**(102)**	(126)
Finance costs	**(3,626)**	(2,321)
Interest income from bank deposits	**2,210**	1,571
Effective interest income from amount due from a joint venture	**3,171**	328
Finance income	**5,381**	1,899
Finance income/(costs) — net	**1,755**	(422)

29 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2012: 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.

	2013 US$'000	2012 US$'000 (Restated)
Current income tax	**6,534**	3,929
Over-provision in prior years	**(3,277)**	(1,054)
Deferred income tax (Note 12)	**(668)**	(321)
Income tax expense	**2,589**	2,554

29 INCOME TAX EXPENSE (CONTINUED)

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:

	2013 US$'000	2012 US$'000 (Restated)
Profit before income tax	**52,720**	42,241
Tax calculated at domestic tax rates applicable to profits in the respective countries	**4,383**	2,343
Income not subject to tax	**(2,596)**	(2,085)
Expenses not deductible for tax purposes	**3,655**	2,578
Utilization of previously unrecognized tax losses	**(32)**	(90)
Tax losses for which no deferred income tax asset was recognized	**491**	805
Tax effect of share of results of an associated company and joint ventures	**(35)**	57
Over-provision in prior years	**(3,277)**	(1,054)
Income tax expense	**2,589**	2,554

Notes:

(i) The Inland Revenue Department ("IRD") has been reviewing the 50:50 offshore claim made by a subsidiary of the Group since the years of assessment 2000/01 to 2011/12 and 100% offshore profits claim in 2012/13. In prior years, the IRD tentatively disallowed the 50:50 offshore claim or 100% offshore profits claim and issued notices of additional assessments/assessments for the years of assessment 2000/01 to 2012/13. The Group has lodged an objection on the assessments and the objection case is being reviewed by the IRD.

The Group has thoroughly revisited the situations and concluded that even though the IRD may eventually deny the 50:50 offshore profits claim, the Group should have grounds to argue that its entire profits are not subject to Hong Kong Profits Tax on the basis that its manufacturing and trading activities including negotiation and conclusion of sale orders, sourcing of raw materials and arrangement of production of goods were wholly carried out outside Hong Kong and hence, the related profits should be regarded as wholly offshore sourced and non-taxable.

The Group has paid an amount of US$3,752,000 in the form of Tax Reserve Certificate which the amount has been included in prepaid income tax in the consolidated balance sheet as at 31 December 2013 and the Group considers that sufficient tax provision has been made in the consolidated financial statements.

(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. 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 sale and purchase agreement in relation to the acquisition of these subsidiaries, the former shareholder has to indemnify 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 INCOME TAX EXPENSE (CONTINUED)

Notes: (continued)

(ii) (continued)

The Group has signed a settlement deed ("Deed") with the former shareholder of the subsidiaries on 21 August 2013. In accordance with the Deed, the Group was required to (i) deliver to the former shareholder a cheque in the sum of HK$1,000,000 (equivalent to US$129,000) and (ii) waive any claim that it may have against the former shareholder in relation to the additional tax provision.

Upon the signing of the Deed, the Group has no obligation to pay to the former shareholder any amount in relation to any reversal of PRC tax provision with a maximum cap of US$2,323,000 up to 31 December 2016. Moreover, the Group has given up the collection of a receivable of US$1,052,000 and has recognized an impairment provision of the receivable from the former shareholder of USD1,052,000 in the consolidated income statement of the Group for the year ended 31 December 2013.

(iii) An Singapore subsidiary has been awarded the "Global Trader Programme" status in Singapore whereby its profits derived from qualifying trading transactions of approved products are taxed at a concessionary rate of 10% up to December 2013, subject to compliance with certain terms and conditions.

30 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$14,312,000 (2012: US$13,290,000).

31 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.

	2013 **US$'000**	2012 US$'000 (Restated)
Profit attributable to owners of the Company	**48,221**	38,718
Weighted average number of ordinary shares in issue (thousands)	**1,018,685**	996,844
Basic earnings per share (US cents per share)	**4.7**	3.9

31 EARNINGS PER SHARE (CONTINUED)

(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. Potential ordinary shares are weighted for the period they are outstanding. The share options and convertible bond have been converted into ordinary shares during the year and are included in the calculation of diluted earnings per share from the beginning of the year to the date of conversion; from the date of conversion, the resulting ordinary shares are included in both basic and diluted earnings per share. The net profit is adjusted to eliminate the interest expense related to the convertible bond less the tax effect.

