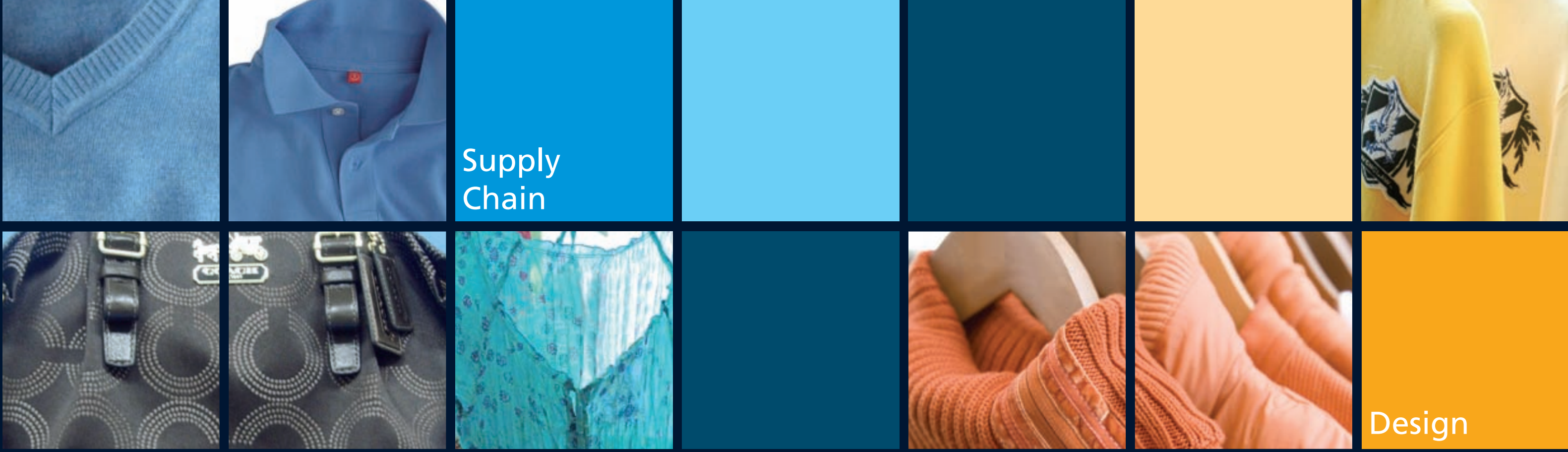


Luenthai

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 2010

CONTENTS

EXECUTIVE DIRECTORS

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

NON-EXECUTIVE DIRECTORS

TAN Willie
LU Chin Chu

INDEPENDENT NON-EXECUTIVE DIRECTORS

CHAN Henry
CHEUNG Siu Kee
SEING Nea Yie

COMPANY SECRETARY

CHIU Chi Cheung

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS

5/F, Nanyang Plaza
57 Hung To Road
Kwun Tong, Kowloon
Hong Kong

WEBSITE

http://www.luenthai.com

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

HSBC Trustee (Cayman) Limited
P.O. Box 484 HSBC House,
68, West Bay Road,
Grand Cayman, KY1-1106,
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712–1716
17th Floor, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

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

AUDITORS

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

LEGAL ADVISORS

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

Luen Thai Holdings Limited (the "Company") together with its subsidiaries (collectively, "Luen Thai" or the "Group") is one of the leading apparel and accessories manufacturing and supply chain services providers worldwide. We have close partnership with brands and retailers globally, which include adidas, Coach, Dillard's, Esprit, Fast Retailing, Limited Brands, Polo Ralph Lauren and Targus among others. We produce approximately 74 million pieces of garments and accessories annually with products ranging from casual wear, ladies' wear (career, intimate and fashion wear), sports and activewear, sweaters, outerwear, children's wear and laptop bags, luxury and fashionable bags.

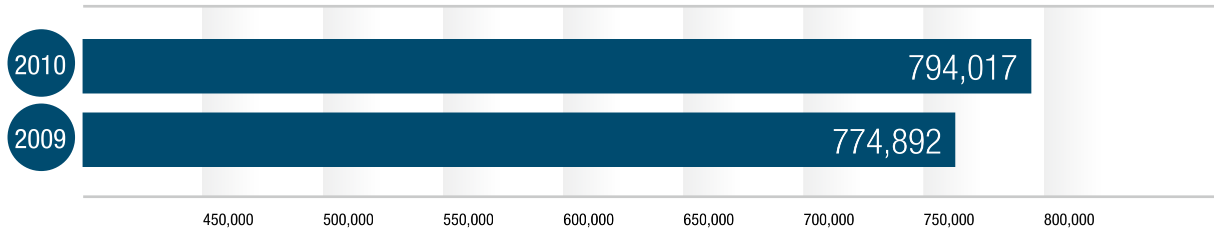
As a total apparel and accessories manufacturing and services group, Luen Thai has developed a business model "design-to-store" ("D2S") providing a one-stop shop supply chain platform for partnership, including design and development, materials management, production and logistics. D2S answers our customers' needs for a wide range of products and services, and faster response at a competitive cost, making it the right business model in today's apparel and accessories industry. Through D2S, Luen Thai can offer speed-to-market solutions that will help our customers improve their supply chain through shortening total lead time, lowering of total sourcing costs and reducing retail mark-down. Luen Thai has launched its lean initiative in the Dongguan Supply Chain City to implement the concept of lean reengineering strategy in the organization. This strategy involves "lean manufacturing" and restructuring of our business units into individual "lean enterprises" with one-stop responsibilities from merchandizing, manufacturing to sales of our products within each business unit. This "lean reengineering" strategy also involves "lean process" reengineering, which aims to reduce the operating process within each business unit resulting in increase in productivity in terms of both front and back end operations.

Headquartered in Hong Kong, Luen Thai has production and outsourcing partner facilities in China, the Philippines, Indonesia, India and Bangladesh. Our sales and design offices are located in Asia Pacific, the United States and Europe. With annual revenue of approximately US$794 million, Luen Thai employs over 27,000 people worldwide.

