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 2014

CONTENTS

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
Kwun Tong, Kowloon
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
17th Floor, Hopewell Centre
183 Queen's Road East
Hong Kong

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

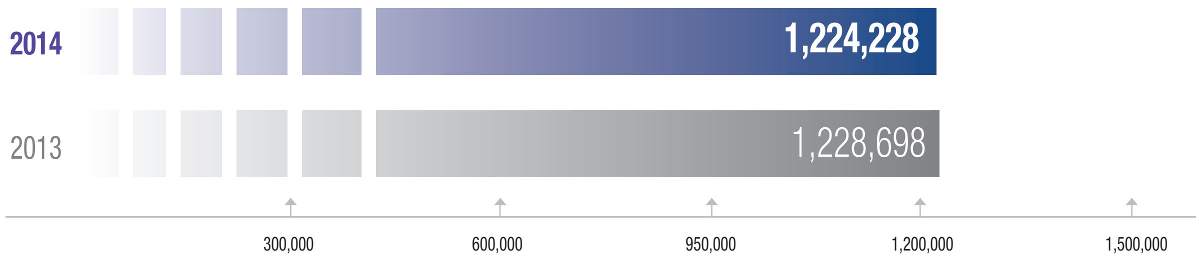
AUDITOR
PricewaterhouseCoopers
Certified Public Accountants
22nd Floor, Prince's Building
Central, Hong Kong

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

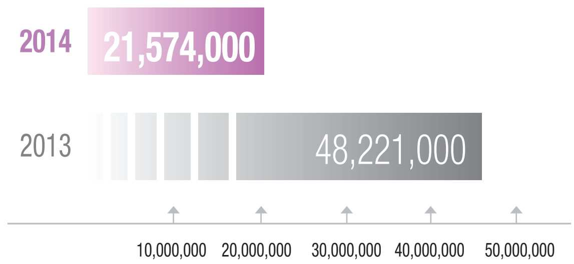
KEY FINANCIAL HIGHLIGHTS

	2014 US$'000	2013 US$'000
Revenue	1,224,228	1,228,698
Gross Profit	216,083	212,001
As a percentage of revenue	17.7%	17.3%
Operating Profit	18,612	51,474
As a percentage of revenue	1.5%	4.2%
Profit Attributable to the Owners of the Company	21,574	48,221
As a percentage of revenue	1.8%	3.9%
Basic Earnings Per Share	US2.1 cents	US4.7 cents
Dividend Per Share		
— Final	US0.632 cent	US0.873 cent
— Interim	US0.476 cent	US0.526 cent
Capital and Reserves		
Attributable to the owners of the Company	380,495	376,368

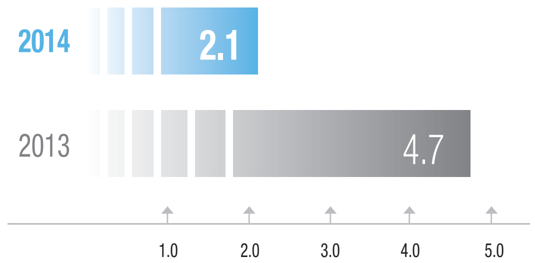
REVENUE (US$'000)



PROFIT ATTRIBUTABLE TO THE OWNERS OF THE COMPANY (US$)



EARNINGS PER SHARE (US CENT)



CHAIRMAN'S STATEMENT

TAN Siu Lin
Chairman

OVERVIEW

I am pleased to present the annual report of Luen Thai Holdings Limited ("Luen Thai" or "Company", and together with its subsidiaries, the "Group") for the year ended 31 December 2014.

In 2014, the Group experienced a rigorous fiscal year with our manufacturing business remained challenging amid frail global recovery. During the year under review, the Group's result was primarily affected by the impairment loss on goodwill and write-off of intangible assets due to the unsatisfactory performance of the Life-style Apparel Division and the footwear business under the Accessories Division coupled with additional expenses induced by delays in shipments arising from the labour disputes between dockworkers and their employers in the U.S. West Coast ports.

As a consequence of the above, the profit attributable to the owners of the Company ("Net Profit") for the year under review recorded a year-on-year decline by about 55.3% to approximately US$21,574,000. Despite such substantial decrease in Net Profit, the financial position of the Group remained healthy for ongoing business operations and development as substantial part of the drop in Net Profit is mainly due to the one-off non-cash expenses.

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 apparel manufacturing in mainland China is currently under great pressure. I believe China still maintains its competitive edge for complex products requiring skilled labour and short lead time and therefore the Group will continue to maintain certain China production facilities. However, in order to better serve our customers within reasonable costs, Luen Thai will focus on developing appropriate production capacities outside China to remain competitive and resilient.

As an important strategic move for the expansion of production capacities outside China, Luen Thai identifies Vietnam as currently the country of choice due to its geographic advantage and the potential trade preferences including the Trans-Pacific Partnership ("TPP") and the European Union-Vietnam free trade agreement. I believe that the TPP agreement, which shall substantially strengthen the position of Vietnam as an original equipment manufacturer ("OEM") production country, is likely to be signed within 2015 though the actual implementation may only happen two to three years after signing. The Group started investing in Vietnam through the acquisition of Ocean Sky Global (S) Pte. Ltd. and its subsidiaries (collectively, the "Ocean Sky Group") in 2013. Luen Thai also invested into a fabric manufacturing joint stock company in February 2014. To further strengthen the production capabilities of the Group in Vietnam, in February 2015, the Company entered into a share subscription agreement with another joint stock company which is primarily engaged in the production of apparels in Vietnam. In addition, the Group has planned to start building new apparel manufacturing facilities and investing into a garment and textile industrial park in Vietnam in 2015. With the above strategic moves, the Group should be able to enhance its vertical integration of the Group's business and enjoy duty savings through the various trade preferences granted or to be granted to Vietnam. I believe that the investment in Vietnam will become a growth driver to the Group in the near future.

In view of the market challenge 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.

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 US0.632 cent (or equivalent to HK4.90 cents) per share for the year ended 31 December 2014.

CORPORATE GOVERNANCE

The Group acknowledges the need and importance of corporate governance as one of the essential elements in enhancing shareholder value. The Group is devoted 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, 27 March 2015

World's Leading Consumer Goods Supply Chain Group

Luen Thai Holdings Limited (Luen Thai) is a global industry consolidator and multi product expert in apparel and accessories. Luen Thai has strategic partnerships with diverse and leading global brands. The main products of Luen Thai are casual and fashion apparel, sweaters, lifestyle apparel and accessories which are produced in well established manufacturing operations in strategic locations in Asia such as China, Philippines, Cambodia and Vietnam.

MANAGEMENT DISCUSSION & ANALYSIS

RESULT REVIEW

For the year ended 31 December 2014, the Group's revenue amounted to approximately US$1,224,228,000, representing a slight decrease of approximately 0.4% over 2013. The Group produced about 132 million units of apparel and accessories products in 2014 representing an increase of 0.8% over 2013. The slight decrease in revenue was resulted from the sales slump of the Life-style Apparel Division with an offsetting effect on the full-year impact on the integration of the Ocean Sky Group which was completed on 30 April 2013.

The overall gross profit margin in 2014 was approximately 17.7% which is about 0.4 percentage point over 2013. The Net Profit decreased to approximately US$21,574,000 as compared to approximately US$48,221,000 in 2013, representing a decrease of approximately US$26,647,000 or 55.3%. Such decrease was mainly attributable to the one-off non-cash expenses relating to the impairment loss on certain carrying amount of goodwill and write-off of intangible assets of the Life-style Apparel Division and the footwear business under the Accessories Division ("Accessories — Footwear") which amounted to approximately US$12,489,000 (net of the write-off borne by non-controlling interests) and US$4,134,000, respectively. Details of the impairment on goodwill and write-off of intangible assets are set out in note 9 to the consolidated financial statements. Excluding these one-off non-cash expenses mentioned above, the Net Profit would have been approximately US$38,197,000 for the year under review.

In addition, the decrease in the Net Profit was also due to other one-off expenses resulting from the bankruptcy of a major European customer of Life-style Apparel Division and the delay in shipments arising from labour disputes between dockworkers and their employers in the U.S. West Coast ports. These one-off expenses included (1) written down of the trade receivables and a provision of material claims from suppliers due to the bankruptcy of the above customer, and (2) extra transshipment costs, overtime costs, and penalties paid/payable to those customers affected by the labour disputes aforementioned.

SEGMENTAL REVIEW

Apparel and Accessories businesses represented the Group's most significant source of revenue, which accounted for approximately 73.0% and 25.3% respectively of the Group's total revenue for the year under review.

Apparel Supply Chain Management Services

The Casual and Fashion Apparel Division generated a segment profit of approximately US$27,816,000 which decreased by approximately US$7,530,000 when compared with the last corresponding year. Such decrease in the segment profit was primarily attributable to certain customers (and in particular our major Japan customer) who were more cautious in placing orders, as they continued to face a tough retail environment due to weak consumer sentiment; and the integration of the Ocean Sky Group was less than desirable due to staff redeployment and rapid employee turnover. However, the Board believes that the acquisition of Ocean Sky Group could bring in additional revenue and growth to the Group in the medium term despite the temporary unfavourable performance.

During the year under review, the business performance of the Life-style Apparel Division was adversely affected by a considerable drop in orders placed by certain top customers of the Division. For one of such customers, the monthly sales figures for this customer dropped gradually for the second half of 2014 and this customer no longer placed any order with the Group by the end of 2014. The Directors believe that such drop in orders was principally due to the fact that this customer has changed its outsourcing strategy resulting in a shift of its outsourcing suppliers. For another customer of this Division, the business with this customer remained relatively stable until November 2014 when the purchase orders dropped drastically. The situation continued to worsen when this customer declared bankruptcy in early December 2014, which was not expected by the Board. As a consequence, the Life-style Apparel Division incurred a segment loss of approximately US$20,688,000 in 2014 as compared to a segment profit of approximately US$4,746,000 in 2013. However, such significant decline in segment result was mainly due to the one-off non-cash expenses mentioned above. The management of the Life-Style Division has been putting substantial effort in developing new customers and the Board has confidence in the long-term development and prospect of the Life-style Apparel Division.

The Sweaters Division has reported a segment profit of approximately US$3,086,000 for 2014, representing a significant improvement of approximately 92.8% when compared to that of 2013. The increase in segment profit was mainly due to the restoration of level loading and efficiency of one of the factories under the Division after the sudden loss of orders from one of its customers in last year.

Accessories Supply Chain Management Services

With the change of production mix, orders from a new luxury bag customer and the stabilization of the operations in the Philippines, the Accessories Division remained profitable, despite a one-time impairment loss on the goodwill and write-off of intangible asset relating to Accessories — Footwear. The business performance of Accessories — Footwear was negatively affected by a significant drop in orders from one of its major customers. The Directors believed that due to its vendor consolidation strategy, this customer has reduced placing purchase orders with the Group and Accessories — Footwear business did not record any more business with this customer starting from the second half of 2014. The Accessories Division recorded a segment profit of approximately US$12,340,000, representing a decrease of approximately 8.9% from last year. The management therefore expects the future performance of the Accessories Division will depend on the operating environment of our major customers.

Real Estate

Real Estate Division represents our real estate project jointly operated with Sunshine 100 Real Estate Group Co., Limited ("Sunshine 100") in Qingyuan, China ("Qingyuan Project"). During the year under review, despite the pre-sale of the Qingyuan Project slowed down to a certain extent in the first half of the year, the pre-sale in the second half of the year picked up very well.

Although the Group recognized its pre-sale revenue of the Qingyuan Project in 2014, the major source of income of Real Estate Division is still the interest income accrued from the consideration receivable arisen from the disposal of the real estate project in Qingyuan to Sunshine 100. However, the division reported a segment profit of only approximately US$1,684,000 in 2014 as compared to a segment profit of approximately US$3,861,000 for the last corresponding year due to the sharing of the operating loss of the joint venture with Sunshine 100.

The site of the Qingyuan Project is close to the Guangzhou-Qingyuan Light Rail system which will connect Qingyuan with the Guangzhou Metro, and passengers will be able to travel between these two places in less than half an hour. The Guangzhou-Qingyuan Light Rail system is currently under construction and is expected to be operational in late 2017. The Board believes that the convenient locations of the Qingyuan Project could bring in desirable return to the Group in the foreseeable future.

Logistics

The Group's freight forwarding and logistics services recorded a revenue of approximately US$20,692,000 for the year under review, representing an increase of approximately 12.0% over 2013.

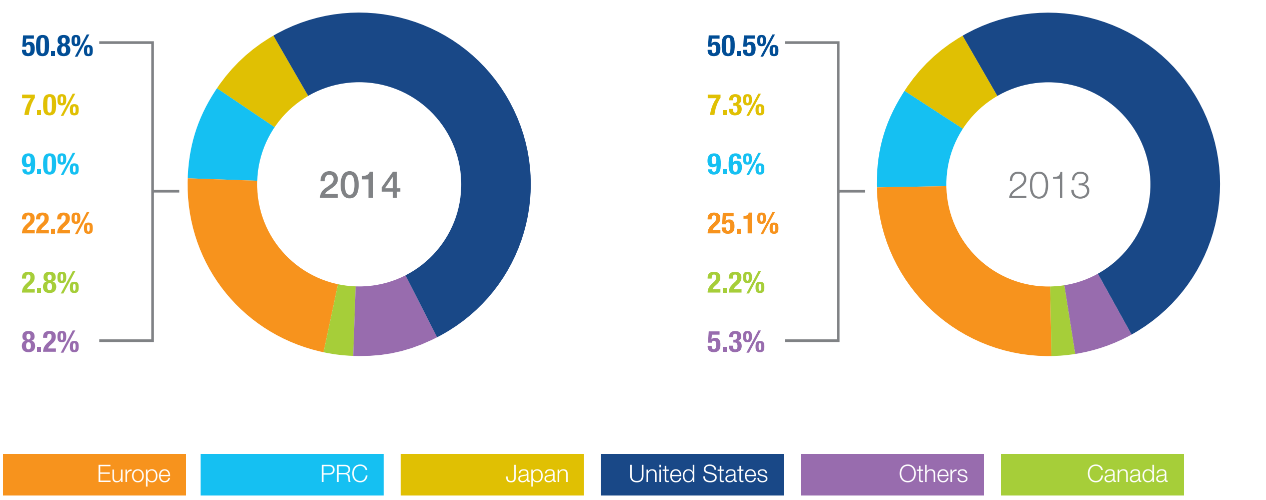
MARKETS

Geographically, the USA was the Group's key export market for the year under review, accounting for approximately 50.8% of the total revenue of the Group in 2014. The revenue derived from customers in the USA is approximately US$621,592,000, representing an increase of approximately US$1,342,000 over 2013.

Europe remained the second largest export market of the Group in 2014. Europe constituted approximately 22.2% of the Group's total revenue in 2014. The revenue derived from customers in Europe is approximately US$271,861,000, representing a decrease of approximately US$36,354,000 over that recorded for 2013.

Asia market (comprising mainly the PRC and Japan) made up approximately 16.0% of the Group's total revenue in 2014.

REVENUE CONTRIBUTION BY GEOGRAPHICAL SEGMENTATION

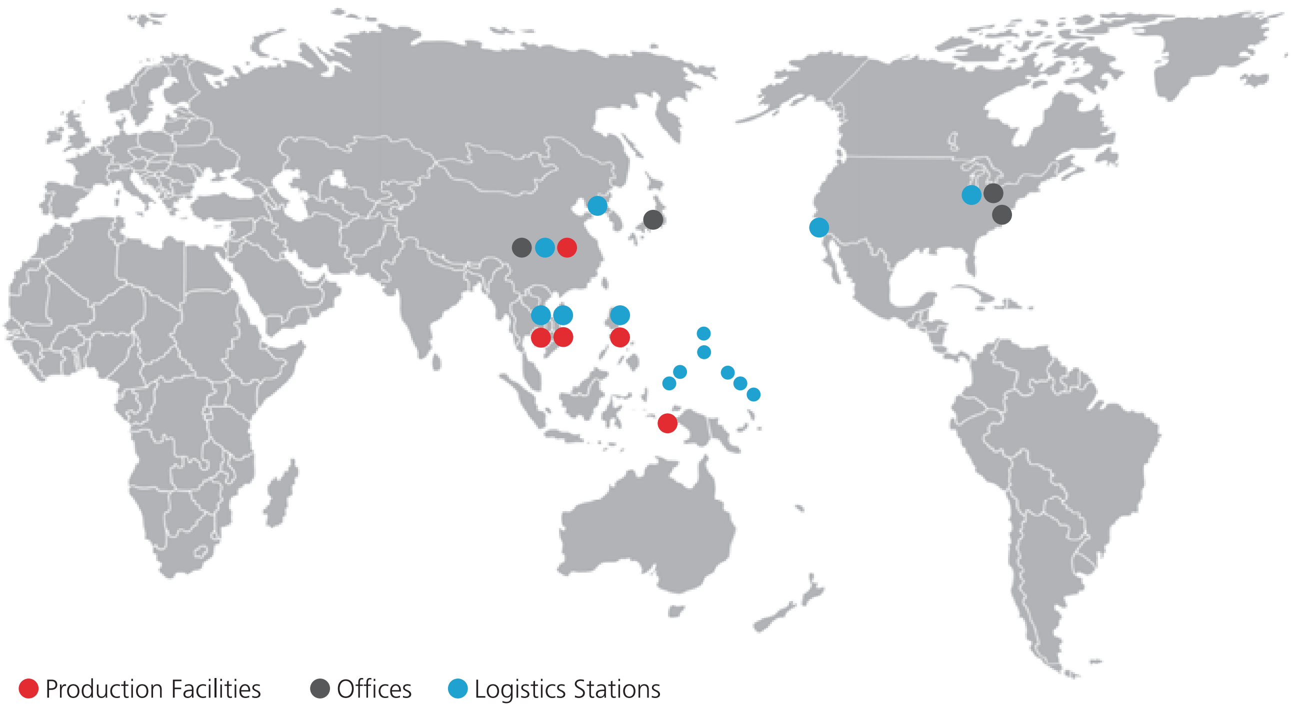


ACQUISITIONS AND JOINT VENTURES

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 transaction:

As disclosed in the Company's announcement dated 18 February 2014, the Company, through Sunny Force Limited ("Sunny Force"), a wholly owned subsidiary of the Company, entered into a subscription agreement with Thien Nam Sunrise Textile Joint Stock Company ("TNS"), pursuant to which TNS shall allot and issue and Sunny Force shall subscribe for subscription shares for a consideration of VND189 billion which is equivalent to approximately US$9 million or HK$70 million. TNS is a joint stock company incorporated under the laws of Vietnam on 27 December 2012. The subscription in TNS was completed in April 2014 and TNS became a joint venture of the Group. TNS is principally engaged in fabric manufacturing in Vietnam.