	2013 US$'000	2012 US$'000 (Restated)
Earnings		
Profit attributable to owners of the Company	**48,221**	38,718
Interest expense on convertible bond, net of tax	**102**	126
Profit used to determine diluted earnings per share	**48,323**	38,844
Weighted average number of ordinary shares in issue (thousands)	**1,018,685**	996,844
Adjustments for:		
— Assumed conversion of 29,746,666 convertible bond outstanding at 31 May 2012 (issue date) up to 31 December 2012 (thousands)	**—**	17,330
— Assumed conversion of 11,500,000 convertible bond outstanding at the beginning of the year up to 17 April 2013 (thousands)	**3,340**	—
— Assumed conversion of 18,246,666 convertible bond outstanding at the beginning of the year up to 9 July 2013 (thousands)	**9,448**	—
— Share options (thousands)	**831**	1,860
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**1,032,304**	1,016,034
Diluted earnings per share (US cents per share)	**4.7**	3.8

32 DIVIDENDS

	2013 US$'000	2012 US$'000
Interim dividend paid of US0.526 cent or equivalent to HK4.080 cents (2012: US0.367 cent) per ordinary share	**5,439**	3,664
Proposed final dividend of US0.873 cent or equivalent to HK6.774 cents (2012: US0.791 cent) per ordinary share	**9,028**	7,927
	14,467	11,591

33 CASH GENERATED FROM OPERATIONS

	2013 US$'000	2012 US$'000 (Restated)
Profit before income tax	**52,720**	42,241
Adjustments for:		
Share of losses of joint ventures	**500**	180
Share of losses/(gains) of an associated company	**9**	(8)
Finance expense (Note 28)	**3,626**	2,321
Finance income (Note 28)	**(5,381)**	(1,899)
Impairment loss on goodwill (Note 8)	**—**	6,896
Fair value gains on derivative financial instruments (Note 24)	**(41)**	(562)
Amortization of intangible assets (Note 8)	**3,718**	2,353
Amortization of leasehold land and land use rights (Note 6)	**333**	277
Depreciation of property, plant and equipment (Note 7)	**19,348**	16,386
Gains on disposals of subsidiaries — net (Note 34)	**—**	(392)
Gains on disposals of property, plant and equipment — net	**(120)**	(516)
Gain on recognition of contingent consideration	**—**	(5,092)
Gain on measuring equity interest in the joint venture held before the business combination (Note 24)	**—**	(336)
Operating profit before working capital changes	**74,712**	61,849
Changes in working capital (excluding the effects of disposals and acquisitions of subsidiaries and exchange differences on consolidation):		
Inventories	**14,167**	(18)
Trade and other receivables	**(6,708)**	8,752
Trade and other payables	**(4,921)**	(14,446)
Derivative financial instruments	**(474)**	787
Retirement benefit obligations	**1,786**	1,352
Cash generated from operations	**78,562**	58,276

33 CASH GENERATED FROM OPERATIONS (CONTINUED)

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

	2013 US$'000	2012 US$'000 (Restated)
Net book amount (Note 7)	**1,620**	1,145
Gains on disposals of property, plant and equipment — net	**120**	516
Proceeds from disposals of property, plant and equipment	**1,740**	1,661

34 DISPOSAL OF SUBSIDIARY — LUEN THAI GARMENT (CAMBODIA) CO., LTD.

During the year ended 31 December 2012, the Group 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:

	2012 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

35 BUSINESS COMBINATION

(a) Acquisition of subsidiaries — OSG Group

On 6 January 2013, the Group entered into a sale and purchase agreement to acquire 100% equity interest in Ocean Sky Global (S) Pte. Ltd. and its wholly owned subsidiaries (collectively, the "OSG Group"), which are principally engaged in the trading and manufacturing of apparels in Singapore, Vietnam and Cambodia, at a consideration of US$52,785,000. The transaction was completed on 30 April 2013.