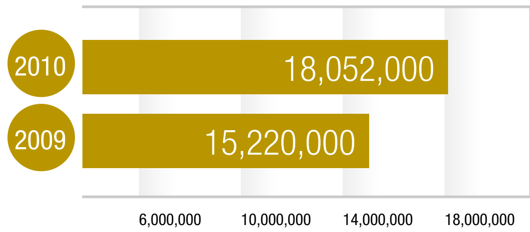
KEY FINANCIAL HIGHLIGHTS

	2010 US$'000	2009 US$'000
Revenue	**794,017**	774,892
Gross Profit	**134,335**	143,020
As a percentage of revenue	**16.9%**	18.5%
Operating Profit	**17,662**	19,418
As a percentage of revenue	**2.2%**	2.5%
Profit Attributable to the owners of the parent	**18,052**	15,220
As a percentage of revenue	**2.3%**	2.0%
Earnings Per Share	**US1.8 cent**	US1.5 cent
Dividend Per Share		
— Final	**US0.319 cent**	US0.236 cent
— Interim	**US0.227 cent**	US0.224 cent
Capital and Reserves		
Attributable to the owners of the parent	**276,721**	234,355

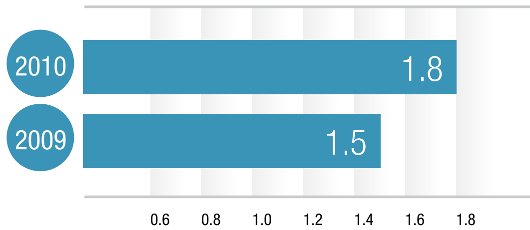
REVENUE



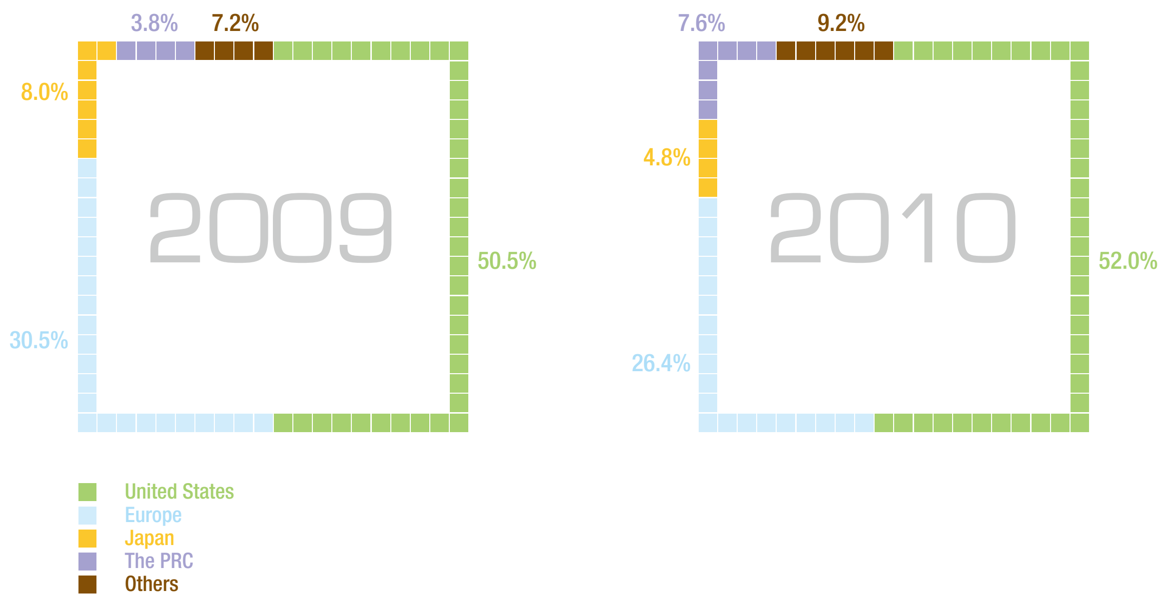
PROFIT ATTRIBUTABLE TO THE OWNERS OF THE PARENT US$



EARNINGS PER SHARE US cent



SALES BY GEOGRAPHICAL SEGMENTS



The global economy gradually showed signs of recovery in 2010 after the financial turmoil and credit crunch in 2008 through the shrinking in consumer demands in 2009. For the past two years, the Group has adapted quickly in view of the changing economic environment. The elimination of non profitable accounts and non-performing facilities together with stringent cost control help sustain the Group's performance while continual reinvention of business processes and focus provide us with the necessary competitive advantage.

Moreover, the Group's implementation of the "lean re-engineering" strategy has proven to be a critical strategy for increasing production efficiency, reducing lead time and inventory costs. This "lean re-engineering" strategy involves "lean process" re-engineering, which aims to reduce the operating process within each business unit resulting in increase in productivity in terms of both front and back end operations. The implementation of lean re-engineering in the Casual business within the Casual and Fashion Apparel Division achieved a significant turnaround in 2009 and the same strategy has continuously borne fruit resulting in a turnaround of the Accessories Division in 2010. On the other hand, ladies fashion and intimate apparel within the Casual and Fashion Apparel Division is consistently a key contributor to group profit, with 2010 being no exception.

2010 was not without challenges. The increasing cotton price and labour costs inevitably increased the costs of production and the depreciation of Euro in the first half of 2010 also affected our European business. However, the impact of increasing cotton price and labour costs was mitigated by the cooperation and partnership of certain customers who are willing to accommodate their orders to our production schedules to the extent possible. This proves that customer partnership with the right business model is an indispensable element of the growth of the Company.

Against the backdrop of this changing economic environment, I am pleased to report that the Group's revenue increased by 2.5% to approximately US$794,017,000 and achieved a profit attributable to the owners of the parent of approximately US$18,052,000 for the year ended 31 December 2010, representing an increase of 18.6% over 2009.