The Board believes that the infrastructure, the rapid development of the textile/garment industries coupled with the trade preferences should make Vietnam a country of choice. Luen Thai will continue to invest in Vietnam through the building of additional apparel manufacturing facilities and industrial park.



Somewhere in the world today, the next year's trend is already in production; our designers sketching the upcoming trendy styles; or boxes of the season's hottest fashions are being delivered to our customers' stores.

FUTURE PLANS AND PROSPECT

Challenging Operating Environment

2015 is still going to be challenging for the Group's business and operations. Minimum wage in China will increase again in 2015. Moreover, at the request of our major Japanese customer, Luen Thai will tighten and control the overtime work of our workers in Dongguan which shall inevitably affect the productivity of our Casual and Fashion Apparel Division.

Increase Investment in Vietnam

Vietnam has already entered into free trade agreement ("FTA") with China and Japan and it is also generally expected by the market that the FTA between European Union and Vietnam and the TPP agreement will also be signed in 2015. These trade preferences (whether existing or potential) together with the abundant supply of skilled and hardworking labour make Vietnam as a strategic choice for the Group to invest in the next few years.

In order to cope with the Company's strategy, Luen Thai International Group Limited ("LTIG"), a wholly owned subsidiary of the Company, entered into a subscription agreement with Duc Hanh Garment Joint Stock Company ("DHG") on 10 February 2015 pursuant to which LTIG shall subscribe for subscription shares for a consideration of VND54,229,000,000 which is equivalent to approximately US$2,540,000. DHG is principally engaged in the production, importation and exportation of garments in Vietnam. The subscription in DHG was expected to be completed in June 2015. The Board believes that the Group can enhance its competitiveness and gain market share through its investment in TNS and DHG.

In addition, the Group has been considering a plan to form a joint venture to invest into a garment and textile industrial park in Vietnam. Such investment is an important strategic step for the Company to strengthen its position in Vietnam through (1) inviting upstream players to set up fabric mills in the industrial park; (2) investing in these upstream players to facilitate the transformation of certain portion of the Group's business into a vertical model; (3) increasing the profitability of the Group by selling water, steam, electricity to the other industry players within the industrial park. As this potential investment has not entered into any legally binding agreement, there are no other details to be disclosed at this stage. The Company will comply with the Listing Rules and issue announcement related to this industrial park investment when an agreement is concluded and signed.

Increase Production Capacities Outside China

In addition to the aforementioned expansions in Vietnam, the Group will continue to increase the production capacities in Cambodia and the Philippines to cope with the requirements of our customers. The Board believes that with this balanced portfolio of production bases, the Group can better serve and grow with customers.

Although the operation for 2015 is going to be challenging, the Board believes the enhancement of production capacities outside China will enable the Group to sustain its long term growth and development.

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.

CONTINGENT LIABILITIES

As at 31 December 2014, the Group had no material contingent liabilities.

FINANCIAL RESULTS AND LIQUIDITY

As at 31 December 2014, the total amount of cash and bank deposits of the Group was approximately US$217,547,000, representing a decrease of approximately US$11,893,000 as compared to that as at 31 December 2013. The Group's total bank borrowings as at 31 December 2014 was approximately US$145,183,000, representing a decrease of approximately US$31,593,000 as compared to that as at 31 December 2013.

As at 31 December 2014, 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$96,834,000 repayable within one year, approximately US$10,211,000 in the second year and approximately US$38,138,000 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 2014, 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.

HUMAN RESOURCES AND CORPORATE SOCIAL RESPONSIBILITY

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.

With over 40,000 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.

As a global corporate citizen, Luen Thai is conducting business and developing a sustainable business strategy with a long term view, which creates a positive impact for our worldwide supply chain and the surrounding environment. We not only focus on profit maximization, but we must also understand the needs and concerns of other stakeholders.

iServe. iGive back.

Community Service

Responsible and Ethical Supply Chain

MANAGEMENT EXECUTIVES

EXECUTIVE DIRECTORS

Dr. TAN Siu Lin, aged 84, 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 61, 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 30 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, member of Advisory Committee of Institute of Textiles & Clothing, Hong Kong Polytechnic University 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 53, 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 25 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 62, 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 59, 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 61, is the executive director and the Chairman of the board of the Yue Yuen Industrial (Holdings) Limited, whose shares are listed on The Stock Exchange of Hong Kong Limited. Mr. Lu is also 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 37 years of experience in the manufacturing of footwear and related components. He joined the Group in 2007.

INDEPENDENT NON-EXECUTIVE DIRECTORS

CHAN Henry, aged 49, 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 of Hong Kong Limited 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 71, 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 67, 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 41, 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 Merrill 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, the 5th Vice Chairman of Tung Wah Group of Hospitals, Vice Chairman of Group 12 and General Council Member of the Federation of Hong Kong Industries ("FHKI"), Executive Committee Member of the Hong Kong Shippers' Council and the past Chairman of the Entrepreneurs' Organization Hong Kong Chapter. In 2013, Mr. Tan was awarded "Young Industrialist Award 2013" by FHKI. 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 62, 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 66, is the Group Finance Controller and Treasurer. Ms. Choi has over 40 years of experience in various areas of the apparel manufacturing industry with over 29 years of experience in financial management. She joined the Group in 1967.

HELFENBEIN Richard A., aged 66, is the President of Luen Thai USA. Mr. Helfenbein has extensive experience in the industry in key executive positions acting as the President and Managing Director of several prestigious apparel companies. He has been with the Group since 1999. Mr. Helfenbein is currently Chairman of the Board of the American Apparel & Footwear Association, (AAFA is the highly renowned USA national trade organization for apparel and footwear), and he also is on the Apparel Studies Advisory Board of the University of Arkansas, as well as 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 and participates annually in the Consortium for Operational Excellence in Retailing (COER) at Wharton and Harvard. Mr. Helfenbein writes for several publications and lectures at industry events as well as universities on the subjects of Marketing, Supply Chain Management, and International Trade.

Dr. ROMAGNA John, aged 69, 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 56, 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 53, 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 25 years of experience in logistics operations. Active in representing the Chinese Community in Guam and the CNMI, Jerry is the President of the Chinese Association of Saipan (CNMI). He was invited to participate in the 2nd Session of the 12th National Committee of The Chinese People's Political Consultative Conference on March 3–12, 2014 in Beijing, China. He also participated in the Fujian Province People's Political Consultative Conference on January 27–28, 2015 in Fuzhou, China. Active in community service, Jerry serves in the following capacities: Vice-Chairman of Tan Siu Lin Foundation, Honorary Board Member of American Red Cross CNMI Chapter, former Chairman and current Board Member of Marianas Visitors Authority, and the CNMI Governor's Special Advisor for Trade and Tourism. Equally devoted to promoting sports for all ages, Jerry serves as President of Saipan Bowling Association, Northern Mariana Islands Football Association, and Northern Marianas Badminton Association. He's also an ExCo Member of the East Asian Football Federation. Jerry received the following recognition from the community: 2003 Business Person of the Year from Saipan Chamber of Commerce, 2004 Employer of the Year from CNMI Chapter of the Society for Human Resources Management, 2008 Silver Award for Volunteerism from Boy Scouts of America, 2009 Guam Business Executive of the Year from Guam Business Journal, 2010 Citizen of the Year Award from Rotary Club of Saipan, 2012 Green Company Award from Mariana Islands Nature Alliance, and 2014 Eagle Award for Center of Influence from Employer Support for the Guard and Reserve (Task Force Guam). Jerry obtained a degree in Bachelor of Business Administration from the University of Guam.

WONG, Sammy, aged 58, 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 34 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 51, is the Vice President of Corporate Finance, Company Secretary of the Company. Mr. Chiu has over 22 years of experience in the field of auditing and accounting. He joined the Group in 2002. He was an auditing manager of an international auditing firm. Mr. Chiu is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. Mr. Chiu holds a Bachelor of Business Administration degree from the University of Hong Kong.

REPORT OF THE DIRECTORS

The board of directors of Luen Thai Holdings Limited (the "Directors") has the pleasure in presenting to the shareholders this annual report together with the audited financial statements of Luen Thai Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") for the year ended 31 December 2014.

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 50 and shows the Group's profit for the year ended 31 December 2014. 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 8 to 15 of the annual report.

DIVIDENDS

An interim dividend of US0.476 cent (or equivalent to HK3.69 cents) per share was paid to the shareholders during the year totaling approximately US$4,922,000 and the Directors recommend the payment of a final dividend of US0.632 cent (or equivalent to HK4.90 cents) per share totaling to approximately US$6,536,000. The proposed final dividend, if approved by the shareholders at the annual general meeting on 26 May 2015 ("AGM"), will be paid on 26 June 2015 to shareholders whose name appear on the register of members on 5 June 2015.

SUBSIDIARIES, AN ASSOCIATED COMPANY AND JOINT VENTURES

Details of the principal subsidiaries, an associated company and joint ventures of the Company and the Group as at 31 December 2014 are set out in notes 10 to 12 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 18 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 19 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

The distributable reserves of the Company available for distribution as dividends amounted to approximately US$205,711,000 as at 31 December 2014, comprising retained earnings of approximately US$10,108,000, 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$13,678,000. 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$1,059,000.

SHARE OPTIONS

A new share option scheme of the Company was approved and adopted by way of an ordinary resolution in the annual general meeting of the Company held on 26 May 2014 (the "New Share Option Scheme"). Upon the adoption of the New Share Option Scheme, the old share option scheme adopted by the sole shareholder of the Company on 27 June 2004 (the "Old Share Option Scheme") was terminated immediately, provided that any options granted under the Old Share Option Scheme shall not, in any way, be affected or prejudiced and all such options shall continue to be valid and exercisable in accordance with the Old Share Option Scheme. As at the date of termination of the Old Share Option Scheme, no options were granted and remained outstanding under Old Share Option Scheme.

Pursuant to the Old Share Option Scheme and the New Share Option Scheme (collectively, the "Share Option Schemes"), options may be granted to eligible participants ("Eligible Participants") to subscribe for shares in the Company. The principal purposes of the Share Option Schemes are to provide the Company with a flexible means of recognising and acknowledging the contributions of the Eligible Participants and to attract and retain and appropriately remunerate the best possible quality of employees and other Eligible Participants.

The following persons shall be eligible for participation in the New Share Option Scheme:

(i) any director ("Group Director") of any member company with the Group ("Group Company") and any full-time employee for the time being of any Group Company ("Employee") (and any proposed Group Directors and Employees);

(ii) any customer, supplier or provider of services, landlord or tenant, agent, partner, consultant, or adviser of or a contractor to or person doing business with any Group Company;

(iii) the trustee of any trust the principal beneficiary of which is, or any discretionary trust the discretionary objects of which include, any person referred to in (i) or (ii) above;

(iv) a company controlled by any person referred to in (i) or (ii) above; and

(v) such other persons (or classes of persons) as the Board may in its absolute discretion determine should be Eligible Participants. In exercising such discretion, the Board shall have regard to factors such as any contributions which have been made, or may be made, by such persons to the Group and other factors as the Board may consider appropriate.

Pursuant to the New Share Option Scheme, no option may be granted to any person which, if exercised in full, would result in the total number of shares issued and to be issued upon exercise of the options already granted and to be granted to such person (including exercised, cancelled and outstanding options but excluding lapsed options) in the 12-month period up to and including the date of such new grant exceeding 1% of the shares of the Company in issue as at the date of such new grant.

The basis of determining the exercise price under the New Share Option Scheme shall not be less than the highest of:

(i) the closing price of a share of the Company 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;

(ii) an amount equivalent to the average closing price of a share of the Company 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 a share of the Company.

The New Share Option Scheme will remain in force for ten years from 26 May 2014, unless otherwise determined in accordance with its term. 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.

Under the New Share Option Scheme, each grantee shall pay a consideration of HK$10 upon acceptance of the offer of the option and 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.

During the year, no share option was granted under the New Share Option Scheme and there is no share option outstanding as at 31 December 2014.

As at the date of this report, the total number of shares available for issue under the New Share Option Scheme is 103,411,266, representing approximately 10% of the total issued share capital of the Company as at the date of this report.

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 emolument 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.

None of the Directors being proposed for re-election at the forthcoming AGM of the Company has a service contract which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed under the paragraph headed "Connected Transactions" below, no contract of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the paragraph headed "Directors and Chief Executive's Interests in Shares" and for the Share Option Schemes adopted by the Company, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of an acquisition of shares or underlying shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 31 December 2014, 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 (Note 1)
TAN Siu Lin	Trustee (note 2)	6,500,000	0.63%
	Interest of controlled corporation (note 2)	26,300,000	2.54%
TAN Henry	Interest of controlled corporation (note 3)	689,600,000	66.69%
TAN Cho Lung, Raymond	Beneficial Owner (note 4)	2,903,000	0.28%
MOK Siu Wan, Anne	Beneficial Owner (note 5)	2,000,000	0.19%
TAN Willie	Beneficial Owner (note 6)	1,000,000	0.10%

Notes:

1. The percentage has been compiled based on the total number of shares of the Company in issued (i.e. 1,034,112,666) as at 31 December 2014.

2. 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.

3. Dr. Tan Henry is the beneficial owner of 2,750 issued shares (representing 55% interest) in Helmsley Enterprises Limited ("Helmsley"), a company incorporated in the Commonwealth of the Bahamas. Dr. Tan Henry is also the settler of a trust which indirectly holds 750 issued shares (representing 15% interests) in Helmsley. 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 3,167,811 issued shares (representing 20% interest) in Tan Holdings Corporation ("THC"). Dr. Tan Henry is also the settler of a trust which indirectly holds 2,375,857 issued shares (representing 15% interests) in THC. THC 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 14,600,000 Shares.

4. A total of 2,903,000 Shares were acquired by an associate of Mr. Tan Cho Lung, Raymond between 2006 to 2014. He is therefore deemed under Part XV of the SFO to be interested in all of the 2,903,000 Shares acquired by his associate.

5. 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.

6. 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

Continuing Connected Transactions

The Tan Private Group, comprising Helmsley and Tan Holdings Corporation ("THC") 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 THC, the Group has a number of continuing transactions with the Tan Private Group.

Dr. Tan Siu Lin, together with his sons Dr. Tan Henry, Mr. Tan Willie and Mr. Tan Cho Lung, Raymond, who are all Directors and members of the Tan's family, have or may have a material interest in the connected transactions and continuing connected transactions between the Group and the Tan Private Group.

Pursuant to 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 may 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 approximate aggregate value and the annual caps of each category of the non-exempt continuing connected transactions of the Group with the Tan Private Group pursuant to Chapter 14A of the Listing Rules for the year ended 31 December 2014. Details of these connected transactions are set out below in accordance with the Listing Rules.

Connected Party	Category	Approximate aggregate value for the year ended 31 December 2014 US$'000	Annual cap for the year ended 31 December 2014 US$'000
Tan Private Group	Provision of technological support services (note a)	**2,396**	2,400
	Lease agreements (note b)		
	— Group as tenants	**1,492**	1,700
	— Tan Private Group as tenants	**66**	100
	Freight services by the Group (note c)	**387**	650
	Shipping agency services by the Group (note d)	**622**	1,120

Notes:

(a) On 14 December 2012, Luen Thai Overseas Limited, a subsidiary of the Company, entered into an agreement with Helmsley for a term of 3 years from 1 January 2013 to 31 December 2015 pursuant to which Helmsley, through its indirectly wholly owned subsidiary, Integrated Solutions Technology Limited ("IST BVI"), 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").