As a result of the acquisition, the Group is expected to increase its presence in these markets. It increases its production capacity and to reduce costs through economies of scale. The goodwill of US$3,880,000 arising from the acquisition is attributable to the economies of scale expected from combining the operations of the OSG Group and the Group. None of the goodwill recognized is expected to be deductible for income tax purposes.

Details of the consideration for the acquisition of OSG Group and the fair value of assets acquired and liabilities assumed at the 30 April 2013 are as follows:

	2013 **US$'000**
Cash consideration paid	**52,785**
Less: recognized amounts of identifiable assets acquired and liabilities assumed (as shown below)	**(48,905)**
Goodwill	**3,880**

Recognized amounts of identifiable assets acquired and liabilities assumed are as follows:

	Fair values US$'000
Property, plant and equipment	19,826
Intangible assets	13,190
Trade and other receivables	14,723
Inventories	30,852
Cash and cash equivalents	11,743
Bank borrowings	(7,486)
Deferred income tax liabilities	(2,811)
Trade and other payables	(29,589)
Current income tax liabilities	(1,543)
	48,905

Note: As at 31 December 2013, the carrying values of recognized amounts of identifiable assets acquired and liabilities assumed approximate their fair values.

35 BUSINESS COMBINATION (CONTINUED)

(a) Acquisition of subsidiaries — OSG Group (continued)

Acquisition-related costs of US$1,966,000 have been charged to general and administration expenses in the consolidated income statement for the year ended 31 December 2013.

Analysis of outflow of cash and cash equivalents in respect of the OSG Group acquisition:

	US$'000
Cash consideration paid	(52,785)
Less: cash and cash equivalents acquired	11,743
	(41,042)

The acquired OSG Group contributed revenue of US$129,658,000 and a net profit of US$2,809,000 to the Group for the period from 1 May 2013 to 31 December 2013. If the acquisition had occurred on 1 January 2013, the Group's revenue would have been US$1,287,185,000, profit attributable to owners of the Company before allocations would have been US$49,060,000. 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 property, plant and equipments and intangible asset had applied from 1 January 2013, together with the consequential tax effects.

(b) 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.

As a result of the acquisition, the Group is expected to reduce costs through economies of scale. The goodwill of US$676,000 arising from the acquisition is attributable to acquired economies of scale expected from combining the operations of the Doungguan Tien-Hu Group and the Group. None of the goodwill recognized is expected to be deductible for income tax purposes.

Details of the consideration for the acquisition of Dongguan Tien-Hu Group and the fair value of assets acquired and liabilities assumed at the 1 February 2012 are as follows:

	2012 US$'000
Cash consideration paid	6,000
Less: recognized amounts of identifiable assets acquired and liabilities assumed (as shown below)	(5,324)
Goodwill	676

35 BUSINESS COMBINATION (CONTINUED)

(b) Acquisition of subsidiaries — Dongguan Tien-Hu Group (continued)

Recognized amounts of identifiable assets acquired and liabilities assumed are as follows:

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

Note: As at 31 December 2012, the carrying values of recognized amounts of identifiable assets acquired and liabilities assumed approximate their fair values.

Acquisition-related costs of US$50,000 have been charged to general and administration expenses in the consolidated income statement for the year ended 31 December 2012.

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

	US$'000
Cash consideration	(6,000)
Less: cash and cash equivalents acquired	21
	(5,979)

(c) Acquisition of remaining equity interest in joint ventures — 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 20). The transaction was completed on 31 May 2012.

As a result of the acquisition, the Group is expected to increase its presence in these markets. The goodwill of US$260,000 arising from the acquisition is attributable to the economies of scale expected from combining the operations of the Sportswear Business and the Group. None of the goodwill recognized is expected to be deductible for income tax purposes.

35 BUSINESS COMBINATION (CONTINUED)

(c) Acquisition of remaining equity interest in joint ventures — Sportswear Business (continued)

Details of the consideration for the acquisition of the Sportswear Business and the fair value of assets acquired and liabilities assumed at 31 May 2012 are as follows:

	2012 US$'000
Purchase consideration — convertible bond	6,050
Fair value of 50% equity interest in the Sportswear Business previously held	5,664
	11,714
Less: fair values of amounts of identifiable assets acquired and liabilities assumed (as shown below)	(11,454)
Goodwill	260

Recognized amounts of identifiable assets acquired and liabilities assumed are as follows:

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

Note: As at 31 December 2012, the carrying values of recognized amounts of identifiable assets acquired and liabilities assumed approximate their fair values.