I believe Luen Thai's business model, being a comprehensive supply chain process in providing customers with an end-to-end value proposition will continue to serve Luen Thai's customers through shorter lead times and value-added services in all aspects of the supply chain. The Group's commitment of implementation of lean reengineering strategy will continue to reduce operating costs and improve production efficiency. The overall supply chain efficiency, product diversity and outsourcing capabilities are still the critical success factors in the consumer products industry where customers continue to consolidate their supply channels.

DIVIDEND

The Board of Directors has resolved to declare a final dividend of US0.319 cent per share (or equivalent to HK 2.488cents) for the year ended 31 December 2010.

FUTURE PLANS AND PROSPECTS

As the global economy has been picking up gradually and the market consolidation continues due to the close down of small factories, the Directors expect that barring any unforeseen circumstances, the Company will be able to gain market share through continuous customer partnership in the years to come.

We shall expect the cotton price will still maintain at high level and the operating costs in the mainland China will still be increasing as a result of the appreciation of Chinese Yuan and the possibility of further increase in minimum wage. As for the labour recruitment, though this is a well known fact that there is a labour shortage in the Guangdong province, the Company has not encountered any problem in recruitment of workers and the worker return rate after the Chinese New Year was high.

While we will maintain the current production capacities in mainland China, we shall however remain competitive by exploring the possibilities of adding more production facilities outside China through joint venture or acquisition in Southeast Asia countries. Meanwhile, the management has decided to expand the production capacities of casual apparel, sweaters and accessories in Indonesia and the Philippines in 2011.

The Company has a residential development project under development in Qingyuan, Guangdong, the PRC. According to the latest public information, the Chinese government will start to build a Guangzhou-Qingyuan Light Rail system by the end of 2011 which will connect Qingyuan with the Guangzhou Railway Station which is major transportation hub in Guangzhou City. The management still believes that the plan of a Guangzhou-Qingyuan Light Rail system would enhance the value of our residential project. Therefore, apart from following the original development plan, the management is assessing the feasibility of all other alternatives for the development of this project site, including joint venture with other experienced developers or industry players so as to further enhance the value of this project.

CORPORATE GOVERNANCE

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

APPRECIATION

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

TAN Siu Lin
Chairman

Hong Kong, 30 March 2011

RESULT REVIEW

For the year ended 31 December 2010, the Group's revenue increased by 2.5% to approximately US$794,017,000 when compared to 2009. The increase in revenue is mainly due to the increase in business with certain customers, particularly those under the Accessories Division amid the gradual stabilization of the global economy.

Luen Thai's overall gross profit for 2010 was approximately US$134,335,000, representing an decrease of 6.1% over 2009. The overall gross profit margin in 2010 was approximately 16.9% as compared to 18.5% in 2009. The decrease in gross profit margin was mainly due to the constant rise in raw material costs, in particular the increase in the world cotton price. The Group's operating expenses (including the selling and distribution expenses and the general and administrative expenses) decreased from US$127,035,000 in 2009 to approximately US$113,959,000 in 2010, representing a decrease of 10.3% over 2009 as a result of our continuous success in certain cost cutting initiatives.

As mentioned in the 2010 interim report of the Company, the significant increase in finance income during the year under review was mainly due to the de-recognition of financial liabilities as a result of the termination of an option deed entered into with one of the Group's joint venture partners back in 2006 relating to the joint venture business in On Time International Limited, a 60%-owned subsidiary of the Group. Details of such termination of option deed were stated in the Company's announcement dated 24 May 2010. The Board believes that the cancellation of the option deed would ensure the stable management structure, which is conducive to the long term development of the joint venture business.

The profit attributable to the owners of the parent increased to US$18,052,000 as compared to US$15,220,000 in 2009.

SEGMENTAL REVIEW

Apparel businesses, comprising our Causal and Fashion Apparel Division, Sweater Division and Life Style Division, accounted for approximately 81.6% of the Group's total revenue in 2010. These apparel businesses include the Group's OEM garment manufacturing, garment sourcing and trading. The challenges that the apparel businesses were facing in 2010 were mainly the fluctuation of Euro, the increase in raw material price as a result of the increasing cotton price and the increase in labour costs.

Ladies fashion and intimate apparel remain to be the leading segment contributor within the Casual and Fashion Apparel Division, registering strong revenue and profit for the year under review. As mentioned in our 2010 Interim report, the decrease in segment profit of the Casual and Fashion Apparel Division versus 2009 was due mainly to the reduction in orders from one major customer in Japan. True to management expectations, such orders stabilized by fourth quarter of 2010 which effectively narrowed down the decrement of segment profit of the Division.

The profit of the Sweater Division decreased also mainly due to the increase in raw material costs and the labour costs in mainland China. As a strategic move to mitigate the increasing cost in the mainland China, Sweater Division acquired certain manufacturing facilities in Indonesia during 2010 to enhance its production capabilities outside China.

With the successful application of the "lean reengineering" strategy, Accessories Division has turned around its business and operations resulting in a segment profit of approximately US$1,328,000 for the year under review despite the increase in operating costs in 2010.

The Real Estate segment was still at the development stage and did not record any revenue in 2010.

The segment profit of the Group's freight forwarding and logistics services was approximately US$316,000 in 2010.

MARKETS

Geographically, the US market was still the Group's key export market in 2010, accounting for approximately 52.0% of the Group's total revenue in 2010 and representing an increase of 3.0 percentage points when compared to that of 2009. Such increase represents mainly the increase of sales recorded by Casual and Fashion Apparel Division and Accessories Division in 2010.

Europe continued to be the second largest export market of the Group in 2010. Europe accounted for approximately 26.4% of the Group's total revenue in 2010 representing approximately 13.4 percentage points decrease over that recorded for 2009. This decrease was mainly due to the fluctuation of Euro exchange rate and the decrease in business with one major Europe-based customer.