IST BVI has been providing technological support services to the Group since the Company's listing on the Stock Exchange in 2004 (the "Listing"). The fees charged under the Technological Support Master Agreement were based on similar rates charged by service support consultants in the market. While the fees for such technological support services reflect normal commercial terms negotiated on an arm's length basis and are comparable to the terms given by independent third parties, the Directors believe that the Group will benefit from the continuation of such technological support services by IST BVI, which has a better understanding of the Group's existing systems due to its long-term service and has been providing smooth and efficient technological support services to the Group. Therefore, such transactions are beneficial to the Group as a whole as the Group is able to leverage on its long-established relationship with IST BVI. The Directors further believe that IST BVI's expertise and knowledge of the Group's operations, coupled with its development of various software and systems for the Group, should also warrant the continued engagement of IST BVI for provision of technical support services to the Group.

Given the quality services offered by IST BVI to the Group in the past and the benefits of continuity, the Directors (including the independent non-executive Directors) consider that such technological support services and their respective terms are on normal commercial terms, fair and reasonable and are in the interests of the Group and the Company's shareholders as a whole.

IST BVI is an indirectly wholly-owned subsidiary of Helmsley. Helmsley wholly owns Capital Glory Limited, the controlling shareholder of the Company. IST BVI is therefore deemed an Associate, and hence a Connected Person of the Company.

(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 relevant members of 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"). For the leasing arrangements, the relevant members of the Tan Private Group, including L&T Group of Companies, Ltd. ("L&T Group"), L&T (Guam) Corporation ("L&T (Guam)"), Quanzhou Luen Thai Real Estate Development Co Ltd and Luen Thai International Development Limited ("LTID").

The Tan Private Group, with a diverse and wide business network, has been leasing properties to the Group since the Listing. The Directors believe that such transactions are beneficial to the Group as a whole as the Group is able to leverage on its long-established relationship with the Tan Private Group.

The Group had historically rented warehouse facilities from L&T (Guam). The Directors believe that the Group would be able to enjoy better service quality, greater flexibility and certainty of tenure with L&T (Guam).

For the other leasing arrangements under the Master Agreement for Leasing Arrangements, the Directors believe that the Group will benefit from such leasing arrangements for cost efficiency and better utilization of the Group's office premises, which is beneficial to the Group as a whole.

The rentals under the Properties Lease Master Agreement were determined based on the prevailing market rentals for similar properties in the nearby locations of the leased properties. While the rentals payable by or to the Group pursuant to the Master Agreement for Leasing Arrangements reflect normal commercial terms negotiated on an arm's length basis and are comparable to the terms given to or by independent third parties, the Directors therefore consider that the Group will benefit from the continuity of the leasing arrangements and will save the relocation costs which may otherwise have to be incurred due to any discontinuation of the existing leasing arrangements. The Directors further believe that all the above leasing arrangements and their respective terms are on normal commercial terms, fair and reasonable and are in the interests of the Group and the Company's shareholders as a whole.

L&T Group and L&T (Guam) are wholly-owned subsidiaries and Associates of THC. Hence, L&T Group and L&T (Guam) are Connected Persons of the Company.

Quanzhou Luen Thai Real Estate Development Co Ltd is a subsidiary of Luen Thai Enterprises Limited ("LTE"), which is in turn wholly-owned by Helmsley. It is therefore an Associate and hence Connected Person of the Company.

LTID is indirectly owned by Dr. Tan Siu Lin, a Director of the Company. It is therefore an Associate and hence Connected Person of the Company.

(c) On 5 December 2011, Consolidated Transportation Services Inc., ("CTSI CNMI"), an indirect wholly owned subsidiary of the Company, entered into a freight master agreement (the "Old Freight Master Agreement") with the THC and Helmsley (on behalf of the Tan Private Group) in respect of the 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.

CTSI CNMI, Consolidated Transportation Services Incorporated (Guam), Consolidated Transportation Services Inc. (Palau), CTSI Logistics Inc., and CTSI Logistics (Korea), Inc, are collectively referred to as CTSI Group. The CTSI Group is principally engaged in the provision of freight forwarding and logistics services and has been providing such services to the Tan Private Group before the Listing. In view of the high standard of quality service, reliability and experience of the CTSI Group, the Tan Private Group considered that it is in its interests to continue retaining the services of the CTSI Group. The CTSI Group, on the other hand, also considers that it is in its interests to continue its business relationship with the Tan Private Group as part of its strategy to increase its market share.

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, including Luen Thai Fishing, Cosmos Saipan, Cosmos Guam, Marshall Island Fishing Venture and Palau International Traders. Commission and premium are determined with reference to the market prices of the similar types of services provided to independent third parties and after arm's length negotiations. The fees for the CTSI Transactions were determined with reference to the market prices of the same or similar types of services provided by independent third parties in the logistics industry in the local markets. Based on the industry practice and depending on the actual amount of work done and the various types of services rendered, fees for CTSI Transactions were charged at the market rates by the Group for the different types of services rendered in the CTSI Transactions, including but not limited to providing freight services and booking of freight space with third party airlines as well as other trucking and warehousing services. All of the CTSI Transactions are governed by provisions contained in written agreements (including airway bills and bills of lading). It is currently expected that such arrangements made between the Group and the Tan Private Group will continue. Payment of the fees by the relevant members of the Tan Private Group to the Group in relation to the CTSI Transactions is on a case by case basis, and is generally to be made within 45 days from the invoice date.

Helmsley is beneficially owned as to 55% by Dr. Tan Henry, an executive Director and the chief executive officer of the Company. Hence, Helmsley is a Connected Person of the Company.

THC is a Connected Person of the Company. It is owned as to 20% by Dr. Tan Henry and as to 39% by Leap Forward Limited, a company incorporated in the Bahamas. Dr. Tan Henry together with his father Dr. Tan Siu Lin, an executive Director and the chairman of the Board, control the board of Leap Forward Limited.

Luen Thai Fishing is a wholly-owned subsidiary of LTE, a company controlled by Dr. Tan Henry. It is therefore an Associate of Dr. Tan Henry and hence a Connected Person of the Company. On the other hand, Cosmos Saipan and Cosmos Guam are subsidiaries and Associates of THC. Hence Cosmos Saipan and Cosmos Guam are Connected Persons of the Company.

Marshall Island Fishing Venture is a subsidiary of Luen Thai Fishing and is therefore Connected Persons of the Company. Palau International Traders is a wholly-owned subsidiary of IASS Trading, Inc., which is in turn a wholly-owned subsidiary of THC. It is therefore a Connected Person of the Company.

The Old Freight Master Agreement has expired on 31 December 2014 and the Company expects to continue the continuing connected transactions thereafter, the Company entered into a new freight master agreement (the "New Freight Master Agreement") with THC and Helmsley (on behalf of the Tan Private Group) on 22 December 2014 for a 3-year fixed term from 1 January 2015 to 31 December 2017. Pursuant to the New Freight Master Agreement, the maximum aggregate fees to be paid by the Tan Private Group for each of the three years ending on 31 December 2017 will amount to approximately US$600,000, US$650,000 and US$650,000.

(d) On 5 December 2011, CTSI CNMI 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 ("Old Shipping Master Agreement"). MELL is owned as to 45% by LTE 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.

The Group has been providing shipping agency services to MELL since and prior to the Listing. The Directors believe that such transactions are beneficial to the Group as a whole as the Group is able to leverage on its relationship with MELL to establish new client contacts for its logistics business.

The fees for the MELL Shipping Transactions were determined with reference to the market prices of the same or similar types of services provided by independent third parties in the shipping agency industry in the local markets. Based on the industry practice and depending on the actual amount of work done and the various types of services rendered, shipping agency fees were charged at the market rates by the Group for the different types of services rendered in the MELL Shipping Transactions, including providing cargo solicitation, market reports, preparation of shipping documentation, cargo loading and discharge, vessel husbanding, container monitoring and control as well as customer services. Payment of the fees by MELL to the Group in relation to the MELL Shipping Transactions is on a case by case basis, and is generally to be made within 45 days from the invoice date.

The Old Shipping Master Agreement has expired on 31 December 2014 and the Company expects to continue the continuing connected transactions thereafter, the Company entered into a new shipping master agreement (the "New Shipping Master Agreement") with MELL on 22 December 2014 for a 3-year fixed term from 1 January 2015 to 31 December 2017. Pursuant to the New Shipping Master Agreement, the maximum aggregate fees to be paid by the Tan Private Group for each of the three years ending on 31 December 2017 will amount to approximately US$950,000, US$1,000,000 and US$1,000,000.

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

Pursuant to Rule 14A.55 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; and (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.

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 auditors of the Company confirmed that the above transactions were approved by the Board, were in accordance with the pricing policies of the Company, and were entered into under respective agreements that regulate such transactions and did not exceed any of the relevant caps as mentioned in the relevant agreements and announcements of the Company. 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 25–29 of the Annual Report in accordance with paragraph 14A.56 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.

RELATED-PARTY TRANSACTIONS

Details of the significant related-party transactions undertaken in the normal course of business are set out in note 35 to the consolidated financial statements. None constitutes a discloseable connected transaction as defined under the Listing Rules.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2014, 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 (Note a)
Capital Glory Limited	(b & c)	Beneficial owner	614,250,000	59.40%
Helmsley	(b & c)	Interest of controlled corporation	631,350,000	61.05%
Pou Chen Corporation	(d)	Interest of controlled corporation	100,746,666	9.74%
Wealthplus Holdings Limited	(d)	Interest of controlled corporation	100,746,666	9.74%
Yue Yuen Industrial (Holdings) Limited	(d)	Interest of controlled corporation	100,746,666	9.74%
Pou Hing Industrial Co. Ltd.	(d)	Interest of controlled corporation	100,746,666	9.74%
Great Pacific Investments Limited	(d)	Beneficial owner	100,746,666	9.74%

Notes:

(a) The percentage has been compiled based on the total number of shares of the Company in issued (i.e. 1,034,112,666) as at 31 December 2014.

(b) 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.

(c) 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.

(d) 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 2014.

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 54.2% (2013: 51.5%) of the total sales. The top five suppliers accounted for approximately 12.7% (2013: 10.0%) of the total purchases for the year. In addition, the Group's largest customer accounted for approximately 13.3% (2013: 14.4%) of the total sales and the Group's largest supplier accounted for approximately 3.4% (2013: 3.6%) 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 32 to 44 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 AGM of the Company to re-appoint Messrs. PricewaterhouseCoopers as the auditor of the Company.

On behalf of the Board

Tan Henry
Chief Executive Officer

27 March 2015

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 2014, the Company has complied with all applicable code provisions of the Corporate Governance Code (the "CG Code") as set out in the Appendix 14 of the Listing Rules. The Company periodically reviews its corporate governance practices to ensure its continuous compliance.

This report includes key information relating to corporate governance practices of the Company during the year ended 31 December 2014 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 2014.

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 2014, four Board meetings were held with a very satisfactory average attendance rate of 94.4%, details of which are presented below.

Board Members	**Meetings Attended/Held**	**Average Attendance Rate**
Executive Directors		93.8%
TAN Siu Lin *(Chairman of the Board)*	4/4	100%
TAN Henry*	4/4	100%
TAN Cho Lung, Raymond*	3/4	75%
MOK, Siu Wan Anne	4/4	100%
Non-executive Directors		87.5%
TAN Willie*	3/4	75%
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.

During the year ended 2014, for the corporate governance functions, the Board reviewed and monitored the training and continuous professional development of directors and management, reviewed the Company's compliance with the CG Code and disclosure in the Corporate Governance report.

Chairman and CEO

During the year 2014 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.

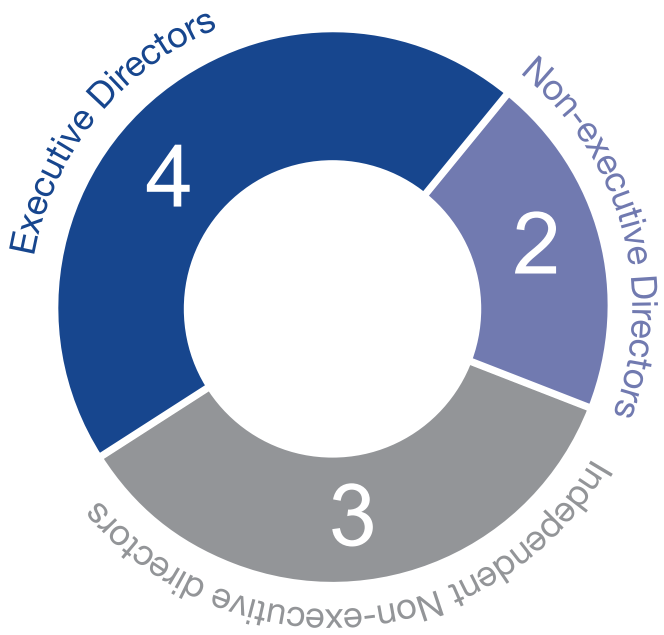
The Chairman of the Board is responsible for overseeing the strategic planning and leadership of Luen Thai. The Chief Executive Officer, on the other hand, is responsible for the strategic development and maintaining the Group's relationship with outside companies of the Group. Senior management is responsible 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 and therefore has a strong independence element in its composition. As at 31 December 2014, 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.

Balance of Executive Directors and Non-executive Directors
31 December 2014



The brief biographical particulars of the Directors are set out in the section headed "Management Executives" of this Annual Report on pages 16 to 17.

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. The Company considers all of the independent non-executive Directors to be independent.

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 2014.

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 2014 is summarized below:

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

* Son of TAN Siu Lin

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

During the year ended 31 December 2014, 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

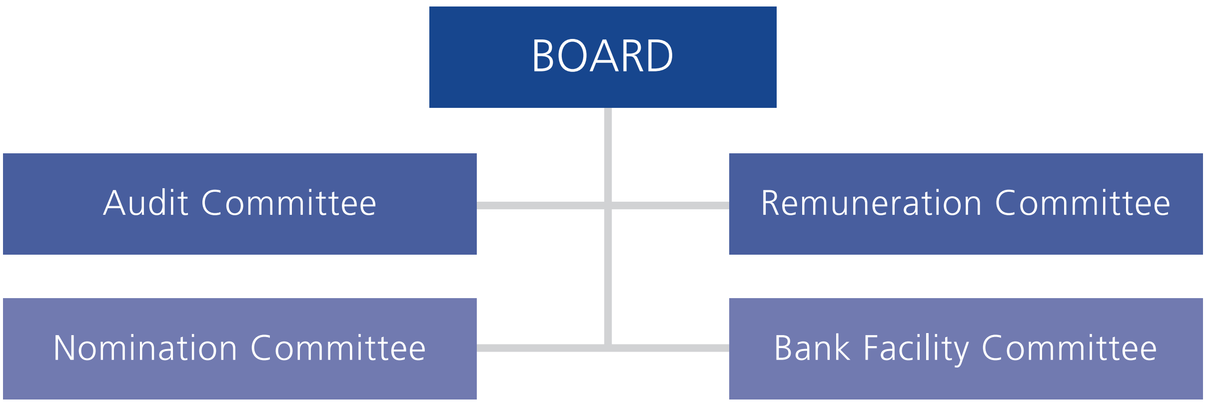
The Board adopted a board diversity policy (the "Policy") in August 2013 which sets out the approach by the Company to achieve diversity on the Board. Pursuant to the Policy, the Company recognizes and embraces the benefits of having a diverse Board, and sees increasing diversity at Board level as an 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 Board is supported by four committees, including the Audit Committee, Remuneration Committee, Nomination Committee and Bank Facility Committee. 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.

All Board Committees are provided with sufficient resources to discharge their duties, including access to management or professional advice if considered necessary. The following chart illustrates the current structure of the Board committees.



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 2014 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 2014 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 AGM of the Company, Messrs. PricewaterhouseCoopers be re-appointed as the external auditors of the Group for 2015.

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$1,056,000 was payable to PricewaterhouseCoopers for the provision of audit services. In addition, approximately US$321,000 was payable to PricewaterhouseCoopers for other non-audit services. The non-audit services mainly consist of tax compliance. The fees for audit and non-audit services for subsidiaries not performed by PricewaterhouseCoopers amounted to approximately US$291,000 and US$26,000 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 2014.