Acquisition-related costs of US$43,000 have been charged to general and administration expenses in the consolidated income statement for the year ended 31 December 2012.

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

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

35 BUSINESS COMBINATION (CONTINUED)

(d) 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.

As a result of the acquisition, the Group is expected to increase its presence in the footwear market. The goodwill of US$1,279,000 arising from the acquisition is attributable to the economies of scale expected from combining the operations of the Luen Thai Footwear Group and the Group. None of the goodwill recognized is expected to be deductible for income tax purposes.

Details of the consideration for the acquisition of Luen Thai Footwear Group and the fair value of assets acquired and liabilities assumed at 10 July 2012 are as follows:

	2012 US$'000
Cash consideration paid	13,807
Less: recognized amounts of identifiable assets acquired and liabilities assumed (as shown below)	(12,528)
Goodwill	1,279

Recognized amounts of identifiable assets acquired and liabilities assumed are as follows:

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

Note: As at 31 December 2012, the carrying values of recognized amounts of identifiable assets acquired and liabilities assumed approximate their fair values.

35 BUSINESS COMBINATION (CONTINUED)

(d) Acquisition of subsidiaries — Luen Thai Footwear Group (continued)

Acquisition-related costs of US$20,000 have been charged to general and administration expenses in the consolidated income statement for the year ended 31 December 2012.

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
	(10,209)

(e) Acquisition of remaining equity interest in joint ventures — 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.

As a result of the acquisition, the Group is expected to reduce costs through economies of scale. The goodwill of US$1,700,000 arising from the acquisition is attributable to acquired economies of scale expected from combining the operations of the New Sunshine Group and the Group. None of the goodwill recognized is expected to be deductible for income tax purposes.

Details of the consideration for the acquisition of New Sunshine Group and the fair value of assets acquired and liabilities assumed at 31 December 2012 are as follows:

	2012 US$'000
Cash consideration paid	—
Fair value of 50% equity interest in New Sunshine Group previously held	—
	—
Add: recognized amounts of identifiable assets acquired and liabilities assumed (as shown below)	1,700
Goodwill	1,700

35 BUSINESS COMBINATION (CONTINUED)

(e) Acquisition of remaining equity interest in joint ventures — New Sunshine Group (continued)

Recognized amounts of identifiable assets acquired and liabilities assumed are as follows:

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

Note: As at 31 December 2012, the carrying values of recognized amounts of identifiable assets acquired and liabilities assumed approximate their fair values.

No acquisition-related costs have been incurred for the acquisition.

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

	US$'000
Cash and cash equivalents acquired	717

36 COMMITMENTS

(a) Capital commitments — Group

As at 31 December 2013 and 2012, the Group has the following capital commitments:

	2013 **US$'000**	2012 US$'000
Contracted but not provided for		
— Property, plant and equipment	**188**	1,792

36 COMMITMENTS (CONTINUED)

(b) Operating lease commitments — Group

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

	2013 US$'000	2012 US$'000
Land and buildings		
— No later than 1 year	**4,664**	4,040
— Later than 1 year and no later than 5 years	**10,585**	6,787
— Later than 5 years	**14,399**	3,776
	29,648	14,603
Property, plant and equipment		
— No later than 1 year	**194**	79
— Later than 1 year and no later than 5 years	**131**	24
	325	103

The Company has no other material commitments as at 31 December 2013 and 2012.

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.