Asia market (mainly the Greater China and Japan) is a growing market in 2010 which accounted for approximately 12.4% of the Group's total revenue representing an 5.1 percentage points increase over that of 2009.

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

ACQUISITIONS AND JOINT VENTURES

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

In June 2010, Fortune Investment Overseas Limited, a subsidiary of the Company, which owned 60% shareholding interest of Trinew Limited (which is the holding company of our Accessories Division), acquired the remaining 40% shareholding interest of Trinew Limited from Ospella International Limited, the joint venture partner at that time. Trinew Limited has then become a wholly owned subsidiary of the Group. The acquisition would help to streamline the operations of the Accessories Division through the implementation of the lean re-engineering strategy, which aims at cutting production costs and increasing the productivity of the Group.

As disclosed in the Company's announcement dated 9 July 2010, the Company, through its subsidiary, has entered into an agreement to acquire the entire shareholding in three target companies with operating subsidiaries in Indonesia which mainly specialize in manufacturing of sweaters and possess special manufacturing techniques for production of sweaters. The acquisition was completed in August 2010. In view of the rising production costs in mainland China, the management believes that the acquisition would widen its production base outside China and would better serve the Group's customers.

Riding on the success of the acquisitions and implementation of lean reengineering strategy that we conducted in the past, the Group is committed to taking calculated risk and will continue looking for acquisition targets not only in garment related industries but also on manufacturing of other consumer products.

INVESTOR RELATIONS AND COMMUNICATIONS

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

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

FINANCIAL RESULTS AND LIQUIDITY

As at 31 December 2010, the total amount of cash and cash equivalents of the Group was approximately US$81,907,000, representing a decrease of approximately US$25,643,000 as compared to that as at 31 December 2009. The Group's total bank borrowings as at 31 December 2010 was approximately US$64,252,000, representing a decrease of approximately US$2,764,000 as compared to the Group's total bank borrowings of approximately US$67,016,000 as at 31 December 2009.

As at 31 December 2010, 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 ten years with approximately US$40,054,000 repayable within one year or on demand, approximately US$5,432,000 in the second year, approximately US$14,241,000 in the third to fifth year, and approximately US$4,525,000 in more than five years.

Gearing ratio of the Company is defined as the net debt (represented by bank borrowings net of cash and cash equivalents) divided by shareholders' equity. As at 31 December 2010, the Group is in a net cash position. Hence, no gearing ratio is presented.

FOREIGN EXCHANGE RISK MANAGEMENT

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

CONTINGENT LIABILITIES AND OFF-BALANCE SHEET OBLIGATIONS

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

HUMAN RESOURCES, SOCIAL RESPONSIBILITIES AND CORPORATE CITIZENSHIP

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

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

With over 27,000 employees around the world, Luen Thai continuously strives to foster open communication with employees through various channels.

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

CORPORATE SOCIAL RESPONSIBILITY

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

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

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

EXECUTIVE DIRECTORS

Dr. TAN Siu Lin, aged 80, is the founder and Chairman of the Group. Dr. Tan is also the Chairman of the Peking University Luen Thai Center for Supply Chain System R&D (北京大學聯泰供應鏈系統研發中心), the PRC, and the Chairman of TSL School of Business and Information Technology in Quanzhou Normal University (泉州師範學院陳守仁工商信息學院). Dr. Tan is a board member of the Shaw College at the Chinese University of Hong Kong and the Vice-Chairman of the Huaqiao University (華僑大學) as well as the honorable president of the Hong Kong General Chamber of Textiles Limited. Dr. Tan holds an honorary Doctoral of Laws degree from the University of Guam.

TAN Henry, BBS, JP, aged 57, is the Chief Executive Officer and President of the Group and son of Dr. TAN Siu Lin. Mr. Tan is also a member of the Remuneration Committee and the Bank Facility Committee. Mr. Tan joined the Group in January 1985 and has over 26 years of experience in apparel and logistics industries. Mr. Tan is also an Independent non-executive director of Kingboard Chemical Holdings Limited. Mr. Tan acts as committee member of the Chinese People's Political Consultative Conference in Fujian (中國人民政治協商會議福建省委員會委員) and the member of Standing Committee of the Chinese People's Political Consultative Conference in Qingyuan City of Guangdong Province (廣東省清遠市政協常委). Mr. Tan also acts as the executive vice chairman of China Council for the Promotion of Peaceful National Reunification of Hong Kong Region (香港地區中國和平統一促進會常務副會長), vice president of Overseas Chinese Economic and Cultural Foundation of China (中國華僑經濟文化基金會副理事長), member of Garment Advisory Committee of Hong Kong Trade Development Council (香港貿易發展局成衣業諮詢委員會委員) and the council member of Huaqiao University. Mr. Tan is the past Chairman of Po Leung Kuk, an authorized charity organization in Hong Kong. Mr. Tan obtained his Master's degree in Business Administration and Bachelor's degree in Business Administration from the University of Guam.

TAN Cho Lung, Raymond, aged 49, 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 21 years of experience in the industry. Mr. Tan was the recipient of the Young Industrialist Award of Hong Kong and the DHL/SCMP Owner-Operator award for 2003. Mr. Tan graduated with a Bachelor's degree in Business Administration from the University of Guam.

MOK Siu Wan, Anne, aged 58, is the President and Chief Merchandizing Officer of Luen Thai International Group Limited and has also been recently appointed as President of the Tien Hu Group. Ms. Mok is an accomplished industry professional with years of experience in key executive and board member positions out of which over 20 years were spent holding various management positions within the Swire Pacific Group Companies. Ms. Mok also held senior management positions with other prominent organizations including Li & Fung Limited and the Pentland Group plc, a London based international group which develops and owns some leading brands in Sports and Fashion. Ms. Mok graduated with a Bachelor's degree in Arts from the University of Hong Kong and has attended various management programmes and courses organized by Harvard University, Tsinghua University and INSEAD Euro-Asia Centre. Ms. Mok was a member of the Board of Governors for the American Chamber of Commerce in Hong Kong from 1998 to 2003 and the Chairman of the Textiles Committee for the American Chamber of Commerce in Hong Kong in 1996 and 1997. Ms. Mok joined the Group in 2003 and was appointed to the Luen Thai Holdings Board as an Executive Director in June 2005.