Pursuant to paragraph B.1.5 of the CG Code, the emolument of the members of the senior management (other than the emoluments of directors and five highest paid individuals disclosed in note 26(b) and 26(c)) paid by the Group by band for the year ended 31 December 2014 is set out below:

Emolument band	Number of individuals
Nil to US$129,032 (equivalent to Nil to HK$1,000,000)	1
US$129,033 to US$193,548 (equivalent to HK$1,000,001 to HK$1,500,000)	1
US$193,549 to US$258,064 (equivalent to HK$1,500,001 to HK$2,000,000)	2
US$258,065 to US$322,580 (equivalent to HK$2,000,001 to HK$2,500,000)	1
US$322,581 to US$387,096 (equivalent to HK$2,500,001 to HK$3,000,000)	1
US$387,097 to US$451,612 (equivalent to HK$3,000,001 to HK$3,500,000)	1
US$451,613 to US$516,129 (equivalent to HK$3,500,001 to HK$4,000,000)	2
US$580,645 to US$645,161 (equivalent to HK$4,500,001 to HK$5,000,000)	1
US$709,678 to US$774,194 (equivalent to HK$5,500,001 to HK$6,000,000)	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 26 to the consolidated financial statements as set out on pages 127 to 129 of this annual report.

In 2014, total Directors' remuneration amounted to approximately US$4,012,000 (2013: US$3,656,000). The executive Directors and senior management's compensation, including the long-term incentive, shall be based on the corporate and individual performance. Details of the remunerations of the Directors are set out in note 26 of the consolidated financial statements.

NOMINATION COMMITTEE

The Nomination Committee was established in March 2012 with written terms of reference in compliance with the requirements of the Listing Rules and 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 2014, one Nomination Committee meeting was held. During the year ended 2014, the Nomination Committee reviewed the structure, size and composition of the Board. There was no nomination of Directors for the year ended 2014.

The attendance record for the Nomination Committee's meeting during the year ended 31 December 2014 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 2014, 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. Accordingly, the Directors have prepared the financial statements on a 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 1 and 11.

Internal Controls

The Board has overall responsibility for the system of internal controls of the Company and for reviewing its effectiveness. The Board is committed to the management, identification and monitoring of risks associated with its business activities and has implemented 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.

Review of the Group's internal controls covering major operational, financial and compliance controls, as well as risk management functions of different systems has been done on a systematic and on-going basis based on the risk assessments of the operations and controls. No major issue but areas for improvement have been identified. The Board and the Audit Committee considered that the present internal controls of the Group are reasonably implemented.

External Auditor

PricewaterhouseCoopers has been appointed as the external auditor of the Company. The Audit Committee has been notified of the nature and the service charges of non-audit services performed by PricewaterhouseCoopers and considered that such services have no adverse effect on the independence of the external auditor.

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 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 2014 annual general meeting ("2014 AGM") was held on 26 May 2014. The attendance record of the Directors at the 2014 AGM is set out below:

Board Members	AGM
Executive Directors	
TAN Siu Lin *(Chairman of the Board)*	1/1
TAN Henry*	1/1
TAN Cho Lung, Raymond*	1/1
MOK, Siu Wan Anne	0/1
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 external auditor also attended the 2014 AGM.

Voting by poll

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

SHAREHOLDERS' RIGHTS

Pursuant to the mandatory disclosure requirement under paragraph O of the CG Code, a summary of certain rights of the Shareholders 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 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;

- such notice(s) shall be given within seven (7) days after the day of dispatch of the notice of the meeting (or such other period, being a period of not less than seven (7) days, commencing no earlier than the day after the dispatch of the notice of such meeting and ending no later than seven (7) days prior to the date of such meeting, as may be determined by the Board from time to time); 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 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, save and except the following:

As disclosed in the circular of the Company dated 16 April 2014, in order to give flexibility to the Board in determining the period for lodgement of a notice by any Shareholder for nominating a person as a director of the Company, amendments to article 88 of the Articles of Association of the Company were proposed such that the period during which such notice for nomination of a person as director may be given is within 7 days after the day of dispatch of the notice of the general meeting, and the Board has the discretion to determine a different period, but any such period will be a period of not less than 7 days, commencing no earlier than the day after the dispatch of the notice of such meeting and ending no later than 7 days prior to the date of such meeting.

The resolution for the amendments to article 88 of the Articles of Association of the Company was passed by the Shareholders in the annual general meeting of the Company held on 16 April 2014.

SHAREHOLDERS' INFORMATION

Major Shareholders and Spread of Shareholders

As at 31 December 2014, the Company had 1,034,112,666 shares in issue, 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)	14,600,000	1.41%
Other Shareholders (notes 1, 6, 7, 8, 9 and 10)	37,025,000	3.58%
	726,625,000	70.27%
Public Shareholders		
Great Pacific Investments Limited	100,746,666	9.74%
Other Shareholders	206,741,000	19.99%
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 70% controlled by Dr. Tan Henry.

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

4. Hanium Industries Limited is an indirect wholly owned subsidiary of Helmsley, which is in turn 70% controlled 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 14,600,000 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 2,903,000 Shares of the Company ("Company Shares") were purchased by an associate of Mr. Tan Cho Lung, Raymond, between 2006 to 2014. He is therefore deemed under Part XV of the SFO to be interested in the total Company Shares purchased by his associate.

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

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

Share Performance

The Company's share price was HK$1.42 as at 31 December 2014 and its market capitalization was approximately HK$1.47 billion. In 2014, the highest trading price for the Company share was HK$2.80 on 7 February, and the lowest was HK$1.31 on 8 December and 9 December.

羅兵咸永道

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

We have audited the consolidated financial statements of Luen Thai Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 47 to 139, which comprise the consolidated and company statements of financial position as at 31 December 2014, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows 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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T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

羅兵咸永道

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 2014, 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, 27 March 2015

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Note	As at 31 December 2014 US$'000	2013 US$'000
ASSETS			
Non-current assets			
Land use rights	6	**11,205**	11,809
Property, plant and equipment	7	**111,344**	127,813
Investment properties	8	**6,827**	—
Intangible assets	9	**50,110**	75,337
Interest in an associated company	11	**432**	550
Interests in joint ventures	12	**12,847**	6,011
Amount due from a joint venture	12	**7,601**	13,655
Deferred income tax assets	13	**1,130**	900
Other non-current assets		**6,785**	7,385
Total non-current assets		**208,281**	243,460
Current assets			
Inventories	14	**110,270**	113,033
Trade and other receivables	16	**229,323**	223,473
Prepaid income tax		**5,413**	4,915
Derivative financial instruments	23	**183**	—
Cash and bank balances	17	**217,547**	229,440
Total current assets		**562,736**	570,861
Total assets		**771,017**	814,321
EQUITY			
Equity attributable to owners of the Company			
Share capital	18	**10,341**	10,341
Other reserves	19	**135,752**	139,249
Retained earnings			
— Proposed final dividend	31	**6,536**	9,028
— Others		**227,866**	217,750
		380,495	376,368
Non-controlling interests	10	**2,312**	8,986
Total equity		**382,807**	385,354

As at 31 December 2014

	Note	As at 31 December 2014 US$'000	2013 US$'000
LIABILITIES			
Non-current liabilities			
Borrowings	20	**3,330**	4,235
Retirement benefit obligations	21	**9,189**	6,849
Deferred income tax liabilities	13	**5,704**	7,475
Total non-current liabilities		**18,223**	18,559
Current liabilities			
Trade and other payables	22	**220,212**	228,211
Borrowings	20	**141,853**	172,541
Derivative financial instruments	23	**126**	659
Current income tax liabilities		**7,796**	8,997
Total current liabilities		**369,987**	410,408
Total liabilities		**388,210**	428,967
Total equity and liabilities		**771,017**	814,321
Net current assets		**192,749**	160,453
Total assets less current liabilities		**401,030**	403,913

Tan Siu Lin
Director

Tan Henry
Director

The notes on pages 54 to 139 are an integral part of these consolidated financial statements.

STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Note	As at 31 December 2014 US$'000	2013 US$'000
ASSETS			
Non-current asset			
Investments in subsidiaries	10	**208,176**	202,126
Current assets			
Amounts due from subsidiaries	10	**7,000**	17,050
Deposits, prepayments and other current assets		**31**	28
Cash and bank balances	17	**1,725**	436
Total current assets		**8,756**	17,514
Total assets		**216,932**	219,640
EQUITY			
Equity attributable to owners of the Company			
Share capital	18	**10,341**	10,341
Other reserves	19	**195,603**	195,603
Retained earnings			
— Proposed final dividend	31	**6,536**	9,028
— Others		**3,572**	4,121
Total equity		**216,052**	219,093
LIABILITY			
Current liability			
Other payables and accruals	22	**880**	547
Total liabilities		**880**	547
Total equity and liabilities		**216,932**	219,640
Net current assets		**7,876**	16,967
Total assets less current liability		**216,052**	219,093

Tan Siu Lin
Director

Tan Henry
Director

The notes on pages 54 to 139 are an integral part of these consolidated financial statements.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2014

	Note	2014 US$'000	2013 US$'000
Revenue	5	**1,224,228**	1,228,698
Cost of sales	25	**(1,008,145)**	(1,016,697)
Gross profit		**216,083**	212,001
Impairment loss on goodwill and write-off of customer relationships	9	**(20,960)**	—
Other income — rental income		**1,240**	—
Other (losses)/gains — net	24	**(2,828)**	1,976
Selling and distribution expenses	25	**(3,551)**	(3,648)
General and administrative expenses	25	**(171,372)**	(158,855)
Operating profit		**18,612**	51,474
Finance income	27	**4,678**	5,381
Finance costs	27	**(3,102)**	(3,626)
Finance income — net	27	**1,576**	1,755
Share of gain/(loss) of an associated company		**28**	(9)
Share of losses of joint ventures		**(860)**	(500)
Profit before income tax		**19,356**	52,720
Income tax expense	28	**(2,931)**	(2,589)
Profit for the year		**16,425**	50,131
Profit attributable to:			
Owners of the Company		**21,574**	48,221
Non-controlling interests		**(5,149)**	1,910
		16,425	50,131
Earnings per share attributable to owners of the Company for the year (expressed in US cents per share)			
Basic earnings per share	30	**2.1**	4.7
Diluted earnings per share	30	**2.1**	4.7

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2014

	Note	**2014 US$'000**	2013 US$'000
Profit for the year		**16,425**	50,131
Other comprehensive (loss)/income:			
Item that will not be reclassified subsequently to profit or loss:			
Actuarial (losses)/gains on retirement benefit obligations	21	**(1,420)**	4,837
Item that may be reclassified to profit or loss:			
Currency translation differences		**(2,082)**	(2,385)
Total comprehensive income for the year, net of income tax		**12,923**	52,583
Attributable to:			
Owners of the Company		**18,077**	50,371
Non-controlling interests		**(5,154)**	2,212
		12,923	52,583

The notes on pages 54 to 139 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

	Attributable to owners of the Company						
	Share capital US$'000	Share premium (Note 19) US$'000	Other reserves (Note 19) US$'000	Retained earnings US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
Balance at 1 January 2013	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 (loss)/income:							
Currency translation differences	—	—	(2,563)	—	(2,563)	178	(2,385)
Actuarial gains on retirement benefit obligations	—	—	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	45	513	(142)	—	416	—	416
Conversion of convertible bond	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
Balance at 1 January 2014	**10,341**	**124,039**	**15,210**	**226,778**	**376,368**	**8,986**	**385,354**
Profit for the year	—	—	—	21,574	21,574	(5,149)	16,425
Other comprehensive (loss)/income:							
Currency translation differences	—	—	(2,082)	—	(2,082)	—	(2,082)
Actuarial losses on retirement benefit obligations	—	—	(1,415)	—	(1,415)	(5)	(1,420)
Total comprehensive (loss)/income	—	—	(3,497)	21,574	18,077	(5,154)	12,923
Total contributions by and distributions to owners of the Company, recognized directly in equity							
Dividends paid	—	—	—	(13,950)	(13,950)	(1,520)	(15,470)
Total transactions with owners, recognized directly in equity	—	—	—	(13,950)	(13,950)	(1,520)	(15,470)
Balance at 31 December 2014	10,341	124,039	11,713	234,402	380,495	2,312	382,807

The notes on pages 54 to 139 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	Note	2014 US$'000	2013 US$'000
Cash flows from operating activities			
Cash generated from operations	32	**54,586**	78,562
Interest paid		**(3,102)**	(3,634)
Income tax paid		**(6,631)**	(6,026)
Net cash generated from operating activities		**44,853**	68,902
Cash flows from investing activities			
Purchases of property, plant and equipment	7	**(13,678)**	(15,085)
Decrease in bank deposits maturing beyond 3 months		**239**	740
Proceeds from disposals of property, plant and equipment		**1,525**	1,740
Acquisitions of subsidiaries, net of cash acquired	33	**—**	(41,042)
Investment in a joint venture	12	**(9,000)**	—
Settlement of amount due from a joint venture		**12,006**	7,392
Interest received		**2,013**	2,210
Decrease/(increase) in other non-current assets		**600**	(1,069)
Net cash used in investing activities		**(6,295)**	(45,114)
Net cash generated before financing activities		**38,558**	23,788
Cash flows from financing activities			
Net (decrease)/increase in borrowings		**(30,896)**	65,264
Repayments of borrowings		**(821)**	(7,635)
Dividends paid to the Company's shareholders		**(13,950)**	(13,619)
Dividends paid to non-controlling shareholders of subsidiaries		**(1,520)**	(2,012)
Proceeds from exercising employees share options		**—**	417
Net cash (used in)/generated from financing activities		**(47,187)**	42,415
Net (decrease)/increase in cash, cash equivalents and bank overdrafts		**(8,629)**	66,203
Cash, cash equivalents and bank overdrafts at beginning of the year		**226,272**	160,283
Exchange losses on cash, cash equivalents and bank overdrafts		**(3,149)**	(214)
Cash, cash equivalents and bank overdrafts at end of the year	17	**214,494**	226,272

The notes on pages 54 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"), Cambodia, the Philippines, Vietnam and Indonesia.

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 has its primary listing 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 27 March 2015.

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) at fair value through profit or loss, which are carried at fair value.

The consolidated financial statements are prepared in accordance with the applicable disclosure requirements of the predecessor Companies Ordinance (Cap. 32) for this financial year and the comparative period.

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) *New and amended standards adopted by the Group*

The following Standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2014:

- Amendment to HKAS 32, 'Financial instruments: Presentation', on offsetting financial asset and liability. The Group has adopted the amendment retrospectively. This amendment clarifies that the right of setoff must not be contingent on a future event. It must also be legally enforceable for all counterparties in normal course of business as well as in the event of default, insolvency or bankruptcy. This amendment also considers settlement mechanisms. The adoption of the amendment has no significant impact on the Group's results and financial position.

- 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 in HKFRS 12 to introduce disclosures that an investment entity needs to make. The adoption of the amendments has no significant impact on the Group's results and financial position.

- 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 adoption of the amendment has no significant impact on the Group's results and financial position.

- 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 adoption of the amendment 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) New and amended standards adopted by the Group (continued)

- 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. This is currently not applicable to the Group, as the Group does not have any levy.

(b) New Standards and interpretation not yet 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), 'Employee benefits', 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

Changes in accounting policy and disclosures (continued)

(b) New Standards and interpretation not yet adopted (continued)

- 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 Generally Accepted Accounting Principles 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 standard no later than the accounting period beginning on or after 1 January 2016.

- Amendment to HKFRS 11, 'Joint arrangements', on accounting for acquisitions of interests in joint operations requires an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a 'business', as defined in HKFRS 3, 'Business combinations'. Specifically, an investor will need to measure identifiable assets and liabilities at fair value, expense acquisition-related costs, recognize deferred tax and recognize the residual as goodwill. All other principles of business combination accounting apply unless they conflict with HKFRS 11. The amendment is applicable to both the acquisition of the initial interest and a further interest in a joint operation. The previously held interest is not remeasured when the acquisition of an additional interest in the same joint operation with joint control maintained. The Group is yet to assess the full impact of the amendment and intends to adopt the amendment no later than the accounting period beginning on or after 1 January 2016.

- Amendments to HKAS 16 and HKAS 38 on clarification of acceptable methods of depreciation and amortization clarify when a method of depreciation or amortization based on revenue may be appropriate. The amendment to HKAS 16 clarifies that depreciation of an item of property, plant and equipment based on revenue generated by using the asset is not appropriate. The amendment to HKAS 38 establishes a rebuttable presumption that amortization of an intangible asset based on revenue generated by using the asset is inappropriate. The presumption may only be rebutted where the intangible asset is expressed as a measure of revenue; or where it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated. The Group is yet to assess the full impact of the amendments and intends to adopt the amendments no later than the accounting period beginning on or after 1 January 2016.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

Changes in accounting policy and disclosures (continued)

(b) New Standards and interpretation not yet adopted (continued)

- Amendments to HKAS 16 and HKAS 41 on Agriculture: bearer plants change the reporting for bearer plants, such as grape vines, rubber trees and oil palms. Bearer plants should be accounted for in the same way as property, plant and equipment because their operation is similar to that of manufacturing. The amendments include them in the scope of HKAS 16 rather than HKAS 41. The produce on bearer plants will remain in the scope of HKAS 41. The Group is yet to assess the full impact of the amendments and intends to adopt the amendments no later than the accounting period beginning on or after 1 January 2016.