(a) Transactions with related parties

During the year, the Group had the following significant transactions with related companies, associated companies and joint ventures. Related companies are companies which are beneficially owned, or controlled, by Dr. Tan Siu Lin, Dr. Tan Henry and Mr. Tan Cho Lung, Raymond, 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

	2013 US$'000	2012 US$'000
Management fee income from		
— related companies	**139**	222
— joint ventures	**—**	112
	139	334

37 RELATED-PARTY TRANSACTIONS (CONTINUED)

(a) Transactions with related parties (continued)

(i) Provisions of goods and services (continued)

	2013 US$'000	2012 US$'000
Commission income from		
— a joint venture	—	15
— related companies	**608**	707
	608	722
Freight forwarding and logistics service income from		
— related companies	**810**	984
— joint ventures	—	73
	810	1,057
Rental income from related companies	**534**	527
Subcontracting income from a joint venture	—	125
Service income from		
— related companies	**702**	350
— joint ventures	**1,662**	214
	2,364	564
Advance payment to related companies	**16**	42
Recharge of material costs and other expenses to		
— related companies	**1,567**	1,502
— joint ventures	**46**	3,729
	1,613	5,231
Sales of apparels, textile products and accessories to		
— a related company	—	723
— joint ventures	**1,485**	9
	1,485	732

37 RELATED-PARTY TRANSACTIONS (CONTINUED)

(a) Transactions with related parties (continued)

(ii) Purchases of goods and services

	2013 US$'000	2012 US$'000
Rental expenses for occupying office premises, warehouses and staff quarters charged by related companies	**1,448**	1,453
Professional and technological support service fees to related companies	**2,205**	2,151
Subcontracting fee charged by joint ventures	**20,116**	15,230
Commission expense charged by joint ventures	**—**	752
Recharge of material costs and other expenses by		
— related companies	**773**	725
— joint ventures	**2,134**	3,838
	2,907	4,563
Purchase of materials from		
— related companies	**29**	24
— joint ventures	**—**	843
	29	867
Freight forwarding and logistics service charged by an associated company	**224**	192
Medical benefits & other employee related expenses charged by related companies	**220**	221

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

(b) Key management compensation

	2013 US$'000	2012 US$'000
Basic salaries and allowance	**4,971**	4,320
Bonus	**4,576**	4,412
Pension scheme contributions	**40**	50
	9,587	8,782

37 RELATED-PARTY TRANSACTIONS (CONTINUED)

(c) Banking facilities

As at 31 December 2013, certain banking facilities of the Group to the extent of US$532,609,000 (2012: US$358,088,000) were supported by corporate guarantees given by the Company.

(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.

(e) On 31 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 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(d) 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 COMPARATIVE FIGURES

Certain comparative figures related to selling and distribution expenses have been reclassified to cost of sales to conform to the current year's presentation.

40 EVENTS AFTER THE BALANCE SHEET DATE

On 18 February 2014, the Group entered into a subscription agreement with Thien Nam Sunrise Textile Joint Stock Company ("Thien Nam Sunrise"), pursuant to which Thien Nam Sunrise shall allot and issue and the Group shall subscribe for the 18,900,000 shares for a consideration of Vietnam Dong ("VND") 189,000,000,000 (equivalent to approximately US$9,000,000). Thien Nam Sunrise is principally engaged in fabric manufacturing in Vietnam. Upon completion, the Group will hold 33.34% of the total issued capital of Thien Nam Sunrise.

The Group will be granted with a put option to sell its entire shareholding interest in Thien Nam Sunrise to certain remaining shareholders of Thien Nam Sunrise.

The above transaction had no financial impact to the consolidated financial statements for the year ended 31 December 2013 since the completion of the transaction was subsequent to the year end.

FINANCIAL SUMMARY

	2009 (Restated)	2010 (Restated)	2011 (Restated)	2012 (Restated)	**2013**
Financial highlights (US$'000)					
Total assets	525,263	528,383	592,646	687,250	**814,321**
Total liabilities	268,537	240,706	276,430	344,276	**428,967**
Bank borrowings	67,016	64,252	88,053	113,058	**176,776**
Capital and reserves attributable to the owners of the Company	234,905	276,838	306,994	334,188	**376,368**
Working capital	103,792	85,349	110,650	131,495	**160,453**
Revenue	774,892	794,017	956,489	990,198	**1,228,698**
Profit attributable to the owners of the Company	15,218	17,666	34,018	38,718	**48,221**
Key ratios					
Current ratio	1.46	1.38	1.43	1.41	**1.39**
Gross profit margin	18.5%	16.9%	16.8%	16.2%	**17.3%**
Profit margin attributable to the owners of the Company	2.0%	2.2%	3.6%	3.9%	**3.9%**