TAN Sunny, aged 37, is the Chief Financial Officer of the Group and son of Dr. TAN Siu Lin. Mr. Tan joined the Group in 1999. Prior to joining the Group, Mr. Tan worked at the investment banking division of Merill Lynch. In 2006, Mr. Tan was appointed as a special advisor to the Governor of Commonwealth of the Northern Mariana Islands. Mr. Tan was appointed as the Executive Vice Chairman of the Hong Kong General Chamber of Textiles Limited in 2009. Mr. Tan is also an independent non-executive Director of Hopewell Holdings Limited. Mr. Tan obtained a Master of Science degree from Stanford University and Bachelor of Business Administration degree from the University of Wisconsin-Madison.

NON-EXECUTIVE DIRECTOR

TAN Willie, aged 55, is the Chief Executive Officer of the privately held businesses of the Tan Family namely Luen Thai Enterprises Limited and Tan Holdings Corporation. Mr. Tan is the son of Dr. Tan Siu Lin and joined the apparel division in 1985 and has held the positions of Executive Vice President and later on Chief Operating Officer prior to his appointment to lead the privately held businesses. Mr. Tan has almost 28 years experience in business management in various disciplines including apparel and footwear manufacturing, fishing, logistics including cargo airline and shipping, wholesale and retail operations, hotel, travel and tours, insurance, financial and health care services. Mr. Tan obtained his Bachelor's Degree in Business Administration from the University of Guam. He is currently the External Vice President of the Philippine-China Business Council, Chairman of the Confederation of Garment Exporters of the Philippines, a member of China's Chinese People's Political Consultative Conference in Qingyuan, Guangdong (中國人民政治協商會議廣東省清遠市委員會委員) and a director for Quanzhou City Global Youth Federation. In November 2007, Mr. Tan was appointed Honorary Ambassador-at-Large for Guam, USA.

LU Chin Chu, aged 57, is an executive director and also the General Manager of one of the three manufacturing groups of Yue Yuen Industrial (Holdings) Limited, a company listed on The Stock Exchange of Hong Kong Limited and is considered a substantial shareholder of the Company under the Rules Governing the Listing of Securities on the Stock Exchange. Additionally, he is currently a director of San Fang Chemical Industry Co. Ltd. and Evermore Chemical Industry Co. Ltd., companies being listed on the Taiwan Stock Exchange in Taiwan. Mr. Lu also holds several directorships in certain private companies established in Taiwan, Hong Kong, mainland China, the United States, Bermuda and the British Virgin Islands, which are engaged primarily in investment holding, production and marketing of non-apparel products, except for Yuen Thai Industrial Company Limited, a joint venture company established between Yue Yuen and the Group in 2004 to develop active wear business. Mr. Lu is an accomplished industry professional with over 33 years of experience in the manufacturing of footwear and related components. He joined the Group in 2007.

INDEPENDENT NON-EXECUTIVE DIRECTORS

CHAN Henry, aged 45, is a member of both the Audit Committee and the Remuneration Committee. Mr. Chan has over 23 years of experience in the financial market and is the Managing Director of Sanfull Securities Limited. He was a Director of The Stock Exchange of Hong Kong Limited. Mr. Chan is currently a member of the Advisory Committee of the Securities and Futures Commission, the Permanent Honorary President of Hong Kong Stockbrokers Association Limited, an independent non-executive director of Hengan International Group Company Limited, a company listed on the Main Board of the Stock Exchange which engages in the manufacture and distribution of personal hygiene products. Mr. Chan is also a committee member of the Chinese People's Political Consultative Conference in Xiamen, Fujian Province, China. Mr. Chan obtained his Master's degree in Business Administration from Asia International Open University (Macau) and his Bachelor's degree in Arts from Carleton University in Canada. He joined the Group in 2004.

CHEUNG Siu Kee, aged 67, is a member of both the Audit Committee and the Remuneration Committee. Mr. Cheung has extensive experience in the financial industry. Mr. Cheung was the Group Treasurer of Nam Tai Electronics, Inc. from 2004 to 2005. Mr. Cheung had also worked for the Hongkong and Shanghai Banking Corporation Limited in Hong Kong for 37 years when he retired in 2003 as a Senior Executive in the Corporate and Institutional Banking division. Mr. Cheung obtained his Bachelor's degree in Arts from the University of Hong Kong. He joined the Group in 2004.

SEING Nea Yie, aged 63, is the Chairman of both the Audit Committee and the Remuneration Committee. Mr. Seing is the senior partner of both accounting firms Messrs. Chan, Seing & Co. and Messrs. Chen Yih Kuen & Co. Certified Public Accountants (Practising). Mr. Seing has over 36 years of audit experience and is currently holding CPA (Practising) at Hong Kong Institute of Certified Public Accountants. Mr. Seing is an active contributor to the charity activities in the community. He was the Director of Po Leung Kuk, an authorized charity organization in Hong Kong, from 1987 to 1990 and became the Vice Chairman in 1990 and 1991. Mr. Seing was also a member of audit committee of Po Leung Kuk from 1996 to 2000. Currently, Mr. Seing is the honorary president of The Fukienese Association Limited. He joined the Group in January 2005.

SENIOR MANAGEMENT

CHAN Wei Ben, Benny, aged 58, is the Senior Vice President of Textile Division. Mr. Chan is responsible for the overall management of the operation of the end-to-end process of the textile business. Mr. Chan joined the Group in 1980.