- Amendments to HKFRS 10 and HKAS 28 on sale or contribution of assets between an investor and its associate or joint venture address an inconsistency between HKFRS 10 and HKAS 28 in the sale and contribution of assets between an investor and its associate or joint venture. A full gain or loss is recognized when a transaction involves a business. A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if those assets are in a subsidiary. The Group is yet to assess the full impact of the amendments and intends to adopt the amendments no later than the accounting period beginning on or after 1 January 2016.

- Amendment to HKAS 27 on equity method in separate financial statements allows entities to use equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The Group is yet to assess the full impact of the amendments and intends to adopt the amendments no later than the accounting period beginning on or after 1 January 2016.

- HKFRS 15, 'Revenue from Contracts with Customers', establishes a comprehensive framework for determining when to recognize revenue and how much revenue to recognize through a 5-step approach: (1) Identify the contract(s) with customer; (2) Identify separate performance obligations in a contract (3) Determine the transaction price (4) Allocate transaction price to performance obligations and (5) recognize revenue when performance obligation is satisfied. The core principle is that a company should recognize revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an 'earnings processes to an 'asset-liability' approach based on transfer of control. The Group is yet to assess the full impact of HKFRS 15 and intends to adopt the standard no later than the accounting period beginning on or after 1 January 2017.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

Changes in accounting policy and disclosures (continued)

(b) New Standards and interpretation not yet adopted (continued)

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

  - 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 Annual improvements 2012 and intends to adopt the amendments no later than the accounting period beginning on or after 1 July 2014.

- Annual improvements 2013, include changes from the 2011–2013 cycle of the annual improvements project, that affect the following 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 Annual improvements 2013 and intends to adopt the amendments no later than the accounting period beginning on or after 1 January 2015.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

Changes in accounting policy and disclosures (continued)

(b) New Standards and interpretation not yet adopted (continued)

- Annual improvements 2014, include changes from the 2012–2014 cycle of the annual improvements project, that affect the following standards:

  - HKFRS 5, 'Non-current assets held for sale and discontinued operations', clarifies that when an asset (or disposal group) is reclassified from 'held for sale' to 'held for distribution', or vice versa, this does not constitute a change to a plan of sale or distribution, and does not have to be accounted for as such. This means that the asset (or disposal group) does not need to be reinstated in the financial statements as if it had never been classified as 'held for sale' or 'held for distribution' simply because the manner of disposal has changed. It also explains that the guidance on changes in a plan of sale should be applied to an asset (or disposal group) which ceases to be held for distribution but is not classified as 'held for sale'.

  - HKFRS 7, 'Financial instruments: Disclosures', which includes two amendments:

    i) Service contracts
    If an entity transfers a financial asset to a third party under conditions which allow the transferor to derecognize the asset, HKFRS 7 requires disclosure of all types of continuing involvement that the entity might still have in the transferred assets. It provides guidance about what is meant by continuing involvement.

    There is a consequential amendment to HKFRS 1 to give the same relief to first time adopters.

    ii) Interim financial statements
    It clarifies the additional disclosure required by the amendments to HKFRS 7, 'Disclosure — offsetting financial assets and financial liabilities' is not specifically required for all interim periods, unless required by HKAS 34.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

Changes in accounting policy and disclosures (continued)

(b) New Standards and interpretation not yet adopted (continued)

- Annual improvements 2014, include changes from the 2012–2014 cycle of the annual improvements project, that affect the following standards: (continued)

  - HKAS 19, 'Employee benefits', clarifies when determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important, not the country where they arise. The assessment of whether there is a deep market in high-quality corporate bonds is based on corporate bonds in that currency, not corporate bonds in a particular country. Similarly, where there is no deep market in high-quality corporate bonds in that currency, government bonds in the relevant currency should be used. The Group is yet to assess the full impact of amendment and intends to adopt on 1 January 2017.

  The Group is yet to assess the full impact of Annual improvements 2014 and intends to adopt the amendments no later than the accounting period beginning on or after 1 January 2016.

  - HKFRS 9, 'Financial instruments', sets out the requirements for recognizing and in measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. This standard replaces HKAS 39 Financial instrument: Recognition and measurement. The Group is yet to assess the full impact of amendment and intends to adopt on 1 January 2018.

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. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interest's proportionate share in the recognized amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

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 the 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries (continued)

2.2.1 Consolidation (continued)

(a) Business combinations (continued)

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 2.11).

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.

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

Transactions with non-controlling interests that do not result in a 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 the 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 the 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 a dividend 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Joint arrangements

The Group has applied HKFRS 11 to all 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.

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. Upon the acquisition of the ownership in a joint venture, any difference between the cost of the joint venture and the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is accounted for as goodwill. 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. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

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. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

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 the consolidated income statement where appropriate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Associates (continued)

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/(loss) 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 associates are recognized in the consolidated income statement.

2.5 Segment reporting

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

2.6 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Foreign currency translation (continued)

(b) Transactions and balances

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

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

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

(c) Group companies

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

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

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the 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 translated at the closing rate. Currency translation differences arising are recognized in other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Foreign currency translation (continued)

(d) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a 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 the 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 the consolidated income statement. For all other partial disposals (that is, reductions in the Group's ownership interest in an associate or a 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 the consolidated income statement.

2.7 Land use rights

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

2.8 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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Property, plant and equipment (continued)

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.

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

2.9 Investment properties

Investment property, principally comprising land use rights and buildings, is held for long term rental yields or for capital appreciation or both, and that is not substantially occupied by the Group.

It is measured at cost, including related transaction costs and other costs incurred to bring the properties into their existing use, less accumulated depreciation and accumulated impairment losses, if any.

Depreciation of investment properties is calculated using the straight-line method to allocate cost over their estimated useful lives, where appropriate, as follows:

Land use rights	20–50 years
Buildings	20 years

Where the carrying amount of an investment property is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Subsequent expenditure is charged to 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.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment. At the date of reclassification, its cost and accumulated depreciation are transferred to property, plant and equipment and become its cost and accumulated depreciation for accounting purposes. If an owner-occupied property becomes an investment property because its use has changed, it is reclassified as investment property. At the date of reclassification, its cost and accumulated depreciation are transferred to investment property and become its cost and accumulated depreciation for accounting purposes.

2.10 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)

2.11 Intangible assets

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries, and represents the excess of the consideration transferred, the amount of any non-controlling interests in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

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 the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. 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.

2.12 Impairment of non-financial assets

Intangible assets that have an indefinite useful life or intangible assets not ready to use 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 of disposal 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 impairment are reviewed for possible reversal of the impairment at each reporting date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Financial assets

2.13.1 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 and other receivables' and 'cash and bank balances' in the consolidated balance sheet (Notes 2.17 and 2.18).

2.13.2 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 (losses)/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.

2.13.3 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. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 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.

2.15 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.

2.16 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted-average 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 and other receivables

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Cash and cash equivalents

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

2.19 Share capital

Ordinary shares are classified as equity.

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

2.20 Trade and other payables

Trade and others payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade 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 other payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2.21 Financial liabilities

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.

2.22 Borrowings

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Borrowing costs

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

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

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

2.24 Current and deferred income tax

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

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Inside basis differences

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 Current and deferred income tax (continued)

(b) Deferred income tax (continued)

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 utilized.

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

2.25 Employee benefits

(a) Pension obligations

The 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25 Employee benefits (continued)

(a) Pension obligations (continued)

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.

The current service cost of the defined benefit plan, recognized in the income statement in employee benefit expense, except where included in the cost of an asset, reflects the increase in the defined benefit obligation results from employee service in the current year, benefit changes, curtailments and settlements.

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

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the consolidated income statement.

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.

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.

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25 Employee benefits (continued)

(c) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits 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.

2.26 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 or holding shares for a specific period of time).

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 income statement, with a corresponding adjustment to equity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.26 Share-based payments (continued)

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.

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 (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. Provisions are not recognized for future operating losses.

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

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

2.28 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.29 Revenue recognition (continued)

(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.

(v) Rental income

Rental income from investment properties is recognized in the consolidated income statement on a straight-line basis over the term of the lease.

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 capitalized at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

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

2.31 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, and 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.

(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 ("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 2014, if the US$ had weakened/strengthened by 5% (2013: 4%) against the Euro with all other variables held constant, the post-tax profit for the year would have been US$175,000 (2013: US$488,000) 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 2014, if the US$ had weakened/strengthened by 3% (2013: 3%) against the RMB with all other variables held constant, the post-tax profit for the year would have been US$539,000 (2013: US$507,000) higher/lower, 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 2014, if the US$ had weakened/strengthened by 4% (2013: 5%) against the Philippine Peso with all other variables held constant, the post-tax profit for the year would have been US$447,000 (2013: US$941,000) higher/lower, mainly as a result of foreign exchange losses/gains on translation of 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 rates.

The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions and alternative financing. Based on these scenarios, the Group calculates the impact on 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 2014, if interest rates on borrowings had been 50 basis points higher/lower (2013: 50 basis points) with all other variables held constant, post-tax profit for the year would have been US$677,000 (2013: US$795,000) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

(b) Credit risk

Credit risk of the Group mainly arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to customers such as trade receivables, amounts due from related companies, 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.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

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 2014, the Group had a concentration of credit risk given that the top 5 customers account for 42% (2013: 44%) 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.

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 20) 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 analyses 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.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

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 2014						
Bank overdrafts	263	—	—	—	—	263
Long term bank borrowings subject to a repayment on demand clause	57,903	—	—	—	—	57,903
Other bank borrowings	82,876	256	767	1,964	1,716	87,579
Trade and other payables	—	158,569	13,297	—	—	171,866
Derivative financial instruments	—	—	—	126	—	126
	141,042	158,825	14,064	2,090	1,716	317,737
Company						
At 31 December 2014						
Financial guarantee contracts in relation to corporate guarantees provided to subsidiaries	165,645	—	812	1,788	1,542	169,787
Other payables	—	880	—	—	—	880
	165,645	880	812	1,788	1,542	170,667

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 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)

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 2014	**97,907**	**9,306**	**38,033**	**—**	**145,246**
At 31 December 2013	116,925	14,093	46,303	—	177,321

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.

3.3 Fair value estimation

The table below analyses the Group's 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)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (continued)

The following table presents the Group's assets/(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 2014				
Assets				
— Derivative financial instruments (Note i)	**—**	**183**	**—**	**183**
Liabilities				
— Derivative financial instruments (Note i)	**—**	**(126)**	**—**	**(126)**
At 31 December 2013				
Liabilities				
— Derivative financial instruments (Note i)	—	(659)	—	(659)

Notes:

(i) The fair values of financial instruments, that 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 maximize 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.

3.4 Offsetting financial assets and financial liabilities

No financial assets and financial liabilities were subject to offsetting, enforceable master netting arrangements and similar agreements as at 31 December 2014 and 2013.

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 28 for details.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

(b) Useful lives of property, plant and equipment, investment properties 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, investment properties and intangible assets (other than goodwill). This estimate is based on the historical experience of the actual useful lives of property, plant and equipment, investment properties 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, investment properties, 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 judgements and estimates.

During the year ended 31 December 2014, an amount totaling US$2,628,000 (2013: Nil) and US$8,250,000 (2013: Nil) were recognized in relation to the write-off of customer relationship of the Group's accessories-footwear business and life-style apparel business, respectively. If the forecasted sales growth rate used in the fair value less costs of disposal calculation for the footwear business had been 0.5% lower than management estimates at 31 December 2014, the Group would need to reduce the carrying value of property, plant and equipment by US$835,000.

If the forecasted gross margin used in the fair value less costs of disposal calculation for the footwear business had been 0.25% lower than management's estimate, the Group would need to reduce the carrying value of property, plant and equipment by US$1,221,000.

(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 costs of disposal calculations. The fair value less costs of disposal calculations primarily use cash flow projections based on 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, gross margin and 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.

During the year ended 31 December 2014, an impairment loss of US$8,576,000 arose in the life-style apparel CGU, resulting in the carrying amount of the CGU being written down to its recoverable amount.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

(d) Impairment of goodwill (continued)

If the forecasted sales growth rate used in the fair value less costs of disposal calculation for the life-style apparel CGU had been 0.5% lower than management estimates at 31 December 2014, the Group would have recognized a further impairment of goodwill by US$1,372,000 and would result in a residual goodwill of US$9,805,000.

If the forecasted gross margin used in the fair value less costs of disposal calculation for the life-style apparel CGU had been 0.5% lower than management's estimate, the Group would have recognized a further impairment against goodwill of US$1,783,000 and would result in a residual goodwill of US$9,394,000.

(e) Net realizable value of inventories

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

(f) Impairment of trade, bills and other receivables

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

(g) 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.

5 SEGMENT INFORMATION (CONTINUED)

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

The segment information provided to the executive directors for the reportable segments for the year ended 31 December 2014 and 2013 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 2014							
Total segment revenue	1,013,349	91,086	112,980	379,662	21,212	—	1,618,289
Inter-segment revenue	(306,074)	(1,183)	(15,943)	(70,341)	(520)	—	(394,061)
Revenue (from external customers)	707,275	89,903	97,037	309,321	20,692	—	1,224,228
Segment profit/(loss) for the year	27,816	(20,688)	3,086	12,340	2,317	1,684	26,555
Profit for the year includes:							
Depreciation and amortization	(14,742)	(1,553)	(2,194)	(5,486)	(963)	—	(24,938)
Reversal of provision/(provision) for inventory obsolescence	(1,964)	—	—	194	—	—	(1,770)
Provision for impairment of trade and bills receivable	(393)	(1,567)	(46)	(235)	(134)	—	(2,375)
Provision for material claims	—	(2,992)	—	—	—	—	(2,992)
Impairment of goodwill and write-off of customer relationships	—	(16,826)	—	(4,134)	—	—	(20,960)
Share of profit of an associated company	—	—	—	—	28	—	28
Share of losses of joint ventures	(833)	—	—	—	—	(27)	(860)
Income tax (expense)/credit	(2,424)	1,434	(1,421)	(295)	(225)	—	(2,931)

	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)

5 SEGMENT INFORMATION (CONTINUED)

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.

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

	2014 US$'000	2013 US$'000
Segment profit for the year	**26,555**	60,498
Corporate expenses (Note)	**(10,130)**	(10,265)
Effective interest expense on convertible bond	**—**	(102)
Profit for the year	**16,425**	50,131

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

	2014 US$'000	2013 US$'000
Analysis of revenue by category		
Sales of garment, textile products and accessories	**1,195,034**	1,201,414
Freight forwarding and logistics service fee	**20,692**	18,470
Others	**8,502**	8,814
Total revenue	**1,224,228**	1,228,698

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, Vietnam, Cambodia and the United States.

	2014 US$'000	2013 US$'000
Analysis of revenue by geographical location		
United States	**621,592**	620,250
Europe	**271,861**	308,215
PRC (including Hong Kong and Macau)	**109,333**	118,012
Japan	**86,135**	89,596
Canada	**34,703**	27,550
Others	**100,604**	65,075
	1,224,228	1,228,698

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

5 SEGMENT INFORMATION (CONTINUED)

Revenue of approximately US$162,844,000 (2013: US$176,444,000), US$135,613,000 (2013: US$145,821,000) and US$134,124,000 (2013: US$94,600,000) are derived from three (2013: two) single external customers whose sales to whom 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 LAND USE RIGHTS — GROUP

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

	2014	2013
	US$'000	US$'000
Outside Hong Kong held on:		
Leases of between 10 to 50 years	**11,205**	11,809
At 1 January	**11,809**	12,011
Transfer to investment properties (Note 8a)	**(164)**	—
Amortization of land use rights (Note 25)	**(326)**	(333)
Exchange differences	**(114)**	131
At 31 December	**11,205**	11,809

As at 31 December 2014, the Group was in the process of obtaining the land use rights certificate in respect of a piece of land located in the PRC, which is occupied by a subsidiary of the Group, with a carrying amount of US$1,079,000 (2013: US$1,105,000). Based on the Group's experience and after seeking legal consultation, 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 2014							
Opening net book amount	**69,388**	**15,683**	**32,530**	**7,451**	**1,411**	**1,350**	**127,813**
Additions	**926**	**1,786**	**5,181**	**2,230**	**486**	**3,069**	**13,678**
Transfer to investment properties (Note 8a)	**(7,604)**	**—**	**—**	**—**	**—**	**—**	**(7,604)**
Disposals/write-off	**—**	**(35)**	**(1,258)**	**—**	**(210)**	**—**	**(1,503)**
Transfer from construction-in-progress	**252**	**755**	**1,420**	**882**	**35**	**(3,344)**	**—**
Depreciation (Note 25)	**(5,165)**	**(2,558)**	**(7,634)**	**(3,791)**	**(439)**	**—**	**(19,587)**
Exchange differences	**(1,068)**	**(88)**	**(295)**	**37**	**(12)**	**(27)**	**(1,453)**
Closing net book amount	**56,729**	**15,543**	**29,944**	**6,809**	**1,271**	**1,048**	**111,344**
At 31 December 2014							
Cost	**100,408**	**45,670**	**105,200**	**56,384**	**5,544**	**1,048**	**314,254**
Accumulated depreciation and impairment	**(43,679)**	**(30,127)**	**(75,256)**	**(49,575)**	**(4,273)**	**—**	**(202,910)**
Net book amount	**56,729**	**15,543**	**29,944**	**6,809**	**1,271**	**1,048**	**111,344**

	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	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 25)	(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

7 PROPERTY, PLANT AND EQUIPMENT — GROUP (CONTINUED)

Notes:

(i) Depreciation expense of US$10,468,000 (2013: US$9,113,000) has been charged to the cost of sales, and US$9,119,000 (2013: US$10,235,000) has been charged to the general and administrative expenses.