CHOI Suk Yan, Belinda, aged 62, is the Group Finance Controller and Treasurer. Ms. Choi has over 36 years of experience in various areas of the apparel manufacture industry with over 25 years of experience in financial management. She joined the Group in 1967.

DILCOCK, Victoria Anne Theresa, aged 56, is the Senior Vice President for Manufacturing for YTI and President of Yuen Thai Philippines Incorporated. Ms. Dilcock joined the Group in 2003 and has over 38 years of expertise in product development, technical process management and 'Lean' manufacturing gained from top garment and textile companies in the United Kingdom, Morocco, and China. Prior to joining the Group, she held key executive positions with Sara Lee Courtaulds, Claremont Garments Ltd. and Brentwood Clothing Ltd. (Stirling Group) among other companies based in the United Kingdom, Morocco, and China. She attended courses on Engineering, GSD, Work Study and Ergonomics at Eriksson's Management Consultancy in the UK.

HELFENBEIN Richard A., aged 62, is the President of Luen Thai USA. Mr. Helfenbein has extensive experience in the industry in key executive positions with Crystal Brands Inc., as the President of Izod/Lacoste Youthwear, and as the Managing Director of Apparel Services at Burlington Industries, Inc.. He has been with the Group since 1999. Mr. Helfenbein had served for many years on the Board of Trustees of Blythedale Children's Hospital, and the Board of the Greyston Foundation in New York. He is currently a Board Member and Executive Committee Member of American Apparel and Footwear Association, (the highly prestigious national trade organization in the United States of apparel and footwear), and serves on the Apparel Studies Advisory Board of the University of Arkansas, and the Wisdom Council of the Greyston Foundation. Mr. Helfenbein received a Bachelor of Science degree in Economics from the Wharton Business School at the University of Pennsylvania, participates in COER (Consortium for Operational Excellence in Retailing), and often lectures at Industry Events and prestigious Universities in the USA on the subjects of Supply Chain Management and International Trade.

Dr. ROMAGNA John, aged 65, is the Executive Vice President of Strategy, Systems, and Support Division. Dr. Romagna joined the Group in 1997 and has over 30 years of business strategy, and process analysis and reengineering experience leveraging information technology. He has been a consultant on major projects for various organizations and companies including Huawei Technology; engineering divisions of Toshiba, Fujitec, and Mitsubishi; Macau Telephone; GTE; Adventis; Gammon Construction; the Hong Kong Department of Industry; the Hong Kong Construction Association; various divisions of U.S. government; and the World Bank, among others. Dr. Romagna holds a PhD from Columbia University and did post-doctoral work at Princeton University in systems analysis and policy analysis. He is the author of a book on Quality Management Systems published by the Chinese Manufacturer's Association of Hong Kong, and co-editor and author of a book on Supply Chain Management Practices published by Peking University Press.

SAUCEDA JR Francisco, aged 52, is Executive Vice President of Luen Thai International Group, Ltd., and is responsible for the end-to-end business of Verte Company which mainly comprised Polo Ralph-Lauren and Levi's brands. He concurrently holds the position of President of Luen Thai Philippines. He has been with the Group since 1994. Mr. Sauceda obtained his Bachelor's degree in Business Administration from Texas Southmost College, University of Texas. He is a member of the Hong Kong Chamber of Commerce and the Mexican Chamber of Commerce Hong Kong.

TAN Cho Yee, Jerry, aged 49, 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 21 years of experience in logistics operations. Active in community service, Jerry serves as the Vice-Chairman of the Tan Siu Lin Foundation since 2009. He was a Board Member of the American Red Cross CNMI Chapter from 2002 to 2008, and was conferred in 2010 the status of an Honorary Board Member, a lifetime membership on the Board, in recognition of his tremendous efforts over the past 10 years. He served as a director of the Saipan Chamber of Commerce in 2003 and 2004. Jerry was the President of the Northern Marianas College Foundation from 2002 to 2006, and served as a Board Member from 2007 to May 2010. He is a member since 2004 of the Strategic Economic Development Council and Air Service Committee of CNMI, both think-tank groups comprised key people from the government and private industry. He was Vice-President/Treasurer in 2004, and is currently the President/Treasurer of the Chinese Association of Saipan since 2005. He was the Chairman of the Mariana Visitor's Authority from March 2006 to March 2010. In January 2010, he was appointed by the Taipei Compatriot Affairs Commission as the Adviser for Overseas Compatriot Affairs. Equally devoted to promoting sports for all ages, Jerry is the President of the Saipan Bowling Association since 2001, President of the Northern Mariana Islands Football Association since 2005, ExCo Member of the East Asian Football Federation (EAFF) since 2007 and President of the Northern Marianas Badminton Association since January 2010. Jerry was awarded the "2003 Business Person of the Year" by the Saipan Chamber of Commerce. The following year, he was named "2004 Employer of the Year" by the CNMI Chapter of the Society for Human Resources Management. In January 2010, Jerry was awarded the Guam Business Executive of the Year, an annual award program which recognizes executives who have made outstanding contributions to the local business community and raised the bar in the field in which they are involved. In June 2010, the Rotary Club of Saipan bestowed him the Rotary Citizen of the Year Award in recognition for his insurmountable contribution to the community. Jerry obtained a degree in Bachelor of Business Administration from the University of Guam.

WONG, Sammy, aged 54, 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 30 years of experience in sweater business. Mr. Wong obtained a Diploma in Architectural and Environmental Design and is an Associate of the OCAD University in Toronto, Canada.

COMPANY SECRETARY

CHIU Chi Cheung, aged 47, is the Vice President of Corporate Finance, Company Secretary of the Company. Mr. Chiu has over 18 years of experience in the field of auditing and accounting. He joined the Group in 2002. He was an auditing manager of an international auditing firm. Mr. Chiu is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. Mr. Chiu holds a Bachelor of Business Administration degree from the University of Hong Kong.

The board of directors of Luen Thai Holdings Limited (the "Directors") has the pleasure in presenting to the shareholders this annual report together with the audited financial statements of Luen Thai Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") for the year ended 31 December 2010.

PRINCIPAL ACTIVITIES

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

GROUP PROFIT

The consolidated income statement is set out on page 38 and shows the Group's profit for the year ended 31 December 2010. 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 11 of the annual report.

DIVIDENDS

An interim dividend of US0.227 cent per share was paid to the shareholders during the year totaling to approximately US$2,253,000 and the Directors recommend the payment of a final dividend of US0.319 cent per share totaling to approximately US$3,167,000.

SUBSIDIARIES, ASSOCIATES AND JOINTLY CONTROLLED ENTITIES

Details of the principal subsidiaries, associated companies and jointly controlled entities of the Company and the Group as at 31 December 2010 are set out in notes 9 to 11 to the financial statements.

SHARE CAPITAL

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

RESERVES

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

DISTRIBUTABLE RESERVES

The distributable reserves of the Company available for distribution as dividends amounted to approximately US$193,033,000 as at 31 December 2010, comprising retained earnings of approximately US$4,451,000, a share premium of approximately US$117,018,000 and a capital reserve amounting to approximately US$71,564,000. Under the Companies Law (Revised) of the Cayman Islands, the funds in the share premium account and the capital reserve account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debt as they fall due in the ordinary course of business.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group is set out on page 124 of the annual report.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group acquired property, plant and equipment of approximately US$11,205,000. Details of the movements in property, plant and equipment of the Group during the year are set out in note 7 to the financial statements.

RETIREMENT SCHEMES

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

DONATIONS

Charitable and other donations made by the Group during the year amounted to approximately US$119,000.

SHARE OPTIONS

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

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

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

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

Eligible Participants:	At the Board's discretion include – (i) any Director, employee or officer employed by any Group company ("Employee"), consultant, professional, customer, supplier, agent, partner or adviser of or contractor to the Group or a company in which the Group holds an interest or subsidiary of such company ("Affiliate"); or (ii) the trustee of any trust the beneficiary of which or any discretionary trust the discretionary objects of which include any Director, Employee, consultant, professional, customer, supplier, agent, partner or advisor of or contractor to the Group or an Affiliate; or (iii) a company beneficially owned by any Director, Employee, consultant, professional, customer, supplier, agent, partner, advisor of or contractor to the Group or an Affiliate.
Minimum period for which an option must be held before it can be exercised:	An option may be exercised at any time during a period to be notified by the Board to each grantee. The Board may also provide restrictions on the exercise of an option during the period an option may be exercised.
Amount payable on acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be repaid:	HK$10 within 21 days of offer
Basis of determining the exercise price:	The exercise price shall be determined by the Board and not less than the highest of – (i) the closing price of a share as stated in the daily quotations sheet of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on the date of grant of the relevant option, which must be a business day; (ii) an amount equivalent to the average closing price of a share as stated in the Stock Exchange's daily quotation sheets for the 5 business days immediately preceding the date of grant of the relevant option; and (iii) the nominal value of share on the date of grant.
Remaining life of the Share Option Scheme:	The Share Option Scheme will remain in force until 26 June 2014, unless otherwise determined in accordance with its term.

The following is a summary of options granted and outstanding during the year ended 31 December 2010:

	Note	Date of grant (dd/mm/yyyy)	Exercisable Period (dd/mm/yyyy)	Exercise Price Per Share	No. of share options: As at 1 January 2010	Granted during the year	Lapsed/ Forfeited	Exercised	As at 31 December 2010
TAN Henry	4	26/01/2006	26/01/2007–25/01/2011	HK$2.52	200,000	–	–	–	200,000
		10/11/2006	10/11/2007–09/11/2011	HK$1.28	250,000	–	–	–	250,000
					450,000	**–**	**–**	**–**	**450,000**
TAN Cho Lung, Raymond	4	26/01/2006	26/01/2007–25/01/2011	HK$2.52	150,000	–	–	–	150,000
		10/11/2006	10/11/2007–09/11/2011	HK$1.28	150,000	–	–	–	150,000
					300,000	**–**	**–**	**–**	**300,000**
Mok Siu Wan, Anne	6	26/01/2006	26/01/2007–25/01/2011	HK$2.52	500,000	–	–	–	500,000
		10/11/2006	10/11/2007–09/11/2011	HK$1.28	700,000	–	–	–	700,000
		21/04/2008	21/04/2009–20/04/2013	HK$0.71	2,000,000	–	–	–	2,000,000
					3,200,000	**–**	**–**	**–**	**3,200,000**
TAN Sunny	4	26/01/2006	26/01/2007–25/01/2011	HK$2.52	300,000	–	–	–	300,000
		10/11/2006	10/11/2007–09/11/2011	HK$1.28	400,000	–	–	–	400,000
					700,000	**–**	**–**	**–**	**700,000**
TAN Willie	5	26/01/2006	26/01/2007–25/01/2011	HK$2.52	300,000	–	–	–	300,000
					300,000	**–**	**–**	**–**	**300,000**
Other Employees		26/01/2006	26/01/2007–25/01/2011	HK$2.52	4,655,000	–	158,500	–	4,496,500
		10/11/2006	10/11/2007–09/11/2011	HK$1.28	5,089,000	–	151,000	–	4,938,000
		21/04/2008	21/04/2009–20/04/2013	HK$0.71	10,600,000	–	134,000	166,000	10,300,000
					20,344,000	**–**	**443,500**	**166,000**	**19,734,500**
Total		26/01/2006	26/01/2007–25/01/2011	HK$2.52	6,105,000	–	158,500	–	5,946,500
		10/11/2006	10/11/2007–09/11/2011	HK$1.28	6,589,000	–	151,000	–	6,438,000
		21/04/2008	21/04/2009–20/04/2013	HK$0.71	12,600,000	–	134,000	166,000	12,300,000
					25,294,000	**–**	**443,500**	**166,000**	**24,684,500**

Notes:

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

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

3. Except for 66,000 and 100,000 share options granted on 21 April 2008 were exercised in April and May 2010, none of the share options granted and outstanding as at 31 December 2010 has been exercised up to the date of approval of the Company's 2010 Annual Report.