(ii) As at 31 December 2014, the Group has not yet obtained the building certificate for a building located in the PRC with a carrying amount of US$5,278,000 (2013: US$5,983,000). The building is occupied by a subsidiary of the Group. 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 cost of US$2,955,000 (2013: US$2,955,000) (Note 20).

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

	2014 **US$'000**	2013 US$'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 INVESTMENT PROPERTIES

	2014 **US$'000**	2013 US$'000
As at 1 January	**—**	—
Transfer in (Note a)	**7,768**	—
Depreciation (Note 25)	**(758)**	—
Exchange differences	**(183)**	—
As at 31 December	**6,827**	—

Notes:

(a) Certain land use rights and properties were transferred from property, plant and equipment and land use rights to investment properties during the year ended 31 December 2014, with a total net book value of US$7,768,000 (2013: Nil) (Note 6 and 7).

(b) The fair value of the investment properties at 31 December 2014 amounted to US$22,322,000. The estimate has been determined by the directors of the Company with reference to the current prices in an active market for properties of similar natures. Investment properties comprise factory premises located in the PRC.

(c) Rental income recognized in the consolidated income statement for the year ended 31 December 2014 amounted to US$1,240,000 (2013: Nil).

(d) Depreciation expense has been charged to the general and administrative expenses.

9 INTANGIBLE ASSETS — GROUP

	Goodwill US$'000	Customer relationships US$'000	Total US$'000
Year ended 31 December 2014			
Opening net book amount	**46,050**	**29,287**	**75,337**
Amortization (Note 25)	**—**	**(4,267)**	**(4,267)**
Provision for impairment loss	**(10,082)**	**—**	**(10,082)**
Write-off	**—**	**(10,878)**	**(10,878)**
Closing net book amount	**35,968**	**14,142**	**50,110**
At 31 December 2014			
Cost	**54,888**	**47,892**	**102,780**
Accumulated amortization and provision for impairment loss	**(18,920)**	**(22,872)**	**(41,792)**
Write-off	**—**	**(10,878)**	**(10,878)**
Net book value	**35,968**	**14,142**	**50,110**
Year ended 31 December 2013			
Opening net book amount	42,170	19,815	61,985
Acquisitions of subsidiaries	3,880	13,190	17,070
Amortization (Note 25)	—	(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 provision for impairment loss	(8,838)	(18,605)	(27,443)
Net book value	46,050	29,287	75,337

Notes:

(i) For the year ended 31 December 2014, due to the loss of certain key customers and the unsatisfactory performance of the Group's life-style apparel and footwear businesses, the Group has made a provision for impairment of goodwill of US$8,576,000 (2013: Nil) and US$1,506,000 (2013: Nil) for life-style apparel and footwear businesses, respectively. In addition, the Group has written off customer relationships of US$10,878,000 (2013: Nil).

(ii) Amortization of customer relationships of US$4,267,000 (2013: US$3,718,000) is included in general and administrative expenses.

9 INTANGIBLE ASSETS — GROUP (CONTINUED)

Impairment tests for goodwill

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

The following is a summary of goodwill allocation for each operating segment.

2014	Opening US$'000	Provision for impairment loss US$'000	Closing US$'000
Sweaters	**18,271**	**—**	**18,271**
Life-style apparel	**19,753**	**(8,576)**	**11,177**
Casual and fashion apparel	**6,520**	**—**	**6,520**
Footwear	**1,506**	**(1,506)**	**—**
	46,050	**(10,082)**	**35,968**

2013	Opening US$'000	Provision for Impairment loss US$'000	Closing US$'000
Sweaters	18,271	—	18,271
Life-style apparel	19,753	—	19,753
Casual and fashion apparel	6,520	—	6,520
Footwear	1,506	—	1,506
	46,050	—	46,050

In accordance with HKAS 36 "Impairment of Assets", the recoverable amount of a CGU is determined based on fair value less costs of disposal calculations. The fair value less costs of disposal is derived from financial budgets and forecast based on a level 3 input of the fair value hierarchy using the income approach. The Group has made reference to the valuation reports issued by an independent valuer for the calculation of the recoverable amount of the CGUs. Based on the financial budgets and forecast, these calculations use post-tax cash flow projections covering a five-year period. Cash flows beyond the five-year period are extrapolated using the terminal growth rate stated below.

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 and interest rates. 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.

9 INTANGIBLE ASSETS — GROUP (CONTINUED)

Impairment tests for goodwill (continued)

The key assumptions and parameters used for fair value less costs of disposal calculations are as follows. In addition, where there has been an impairment loss in a CGU, the recoverable amount is also disclosed below.

	2014				2013			
	Sweaters	**Life-style apparel**	**Casual and fashion apparel**	**Accessories — footwear**	Sweaters	Life-style apparel	Casual and fashion apparel	Accessories — footwear
Average revenue growth (Note i)	**4.0%**	**1.0%**	**6.1%**	**1.3%**	2.8%	4.9%	5.7%	5.5%
Average gross profit margin	**20.0%**	**16.7%**	**13.5%**	**9.4%**	19.0%	16.6%	14.4%	9.7%
Terminal growth rate (Note ii)	**3.0%**	**3.0%**	**3.0%**	**3.0%**	3.0%	3.0%	3.0%	3.0%
Discount rate (Note iii)	**14.0%**	**14.0%**	**13.0%**	**13.0%**	14.0%	14.0%	13.0%	13.0%
Recoverable amount (US$'000)	**N/A**	**20,996**	**N/A**	**8,244**	N/A	N/A	N/A	N/A

Notes:

(i) Average revenue growth rates cover the five-year forecast period. It is based on the past performance and management's expectations on market development. During this year, the Group reduced the average revenue growth rate for the Life-style Apparel CGU and Accessories-Footwear CGU as a result of losing certain key customers and unsatisfactory performance of these CGUs.

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

(iii) 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.

The management determined the financial budgets and forecast 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.

In casual and fashion apparel CGU, the recoverable amount calculated based on fair value less costs of disposal exceeded the carrying amount by US$49,268,000. An annual sales volume growth rate of 2.1%, a gross margin of 12.7%, a fall in long-term growth rate to 0.1% or a rise in discount rate to 15.1%, all changes taken in isolation, would remove the remaining headroom.

In sweaters CGU, the recoverable amount calculated based on fair value less costs of disposal exceeded the carrying amount by US$8,562,000. An annual sales volume growth rate of 1.0%, a gross margin of 18.7%, a fall in long-term growth rate to -1.6% or a rise in discount rate to 16.8%, all changes taken in isolation, would remove the remaining headroom.

There was no subsequent change in the valuation method used for changes in key assumptions and parameters used in the valuation.

10 INVESTMENTS IN SUBSIDIARIES — COMPANY

(a) Investment in subsidiaries

	2014 **US$'000**	2013 US$'000
Unlisted shares/investments — at cost	**71,564**	71,564
Amounts due from subsidiaries	**136,612**	130,562
	208,176	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.

10 INVESTMENTS IN SUBSIDIARIES — COMPANY (CONTINUED)

(a) Investment in subsidiaries (continued)

Particulars of the principal subsidiaries as at 31 December 2014 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 (%)
Bright Sky Pte Ltd	Cambodia	Contractor manufacturing of garments in Cambodia	1,000 ordinary shares of US$1,000 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%	—
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%	—
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%	—
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%	—
東莞星浩手袋有限公司+	PRC	Manufacturing of bags in the PRC	Registered capital of HK$94,200,000 and total paid-in capital of HK$78,200,000	—	100%	—
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$9,930,300	—	100%	—
Fortune Investment Overseas Limited	BVI	Investment holding in Hong Kong	1 ordinary share of US$1 each	—	100%	—

10 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 (%)
Golden Dragon Apparel, Inc.	Philippines	Garment manufacturing in the Philippines	62,000 ordinary shares of Philippine Peso 100 each	—	100%	—
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%	—
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 Macao Pataca ("MOP") 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	16,685,806 ordinary shares of US$1 each	100%	100%	—
Ocean Sky Apparel (VN) Limited	Vietnam	Processing and exporting garment products in Vietnam	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 in Cambodia	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%	—
Suntex Pte Ltd	Cambodia	Contract manufacturing of garments in Cambodia	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%

10 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 (%)
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	—	100%	—
Yuen Thai Philippines, Inc	Philippines	Garment manufacturing in the Philippines	1,000,000 shares of Philippine Peso 1 each	—	100%	—

\+ The subsidiaries are established as wholly foreign-owned enterprises in Mainland China

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$7,000,000 (2013: US$17,050,000) which is unsecured, non-interest bearing and repayment on demand and classified under current assets.

(b) Material non-controlling interests

At 31 December 2014, the total non-controlling interests are US$2,312,000 (2013: US$8,986,000), of which US$606,000 (2013: US$7,672,000) is for On Time International Limited ("On Time"). The significant decrease in non-controlling interest has due to adverse business performance of On Time, together with the sharing of the write-off of customer relationship of US$3,300,000 by the non-controlling interests.

10 INVESTMENTS IN SUBSIDIARIES — COMPANY (CONTINUED)

(b) Material non-controlling interests (continued)

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

Statement of financial position

	2014 US$'000	2013 US$'000
Current		
Assets	**18,675**	27,677
Liabilities	**(17,504)**	(18,345)
Total current net assets	**1,171**	9,332
Non-current		
Assets	**1,211**	11,529
Liabilities	**(150)**	(1,680)
Total non-current net assets	**1,061**	9,849
Net assets	**2,232**	19,181

Statement of comprehensive income

	2014 US$'000	2013 US$'000
Revenue	**91,086**	132,405
(Loss)/profit before income tax	**(14,583)**	5,433
Income tax credit/(expense)	**1,434**	(687)
(Loss)/profit for the year	**(13,149)**	4,746
Other comprehensive income	**—**	227
Total comprehensive (loss)/income	**(13,149)**	4,973
Total comprehensive (loss)/income allocated to non-controlling interests	**5,260**	1,989
Dividends paid to non-controlling interests	**1,520**	1,200

10 INVESTMENTS IN SUBSIDIARIES — COMPANY (CONTINUED)

(b) Material non-controlling interests (continued)

Cash flow statement

	2014 **US$'000**	2013 US$'000
Cash flows from operating activities		
Cash (used in)/generated from operations	**(1,993)**	7,336
Income tax paid	**(1,002)**	(713)
Net cash (used in)/generated from operating activities	**(2,995)**	6,623
Net cash used in investing activities	**(213)**	(187)
Net cash used in financing activities	**(3,800)**	(3,000)
Net (decrease)/increase in cash and cash equivalents	**(7,008)**	3,436
Cash and cash equivalents at the beginning of year	**13,540**	9,854
Exchange gains on cash and cash equivalents	**142**	250
Cash and cash equivalents at the end of year	**6,674**	13,540

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

11 INTEREST IN AN ASSOCIATED COMPANY — GROUP

	2014 **US$'000**	2013 US$'000
Share of net assets	**432**	550

Particulars of the principal associated company as at 31 December 2014 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 Dollars 10 each	49%

12 INTERESTS IN JOINT VENTURES AND AMOUNT DUE FROM A JOINT VENTURE — GROUP

	2014 US$'000	2013 US$'000
Interests in joint ventures (Note a)	**12,847**	6,011
Amount due from a joint venture (Note c)	**7,601**	13,655
	20,448	19,666

The movement of interests in joint ventures is provided as follows:

	2014 US$'000	2013 US$'000
Beginning of the year	**6,011**	7,313
Addition (Note)	**9,000**	—
Elimination of intercompany transactions	**(842)**	(998)
Share of post-tax losses of joint ventures	**(860)**	(500)
Exchange difference	**(462)**	196
End of the year	**12,847**	6,011

Note:

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 has allotted and issued and the Group had subscribed for the 18.9 million shares for a consideration of Vietnam Dong ("VND") 189,000 million (equivalent to approximately US$9 million). Thien Nam Sunrise is principally engaged in fabric manufacturing in Vietnam. This transaction was completed on 23 April 2014. Upon completion, the Group held 33.34% of the total issued capital of Thien Nam Sunrise

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

12 INTERESTS IN JOINT VENTURES AND AMOUNT DUE FROM A JOINT VENTURE — GROUP (CONTINUED)

(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 2014 are shown as follows:

Name	Place of incorporation	Principal activities and place of operations	Particulars of issued share capital	% of ownership interests	Measurement method
Thien Nam Sunrise Textile Joint Stock Company	Vietnam	Manufacturing of fabrics	56,700,000 ordinary shares of VND10,000 each	33.33%	Equity
Chang Jia International Limited	BVI	Real estate in the PRC	100 ordinary shares of US$1 each	24.00%	Equity
Hong Kong Guangthai International Company Limited	Hong Kong	Investment holding in the PRC	2 ordinary shares of HK$1 each	50.00%	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
Statement of financial position as at 31 December 2014							
Thien Nam Sunrise Textile Joint Stock Company	**437**	**10,555**	**32,835**	**(9,977)**	**(9,895)**	**23,955**	**18,115**
Chang Jia International Limited	**9,351**	**284,384**	**5,918**	**(211,505)**	**(40,005)**	**48,143**	**154,777**
Hong Kong Guangthai International Company Limited	**1,759**	**11,990**	**5,202**	**(15,191)**	**(10,233)**	**(6,473)**	**—**

12 INTERESTS IN JOINT VENTURES AND AMOUNT DUE FROM A JOINT VENTURE — GROUP (CONTINUED)

(a) Share of net assets (continued)

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
Statement of financial position as at 31 December 2013							
Thien Nam Sunrise Textile Joint Stock Company	—	—	—	—	—	—	—
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)	—

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 and comprehensive (loss)/income for the year** US$'000
Statement of comprehensive income for the year ended 31 December 2014							
Thien Nam Sunrise Textile Joint Stock Company	**4,961**	**(1,371)**	**2**	**(97)**	**(2,302)**	**—**	**(2,302)**
Chang Jia International Limited	**106,118**	**(43)**	**81**	**(1,986)**	**3,603**	**(3,715)**	**(112)**
Hong Kong Guangthai International Company Limited	**7,765**	**(270)**	**3**	**—**	**291**	**(72)**	**219**
Statement of comprehensive income for the year ended 31 December 2013							
Thien Nam Sunrise Textile Joint Stock Company	—	—	—	—	—	—	—
Chang Jia International Limited	—	(13)	32	(57)	(3,845)	1,345	(2,500)
Hong Kong Guangthai International Company Limited	15,607	(692)	5	—	233	(108)	125

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

12 INTERESTS IN JOINT VENTURES AND AMOUNT DUE FROM A JOINT VENTURE — GROUP (CONTINUED)

(a) Share of net assets (continued)

	2014 US$'000	2013 US$'000
Opening net assets at 1 January	**17,286**	23,130
Loss for the year	**(2,398)**	(2,331)
Addition of a joint venture	**27,000**	—
Elimination of inter-company transactions	**(3,175)**	(4,158)
Exchange difference	**1,321**	645
Closing net assets at 31 December	**40,034**	17,286
Interests in joint ventures	**12,847**	6,011

(b) Capital commitments

As at 31 December 2014 and 2013, the Group's share of capital commitments of joint venture is as follows:

	2014 US$'000	2013 US$'000
Authorized but not contracted for	**26,758**	13,721
Contracted but not provided for	**16,427**	8,758
	43,185	22,479

(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.

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.

13 DEFERRED INCOME TAX — GROUP

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

	2014 **US$'000**	2013 US$'000
Deferred income tax assets:		
— Deferred income tax assets to be recovered within 12 months	**(1,130)**	(900)
Deferred income tax liabilities:		
— Deferred income tax liabilities to be settled within 12 months	**1,786**	622
— Deferred income tax liabilities to be settled after more than 12 months	**3,918**	6,853
Deferred income tax liabilities — net	**4,574**	6,575

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

	2014 **US$'000**	2013 US$'000
At 1 January	**6,575**	4,432
Credited to consolidated income statement (Note 28)	**(2,001)**	(668)
Acquisitions of subsidiaries	**—**	2,811
At 31 December	**4,574**	6,575

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** US$'000	**Intangible assets** US$'000	**Others** US$'000	**Total** US$'000
At 1 January 2013	1,937	1,914	1,454	5,305
(Credited)/charged to consolidated income statement	(449)	(266)	93	(622)
Acquisitions of subsidiaries (Note 33)	569	2,242	—	2,811
At 31 December 2013	2,057	3,890	1,547	7,494
Credited to consolidated income statement	(209)	(1,506)	(71)	(1,786)
At 31 December 2014	1,848	2,384	1,476	5,708

13 DEFERRED INCOME TAX — GROUP (CONTINUED)

Deferred income tax assets	Provision US$'000	Others US$'000	Total US$'000
At 1 January 2013	(517)	(356)	(873)
Credited to consolidated income statement	(36)	(10)	(46)
At 31 December 2013	(553)	(366)	(919)
(Credited)/charged to consolidated income statement	(216)	1	(215)
At 31 December 2014	(769)	(365)	(1,134)

Deferred income tax assets are recognized for tax loss carry-forwards to the extent that the realization of the related tax benefit through the future taxable profits is probable. The Group did not recognize deferred income tax assets of US$2,312,000 (2013: US$525,000) in respect of losses amounting to US$12,609,000 (2013: US$3,132,000) that can be carried forward against future taxable income. These tax losses have expiry dates from 2015 to 2020.

Deferred income tax liabilities of US$8,015,000 (2013: US$10,150,000) 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$62,664,000 at 31 December 2014 (2013: US$72,257,000).

14 INVENTORIES — GROUP

	2014 US$'000	2013 US$'000
Raw materials	**48,731**	45,297
Work in progress	**45,313**	55,630
Finished goods	**16,226**	12,106
	110,270	113,033

The cost of inventories recognized as expense and included in cost of sales amounted to US$796,626,000 (2013: US$829,659,000), which included provision for inventories obsolescence of US$1,770,000 (2013: US$2,118,000).

As at 31 December 2014, inventories amounting to US$40,876,000 (2013: US$42,064,000) were held under trust receipt bank loan arrangement (Note 20).

15 FINANCIAL INSTRUMENTS BY CATEGORY — GROUP AND COMPANY

(a) Group

	Assets at fair value through profit and loss US$'000	Loans and receivables US$'000	Total US$'000
31 December 2014			
Assets as per consolidated statement of financial position			
Trade and other receivables excluding prepayment	**—**	**220,183**	**220,183**
Cash and bank balances	**—**	**217,547**	**217,547**
Derivative financial instruments	**183**	**—**	**183**
Total	**183**	**437,730**	**437,913**
31 December 2013			
Assets as per consolidated statement of financial position			
Trade and other receivables excluding prepayment	—	221,251	221,251
Cash and bank balances	—	229,440	229,440
Total	—	450,691	450,691

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

(a) Group (continued)

	Liabilities at fair value through profit and loss	Other financial liabilities at amortized cost	Total
	US$'000	US$'000	US$'000
31 December 2014			
Liabilities as per consolidated statement of financial position			
Borrowings (excluding finance lease liabilities)	—	145,183	145,183
Derivative financial instruments	126	—	126
Trade and other payables excluding non-financial liabilities	—	171,866	171,866
Total	126	317,049	317,175
31 December 2013			
Liabilities as per consolidated statement of financial position			
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

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

(b) Company

	Loans and receivables	
	2014	2013
	US$'000	US$'000
Assets as per statement of financial position		
Cash and bank balances	**1,725**	436

	Financial liabilities at amortized cost	
	2014	2013
	US$'000	US$'000
Liabilities as per statement of financial position		
Other payables	**880**	547

16 TRADE AND OTHER RECEIVABLES — GROUP

	2014	2013
	US$'000	US$'000
Trade and bills receivable — net (Note a)	**178,813**	171,789
Deposits, prepayments and other receivables	**26,164**	22,238
Amounts due from related companies (Note b)	**3,125**	1,568
Amounts due from joint ventures (Note b)	**21,221**	27,878
	229,323	223,473

(a) Trade and bills receivable — net

	2014	2013
	US$'000	US$'000
Trade and bills receivable	**181,360**	173,084
Less: provision for impairment	**(2,547)**	(1,295)
Trade and bills receivable — net	**178,813**	171,789

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

16 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:

	2014 US$'000	2013 US$'000
Current	**146,092**	135,597
1 to 30 days	**20,829**	17,185
31 to 60 days	**6,746**	7,179
61 to 90 days	**1,479**	7,806
91 to 120 days	**1,589**	1,021
Over 120 days	**2,078**	3,001
Amounts past due but not impaired	**32,721**	36,192
	178,813	171,789

The impairment provision was approximately US$2,547,000 as at 31 December 2014 (2013: US$1,295,000). 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:

	2014 US$'000	2013 US$'000
At 1 January	**1,295**	3,791
Provision for impairment of trade and bills receivable (Note 25)	**2,375**	474
Utilization of provision	**(1,123)**	(2,970)
At 31 December	**2,547**	1,295

16 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:

	2014	2013
	US$'000	US$'000
US$	**165,120**	152,989
Euro	**1,160**	6,939
RMB	**8,866**	9,137
Peso	**3,440**	2,604
Other currencies	**227**	120
	178,813	171,789

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 2014 and 2013, 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$19,967,000 (2013: US$20,515,000) 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.

17 CASH AND BANK BALANCES — GROUP AND COMPANY

	Group		Company	
	2014	2013	**2014**	2013
	US$'000	US$'000	**US$'000**	US$'000
Cash at bank and on hand	**140,882**	128,400	**1,725**	436
Short-term bank deposits	**73,875**	98,011	**—**	—
Bank deposits with a maturity period of over 3 months	**2,790**	3,029	**—**	—
Cash and bank balances	**217,547**	229,440	**1,725**	436
Less: bank overdrafts (Note 20)	**(263)**	(139)	**—**	—
Less: bank deposits with a maturity period of over 3 months	**(2,790)**	(3,029)	**—**	—
Cash, cash equivalents and bank overdraft in the consolidated cash flow statement	**214,494**	226,272	**1,725**	436

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

Group

	2014	2013
	US$'000	US$'000
US$	**121,256**	101,480
HK$	**10,478**	9,668
Euro	**3,356**	4,899
RMB	**63,313**	58,607
Peso	**17,172**	50,944
Other currencies	**1,972**	3,842
	217,547	229,440

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

Company

	2014 **US$'000**	2013 US$'000
US$	**1,386**	311
Other currencies	**339**	125
	1,725	436

The effective interest rate on short-term bank deposits was 2.15% (2013: 1.64%) per annum; these deposits have an average maturity period of 84 days (2013: 57 days).

Significant restrictions

Cash and bank balances of US$33,817,000 (2013: US$30,209,000) 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.

18 SHARE CAPITAL — COMPANY

	Number of shares	**Nominal value** US$'000
Authorized — ordinary shares of US$0.01 each		
At 31 December 2013 and 2014	1,500,000,000	15,000
Issued and fully paid — ordinary shares of US$0.01 each		
At 1 January 2013	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 and 2014	1,034,112,666	10,341

Share option

The Company has adopted a share option scheme (the "Old Option Scheme") which is effective for a period of 10 years commencing 27 June 2004 pursuant to a written resolution of the then sole shareholder of the Company on 27 June 2004. The Old Option Scheme terminated upon the adoption of a new Share Option Scheme approved by way of an ordinary resolution in the annual general meeting of the Company held on 26 May 2014 (the "New Option Scheme", together with the Old Option Scheme are collectively referred to as the "Option Schemes").

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

18 SHARE CAPITAL — COMPANY (CONTINUED)

Share option (continued)

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

One-third of the options are vested after one year from the grant date, another one-third options are vested after two years from the grant date and the rest of the options are vested after three years from the grant date. Options may be exercised at any time within the relevant exercise period. The Group has no legal or constructive obligation to repurchase or settle the options in cash. The exercise price is determined by the highest of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares.

All the remaining share options under the Option Scheme were exercised during the period ended 31 December 2013. As at 31 December 2013 and 2014, there is no outstanding share option under the Option Schemes.

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

	2014		2013	
	Average exercise price in HK$ per share option	**Options (thousands)**	Average exercise price in HK$ per share option	Options (thousands)
At 1 January	**Nil**	**—**	0.71	4,550
Forfeited/lapsed		**—**		—
Exercised	**Nil**	**—**	0.71	(4,550)
At 31 December		**—**		—

19 OTHER RESERVES — GROUP AND COMPANY

(a) Group

	Share premium US$'000	Capital reserve (Note i) US$'000	Share-based compensation reserves US$'000	Convertible bond equity conversion reserve US$'000	Employment benefits reserve (Note ii) US$'000	Exchange reserve US$'000	Total US$'000
At 1 January 2013, (Note ii)	117,832	6,923	142	980	(4,015)	10,152	132,014
Currency translation differences	—	—	—	—	—	(2,563)	(2,563)
Actuarial gains on retirement benefit obligations	—	—	—	—	4,713	—	4,713
Exercise of share options by employees	513	—	(142)	—	—	—	371
Conversion of convertible bond	5,694	—	—	(980)	—	—	4,714
At 31 December 2013	124,039	6,923	—	—	698	7,589	139,249
At 1 January 2014	**124,039**	**6,923**	**—**	**—**	**698**	**7,589**	**139,249**
Currency translation differences	**—**	**—**	**—**	**—**	**—**	**(2,082)**	**(2,082)**
Actuarial losses on retirement benefit obligations	**—**	**—**	**—**	**—**	**(1,415)**	**—**	**(1,415)**
At 31 December 2014	**124,039**	**6,923**	**—**	**—**	**(717)**	**5,507**	**135,752**

(b) Company

	Share premium US$'000	Capital reserve (Note i) US$'000	Share-based compensation reserve US$'000	Convertible bond equity conversion reserve US$000	Total US$'000
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	5,694	—	—	(980)	4,714
At 31 December 2013 and 2014	**124,039**	**71,564**	**—**	**—**	**195,603**

19 OTHER RESERVES — GROUP AND COMPANY (CONTINUED)

(b) Company (continued)

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. In addition, the balance also includes 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.

(ii) The employment benefits reserve of the Group represents the re-measurements for the defined benefit plans and long service payment. HKAS 19 (2011) 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.

20 BORROWINGS — GROUP

	2014 **US$'000**	2013 US$'000
Non-current		
Bank borrowings	**3,330**	4,151
Finance lease liabilities	**—**	84
	3,330	4,235
Current		
Bank overdrafts (Note 17)	**263**	139
Trust receipt bank loans	**40,876**	42,064
Portion of bank borrowings due for repayment within 1 year	**55,695**	72,850
Portion of bank borrowings due for repayment after 1 year which contain a repayment on demand clause	**45,019**	57,461
Finance lease liabilities	**—**	27
	141,853	172,541
Total borrowings	**145,183**	176,776
Non-current borrowings		
— Secured	**1,165**	1,482
— Non-secured	**2,165**	2,753
Current borrowings		
— Secured	**35,179**	42,790
— Non-secured	**106,674**	129,751
	145,183	176,776

20 BORROWINGS — GROUP (CONTINUED)

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

As at 31 December 2014 and 2013, the Group's borrowings were repayable as follows:

	Bank overdrafts		Trust receipt bank loans		Finance lease liabilities		Bank borrowings		Total	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
	US$'000	US$'000	**US$'000**	US$'000	**US$'000**	US$'000	**US$'000**	US$'000	**US$'000**	US$'000
Within 1 year	**263**	139	**40,876**	42,064	**—**	27	**55,695**	72,850	**96,834**	115,080
Bank borrowings due for repayment after 1 year (Note):										
After 1 year but within 2 years	**—**	—	**—**	—	**—**	84	**10,211**	14,300	**10,211**	14,384
After 2 years but within 5 years	**—**	—	**—**	—	**—**	—	**38,138**	47,312	**38,138**	47,312
After 5 years	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—
	—	—	**—**	—	**—**	84	**48,349**	61,612	**48,349**	61,696
	263	139	**40,876**	42,064	**—**	111	**104,044**	134,462	**145,183**	176,776
Representing:										
Maturity within 5 years	**263**	139	**40,876**	42,064	**—**	111	**104,044**	134,462	**145,183**	176,776

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

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

	2014	2013
	US$'000	US$'000
HK$	**5,120**	4,006
US$	**138,665**	169,556
RMB	**1,398**	3,090
Other currencies	**—**	124
	145,183	176,776

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

	As at 31 December 2014			As at 31 December 2013		
	US$	**HK$**	**RMB**	US$	HK$	RMB
Bank loans	**1.86%**	**2.22%**	**6.72%**	1.80%	2.21%	6.72%
Trust receipt bank loans	**1.11%**	**1.31%**	**—**	1.09%	1.26%	—
Bank overdrafts	**—**	**5.25%**	**—**	—	5.00%	—

20 BORROWINGS — GROUP (CONTINUED)

As at 31 December 2014, the Group had aggregate banking facilities of approximately US$460,050,000 (2013: US$547,888,000) for overdrafts, loans, trade financing and bank guarantees. Unused facilities as at the same date amounted to approximately US$295,623,000 (2013: US$326,409,000). These facilities are secured/ guaranteed by:

(i) Floating charges over the Group's inventories amounting US$40,876,000 (2013: US$42,064,000) were held under trust receipt bank loan arrangements (Note 14); and

(ii) Security over the Group's machinery with a cost of US$2,955,000 (2013:US$2,955,000) (Note 7); and

(iii) A corporate guarantee provided by the Company (Note 35(c)).

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

21 RETIREMENT BENEFIT OBLIGATIONS — GROUP

	2014 **US$'000**	2013 US$'000
Consolidated balance sheet obligations for:		
Defined benefit plans (Note b)	**8,790**	6,361
Provision for long service payments (Note c)	**399**	488
	9,189	6,849
Income statement charges included in operating profit for (Note 26(a)):		
Defined contribution plans (Note a)	**8,905**	6,403
Defined benefit plans (Note b)	**1,522**	1,878
Provision for long service payments (Note c)	**32**	9
	10,459	8,290
Remeasurements for:		
Defined benefit plans (Note b)	**1,487**	(4,764)
Provision for long service payments (Note c)	**(67)**	(73)
	1,420	(4,837)

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$8,905,000 (2013: US$6,403,000) for the year ended 31 December 2014 (Note 26(a)).

21 RETIREMENT BENEFIT OBLIGATIONS — GROUP (CONTINUED)

(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.

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

	2014 US$'000	2013 US$'000
Present value of unfunded obligations	4,929	3,921
Present value of funded obligations	4,209	2,774
Fair value of plan assets	(348)	(334)
Liabilities in the consolidated statement of financial position	8,790	6,361

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

	2014 US$'000	2013 US$'000
At 1 January	6,695	9,644
Current service cost	1,120	1,367
Interest cost	420	530
Total — included in employee benefit expenses	1,540	1,897
Remeasurements:		
— Loss/(gain) from change in financial assumptions	1,667	(3,939)
— Gain from change in demographic assumptions	(162)	(169)
— Experience gain	(11)	(666)
	1,494	(4,774)
Contribution paid	(580)	(80)
Exchange difference	(11)	8
At 31 December	9,138	6,695

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.

	2014 US$'000	2013 US$'000
At 1 January	(334)	(333)
Interest income — included in employee benefit expenses	(18)	(19)
Remeasurements:		
— (Loss)/return on plan assets, excluding amounts included in interest income	(7)	10
Contribution paid	11	8
At 31 December	(348)	(334)

There were no plan amendments and curtailments during the year.

The principal actuarial assumptions used are as follows:

	2014	2013
Discount rate	4.56%–7.8%	4.68%–8.44%
Future salary increase rate	3.00%–17.00%	3.00%–11.00%

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

	Impact on defined benefit plan					
	2014			2013		
	Change in assumption	Increase in assumption	Decrease in assumption	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	1.0%	Decrease by US$1,478,000	Increase by US$1,823,000	1.0%	Decrease by US$1,075,000	Increase by US$1,318,000
Future salary increase rate	1.0%	Increase by US$1,779,000	Decrease by US$1,463,000	1.0%	Increase by US$1,261,000	Decrease by US$1,058,000

The above sensitivity analyses 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 payments

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

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

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

	2014 **US$'000**	2013 US$'000
Present value of unfunded obligations	**399**	488

As at 31 December 2014 and 2013, there are no funded obligations and plan assets.

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

	2014 **US$'000**	2013 US$'000
At 1 January	**488**	589
Current service cost	**26**	8
Interest cost	**6**	1
Total — included in employee benefit expenses (Note 26(a))	**32**	9
Re-measurements:		
— Gain from change in financial assumptions	**(67)**	(73)
Mandatory Provident Fund refund received	**—**	—
Contribution paid	**(54)**	(37)
At 31 December	**399**	488

The principal actuarial assumptions used are as follows:

	2014	2013
Discount rate	**1.40%**	1.40%
Future salary increase rate	**3.00%**	3.00%

21 RETIREMENT BENEFIT OBLIGATIONS — GROUP (CONTINUED)

(c) Long service payments (continued)

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

	Impact on long service payments					
	2014			2013		
	Change in assumption	**Increase in assumption**	**Decrease in assumption**	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	**1.0%**	**Decrease by US$20,000**	**Increase by US$20,000**	1.0%	Decrease by US$22,000	Increase by US$22,000
Future salary increase rate	**1.0%**	**Increase by US$10,000**	**Decrease by US$10,000**	1.0%	Increase by US$8,000	Decrease by US$8,000

The above sensitivity analyses 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.

Expected contributions to defined benefit plans and provision for long service payment for the year ending 31 December 2015 are US$1,120,000 (2014: US$1,205,000).

The weighted average duration of the defined benefit obligations is 24.9 years (2013: 27.6 years).

21 RETIREMENT BENEFIT OBLIGATIONS — GROUP (CONTINUED)

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

An expected maturity analysis of undiscounted pension is as follows:

	2014 US$'000	2013 US$'000
Retirement benefits		
— No later than 1 year	**393**	340
— Later than 1 year and no later than 5 years	**1,407**	721
— Later than 5 years	**113,078**	126,313
	114,878	127,374

22 TRADE AND OTHER PAYABLE — GROUP AND COMPANY

	Group		Company	
	2014 US$'000	2013 US$'000	2014 US$'000	2013 US$'000
Trade and bills payable (Note a)	**103,907**	126,078	**—**	—
Other payables and accruals	**113,519**	99,685	**880**	547
Amounts due to related companies (Note b)	**2,730**	2,336	**—**	—
Amounts due to joint ventures (Note b)	**56**	112	**—**	—
	220,212	228,211	**880**	547

(a) Trade and bills payable — Group

As at 31 December 2014 and 2013, the ageing analysis of the trade and bills payable based on invoice date is as follows:

	2014 US$'000	2013 US$'000
0 to 30 days	**94,357**	106,871
31 to 60 days	**6,737**	12,598
61 to 90 days	**2,199**	4,017
Over 90 days	**614**	2,592
	103,907	126,078

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:

	2014 US$'000	2013 US$'000
US$	**75,156**	79,191
HK$	**12,691**	13,607
Euro	**235**	1,923
RMB	**11,638**	28,014
Peso	**4,038**	3,150
Other currencies	**149**	193
	103,907	126,078

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

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

As at 31 December 2014 and 2013, the outstanding balances due to the related companies, joint ventures and a director 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

	2014 US$'000	2013 US$'000
Forward foreign exchange contracts (Note i)	**183**	(301)
Interest rate swaps (Note ii)	**(126)**	(358)
	57	(659)

Notes:

(i) The notional principal amounts of the outstanding forward foreign exchange contracts as at 31 December 2014 were approximately US$6,383,000 (2013: US$10,556,000).

(ii) The notional principal amount of the outstanding interest rate swap contract as at 31 December 2014 was approximately US$6,750,000 (2013: US$409,500). 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% (2013: 2.6%) per annum.

24 OTHER (LOSSES)/GAINS — NET

	2014 US$'000	2013 US$'000
Fair value gains/(losses) on derivative financial instruments		
— net gains/(losses) on forward foreign exchange contracts	575	(244)
— net gains on interest rate swaps	—	285
Net (losses)/gains on forward foreign exchange contracts	(29)	950
Net foreign exchange (losses)/gains	(3,374)	985
	(2,828)	1,976

25 EXPENSES BY NATURE

	2014 US$'000	2013 US$'000
Raw materials and consumables used	783,864	806,980
Changes in inventories of finished goods and work in progress	10,992	20,561
Employee benefit expenses (Note 26(a))	253,247	244,960
Gains on disposals of property, plant and equipment — net	(134)	(120)
Auditors' remuneration	1,347	1,363
Amortization of land use rights (Note 6)	326	333
Amortization of intangible assets (Note 9)	4,267	3,718
Depreciation of property, plant and equipment (Note 7)	19,587	19,348
Depreciation of investment properties (Note 8)	758	—
Provision for impairment of trade and bills receivable (Note 16(a))	2,375	474
Provision for material claims	2,992	—
Provision for inventory obsolescence (Note 14)	1,770	2,118
Operating leases		
— office premises and warehouses	9,767	9,226
— plant and machinery	559	415
Transportation expenses	6,955	7,192
Commission	2	345
Communication, supplies and utilities	30,618	29,550
Other expenses	53,776	32,737
	1,183,068	1,179,200

26 EMPLOYEE BENEFIT EXPENSES — INCLUDING DIRECTORS' EMOLUMENTS

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

	2014 US$'000	2013 US$'000
Wages, salaries and allowances	**241,561**	235,468
Termination benefits	**1,227**	1,202
Pension costs		
— Defined contribution plans (Note 21(a))	**8,905**	6,403
— Defined benefit plans	**1,522**	1,878
Long service payments (Note 21(c))	**32**	9
	253,247	244,960

(b) Directors' emoluments

The remuneration of every director for the year ended 31 December 2014 is set out below:

Name of director	Fees US$'000	Salary US$'000	Discretionary bonuses US$'000	Other benefits (Note i) US$'000	Employer's contribution to pension scheme US$'000	Total US$'000
Executive directors						
Dr. Tan Siu Lin *(Chairman)*	—	113	—	—	—	113
Dr. Tan Henry *(Chief Executive Officer)*	—	466	762	—	2	1,230
Mr. Tan Cho Lung, Raymond	—	339	802	36	2	1,179
Ms. Mok Siu Wan, Anne	19	470	741	—	2	1,232
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

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

(b) Directors' emoluments (continued)

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$'000	Other Benefits (Note i) US$'000	Employer's contribution to pension scheme US$'000	Total US$'000
Executive directors						
Dr. Tan Siu Lin *(Chairman)*	—	113	—	—	—	113
Dr. 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

Notes:

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

During the year ended 31 December 2014, none of the directors of the Company waived any emoluments paid or payable by the Group companies during the year (2013: Nil) and there was no amounts paid or payable by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office (2013: Nil).

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included three (2013: three) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2013: two) individuals during the year are as follows:

	2014 US$'000	2013 US$'000
Basic salaries, other allowances and benefits in kind	**683**	614
Discretionary bonuses	**576**	347
Pension scheme contributions	**21**	21
Others	**338**	365
	1,618	1,347

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

(c) Five highest paid individuals (continued)

The emoluments of the remaining two (2013: two) highest paid individuals fell within the following bands:

	Number of individuals 2014	2013
Emolument bands		
US$580,645 to US$645,161 (equivalent to HK$4,500,001 to HK$5,000,000)	**—**	1
US$709,678 to US$774,193 (equivalent to HK$5,500,001 to HK$6,000,000)	**—**	1
US$774,194 to US$838,709 (equivalent to HK$6,000,001 to HK$6,500,000)	**1**	—
US$838,710 to US$903,226 (equivalent to HK$6,500,001 to HK$7,000,000)	**1**	—
	2	2

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

27 FINANCE INCOME — NET

	2014 US$'000	2013 US$'000
Interest expense on bank loans and overdrafts	**(3,102)**	(3,513)
Interest expense on finance lease	**—**	(11)
Effective interest expenses on convertible bond	**—**	(102)
Finance costs	**(3,102)**	(3,626)
Interest income from bank deposits	**2,013**	2,210
Effective interest income from amount due from a joint venture	**2,665**	3,171
Finance income	**4,678**	5,381
Finance income — net	**1,576**	1,755

28 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 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.

	2014 **US$'000**	2013 US$'000
Current income tax	**4,735**	6,534
Under/(over)-provision in prior years	**197**	(3,277)
Deferred income tax (Note 13)	**(2,001)**	(668)
Income tax expense	**2,931**	2,589

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:

	2014 **US$'000**	2013 US$'000
Profit before income tax	**19,356**	52,720
Tax calculated at domestic tax rates applicable to profits in the respective countries	**(3,643)**	4,383
Income not subject to tax	**(2,203)**	(2,596)
Expenses not deductible for tax purposes	**7,294**	3,655
Utilization of previously unrecognized tax losses	**(167)**	(32)
Tax losses for which no deferred income tax asset was recognized	**1,437**	491
Tax effect of share of results of an associated company and joint ventures	**16**	(35)
Under/(over)-provision in prior years	**197**	(3,277)
Income tax expense	**2,931**	2,589

Notes:

(i) Same as previous year, 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 and 2013/14. 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.

As at 31 December 2014, the Group has paid an amount of US$3,686,000 in the form of Tax Reserve Certificate which the amount has been included in prepaid income tax in the consolidated statement of financial position and the Group considers that sufficient tax provision has been made in the consolidated financial statements.

29 PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The profit attributable to owners of the Company is dealt with in the financial statements of the Company to the extent of approximately US$10,909,000 (2013: US$14,312,000).

30 EARNINGS PER SHARE

(a) Basic

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

	2014 **US$'000**	2013 US$'000
Profit attributable to owners of the Company	**21,574**	48,221
Weighted average number of ordinary shares in issue (thousands)	**1,034,113**	1,018,685
Basic earnings per share (US cents per share)	**2.1**	4.7

(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.

During the year ended 31 December 2013, the Company had share options and convertible bond which had dilutive effect on its ordinary shares.

The dilutive effect of share options on number of shares is calculated to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options. The convertible bond is assumed to have been converted into ordinary shares, and the net profit is adjusted to eliminate the interest expense less the tax effect.

30 EARNINGS PER SHARE (CONTINUED)

(b) Diluted (continued)

No share options or convertible bond were outstanding as at 31 December 2013 and 2014. During the year ended 31 December 2014, no share options have been granted or vested or convertible bond issued. Hence, there is no dilutive effect on its ordinary shares.

	2014 **US$'000**	2013 US$'000
Earnings		
Profit attributable to owners of the Company	**21,574**	48,221
Interest expense on convertible bond, net of tax	**—**	102
Profit used to determine diluted earnings per share	**21,574**	48,323
Weighted average number of ordinary shares in issue (thousands)	**1,034,113**	1,018,685
Adjustments for:		
— 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
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**1,034,113**	1,032,304
Diluted earnings per share (US cents per share)	**2.1**	4.7

31 DIVIDENDS

	2014 **US$'000**	2013 US$'000
Interim dividend paid of US0.476 cents or equivalent to HK3.69 cents (2013: US0.526 cents) per ordinary share	**4,922**	5,439
Proposed final dividend of US0.632 cents or equivalent to HK4.90 cents (2013: US0.873 cents) per ordinary share	**6,536**	9,028
	11,458	14,467

At a meeting held on 27 March 2015, the directors recommended the payment of a final dividend of US$0.632 per ordinary share, totaling US$6,536,000. Such dividend is to be approved by the shareholders at the forthcoming AGM. This proposed dividend is not reflected as dividends payable in these financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2014.

32 CASH GENERATED FROM OPERATIONS

	2014 US$'000	2013 US$'000
Profit before income tax	**19,356**	52,720
Adjustments for:		
Share of losses of joint ventures	**860**	500
Share of (profit)/loss of an associated company	**(28)**	9
Finance expense (Note 27)	**3,102**	3,626
Finance income (Note 27)	**(4,678)**	(5,381)
Impairment loss on goodwill and write-off of customer relationships (Note 9)	**20,960**	—
Fair value gains on derivative financial instruments (Note 24)	**(575)**	(41)
Amortization of intangible assets (Note 9)	**4,267**	3,718
Amortization of land use rights (Note 6)	**326**	333
Depreciation of property, plant and equipment (Note 7)	**19,587**	19,348
Depreciation of investment properties (Note 8)	**758**	—
Gain on disposals of property, plant and equipment — net	**(134)**	(120)
Impairment/write off of property, plant and equipment	**112**	—
Operating profit before working capital changes	**63,913**	74,712
Changes in working capital (excluding the effects of disposals and acquisitions of subsidiaries and exchange differences on consolidation):		
Inventories	**2,763**	14,167
Trade and other receivables	**(6,228)**	(6,708)
Trade and other payables	**(6,641)**	(4,921)
Derivative financial instruments	**(141)**	(474)
Retirement benefit obligations	**920**	1,786
Cash generated from operations	**54,586**	78,562

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

	2014 US$'000	2013 US$'000
Net book amount	**1,391**	1,620
Gains on disposals of property, plant and equipment — net	**134**	120
Proceeds from disposals of property, plant and equipment	**1,525**	1,740

33 BUSINESS COMBINATION

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.

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.

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

33 BUSINESS COMBINATION (CONTINUED)

Acquisition of subsidiaries — OSG Group (continued)

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)

34 COMMITMENTS

(a) Capital commitments — Group

As at 31 December 2014 and 2013, the Group has the following capital commitments:

	2014 US$'000	2013 US$'000
Contracted but not provided for		
— Property, plant and equipment	**264**	188
Authorized but not contracted for	**380**	—
	644	188

(b) Operating lease commitments — Group as lessee

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

	2014 US$'000	2013 US$'000
Land and buildings		
— No later than 1 year	**4,405**	4,664
— Later than 1 year and no later than 5 years	**11,967**	10,585
— Later than 5 years	**2,336**	14,399
	18,708	29,648
Property, plant and equipment		
— No later than 1 year	**107**	194
— Later than 1 year and no later than 5 years	**75**	131
	182	325

34 COMMITMENTS (CONTINUED)

(c) Operating lease commitments — Group as lessor

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

	2014 US$'000	2013 US$'000
Land and buildings		
— No later than 1 year	**1,278**	—
— Later than 1 year and no later than 5 years	**5,440**	—
— Later than 5 years	**1,289**	—
	8,007	—

The Company has no other material commitments as at 31 December 2014 and 2013.

35 RELATED-PARTY TRANSACTIONS

Capital Glory Limited, a company incorporated in the British Virgin Islands, owns 59.40% 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").

35 RELATED-PARTY TRANSACTIONS (CONTINUED)

(a) Transactions with related parties (continued)

(i) Provisions of goods and services

	2014 **US$'000**	2013 US$'000
Management fee income from related companies	**127**	139
Commission income from related companies	**625**	608
Freight forwarding and logistics service income from related companies	**846**	810
Rental income from related companies	**504**	534
Service income from		
— related companies	**440**	702
— joint ventures	**137**	1,662
	577	2,364

	2014 **US$'000**	2013 US$'000
Recharge of material costs and other expenses to		
— related companies	**1,689**	1,567
— joint ventures	**789**	46
	2,478	1,613
Sales of apparels, textile products and accessories to		
— a related company	**93**	—
— joint ventures	**—**	1,485
	93	1,485

35 RELATED-PARTY TRANSACTIONS (CONTINUED)

(a) Transactions with related parties (continued)

(ii) Purchases of goods and services

	2014 US$'000	2013 US$'000
Rental expenses for occupying office premises, warehouses and staff quarters charged by related companies	**1,460**	1,448
Professional and technological support service fees to related companies	**2,258**	2,205
Subcontracting fee charged by joint ventures	**2,605**	20,116
Recharge of material costs and other expenses by		
— related companies	**847**	773
— joint ventures	**17**	2,134
	864	2,907

	2014 US$'000	2013 US$'000
Purchase of materials from		
— related companies	**29**	29
— joint ventures	**2,974**	—
	3,003	29
Freight forwarding and logistics service charged by an associated company	**2**	224
Medical benefits & other employee related expenses charged by related companies	**231**	220

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

35 RELATED — PARTY TRANSACTIONS (CONTINUED)

(b) Key management compensation

	2014 US$'000	2013 US$'000
Basic salaries and allowance	**4,652**	4,971
Bonus	**4,672**	4,576
Pension scheme contributions	**40**	40
	9,364	9,587

(c) Banking facilities

As at 31 December 2014, certain banking facilities of the Group to the extent of US$533,208,000 (2013: US$532,609,000) 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, 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.

36 CONTINGENT LIABILITIES AND LITIGATION

As at 31 December 2014, the Group had no material contingent liabilities.

37 EVENT AFTER THE BALANCE SHEET DATE

On 10 February 2015, the Group entered into a subscription agreement with Duc Hanh Garment Joint Stock Company ("Duc Hanh Garment"), pursuant to which Duc Hanh Garment shall allot and issue and the Group shall subscribe for 3,122,450 shares for a consideration of Vietnam Dong ("VND") 54,229,000,000 (equivalent to approximately US$2,540,000). Duc Hanh Garment is principally engaged in manufacturing of garments and accessories. Upon completion of the transaction, the Group will hold 51% of the total issued capital of Duc Hanh Garment.

The above transaction had no financial impact to the consolidated financial statements for the year ended 31 December 2014 since the completion of the transaction was subsequent to the year end.

FINANCIAL SUMMARY

	2010 (Restated)	2011 (Restated)	2012 (Restated)	2013	**2014**
Financial highlights (US$'000)					
Total assets	528,383	592,646	687,250	814,321	**771,017**
Total liabilities	240,706	276,430	344,276	428,967	**388,210**
Bank borrowings	64,252	88,053	113,058	176,776	**145,183**
Capital and reserves attributable to the owners of the Company	276,838	306,994	334,188	376,368	**380,495**
Working capital	85,349	110,650	131,495	160,453	**192,749**
Revenue	794,017	956,489	990,198	1,228,698	**1,224,228**
Profit attributable to the owners of the Company	17,666	34,018	38,718	48,221	**21,574**
Key ratios					
Current ratio	1.38	1.43	1.41	1.39	**1.52**
Gross profit margin	16.9%	16.8%	16.2%	17.3%	**17.7%**
Profit margin attributable to the owners of the Company	2.2%	3.6%	3.9%	3.9%	**1.8%**