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

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

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

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

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

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

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

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

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

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

DIRECTORS AND DIRECTORS' SERVICE AGREEMENTS

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

Executive Directors

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

Non-executive Directors

TAN Willie
LU Chin Chu

Independent non-executive Directors

CHAN Henry
CHEUNG Siu Kee
SEING Nea Yie

PARTICULARS OF SERVICE AGREEMENTS

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

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

TAN Siu Lin	HK$67,500
TAN Henry	HK$277,808
TAN Cho Lung, Raymond	HK$202,096
TAN Sunny	HK$67,000

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

Pursuant to the letter of re-appointment dated 16 September 2010, Mr. Lu Chin Chu was re-appointed as a non-executive Director of the Company for a fixed period of three years commencing from 17 September 2010. Mr. Lu is entitled to an annual director fee of HK$120,000.

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

Pursuant to the letter of re-appointment dated 28 December 2010, Mr. Seing Nea Yie was re-appointed as an independent non-executive Director of the Company for a period from 28 January 2011 to 15 April 2013. Mr. Seing is entitled to an annual director fee of HK$120,000.

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

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 31 December 2010, 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 contained in the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") were as follows:

Long position in the Shares

Name of Director	Capacity	No. of Shares	Percentage of interests in the Company
TAN Siu Lin	Trustee (note 1)	5,743,000	0.58%
	Interest of controlled corporation (note 1)	10,000,000	1.01%
TAN Henry	Beneficiary (note 1)	5,743,000	0.58%
	Beneficial Owner (notes 3 & 4)	450,000	0.05%
	Interest of controlled corporation (note 2)	675,950,000	68.09%
TAN Cho Lung, Raymond	Beneficiary (note 1)	5,743,000	0.58%
	Beneficial Owner (notes 3, 4 & 6)	1,550,000	0.15%
MOK Siu Wan, Anne	Beneficial Owner (notes 3, 4 & 5)	3,200,000	0.32%
TAN Sunny	Beneficiary (note 1)	5,743,000	0.58%
	Beneficial Owner (notes 3, 4 & 7)	1,022,000	0.10%
TAN Willie	Beneficiary (note 1)	5,743,000	0.58%
	Beneficial Owner (note 3)	300,000	0.03%

Notes:

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

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

2. Mr. Tan Henry is the beneficial owner of 3,500 issued shares (representing 70% interest) in Helmsley Enterprises Limited ("Helmsley"), a company incorporated in the Commonwealth of the Bahamas. Helmsley wholly owns Capital Glory Limited and Hanium Industries Limited, which in turn own 631,350,000 Shares, or approximately 63.60% interest in the issued share capital of the Company.

   Mr. Tan Henry is the beneficial owner of 5,543,668 issued shares (representing 35% interest) in Tan Holdings Corporation. Tan Holdings Corporation wholly owns Union Bright Limited, which in turn owns 43,650,000 Shares, or approximately 4.40% interest in the issued share capital of the Company.

   Mr. Tan Henry also controls and has the interest in Double Joy Investment Limited, a company incorporated in the British Virgin Islands , which directly owns 950,000 shares of the Company (or approximately 0.09% of the issued share capital of the Company).

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

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

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

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

7. Mr. Tan Sunny acquired a total of 322,000 shares of the Company in 2006.

CONNECTED TRANSACTIONS AND DIRECTORS' INTERESTS IN CONTRACTS

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

(i) On 24 May 2010, Fortune Investment Overseas Limited ("Fortune Investment"), a subsidiary of the Company entered into a termination agreement ("Termination Agreement") with a non-controlling shareholder, who is the substantial shareholder of On Time International Limited ("On Time") holding 40% of its shareholding interest and therefore a connected person of the Company. On Time is a 60% owned subsidiary of the Company. Pursuant to the Termination Agreement, an option deed ("Option Deed") dated 10 March 2006 entered into between Fortune Investment and the non-controlling shareholder was terminated. As a result of this termination, Fortune Investment effectively disposed of its right to acquire the remaining 40% interests in On Time pursuant to the terms and conditions set out in the Option Deed in consideration of this non-controlling shareholder agreeing to dispose of his right to sell the same 40% interest in On time to Fortune Investment pursuant to terms and conditions set out in the Option Deed. The Board believes that the cancellation of the Option Deed would ensure the stable management structure, which is conducive to the long term development of the joint venture business.

(ii) On 19 April 2010, Fortune Investment, Ospella International Limited, Mr. Owen John Inglis and Luen Thai Overseas Limited entered into a sale and purchase agreement ("Trinew Agreement"). Pursuant to the Trinew Agreement, Fortune Investment, a subsidiary of the Company, which owned 60% shareholding interest of Trinew Limited, acquired the remaining 40% shareholding interest of Trinew Limited at a total consideration of approximately of US$7,315,000 from Ospella International Limited, which was a non-controlling shareholder of Trinew Limited and therefore a connected person of the Company. Completion of the sale and purchase of the said 40% shareholding interest in Trinew Limited under the Trinew Agreement took place on 14 June 2010.

(iii) On 9 July 2010, the Company, through its subsidiary, Partner Joy Group Limited has entered into a sale and purchase agreement with, among others, Kardon International Worldwide Ltd. ("Kardon") and Linktop Enterprises Ltd. ("Linktop") to acquire the entire shareholding in three target companies in Indonesia at a consideration of approximately US$2,543,000. Both Kardon and Linktop are associates of Mr. Tan Siu Lin, a director and therefore are connected person of the Company. These target companies mainly specialize in manufacturing of sweaters.

Details of the Continuing Connected Transactions are as follows:

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

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

The following table is a summary of the historical amounts of the non-exempt continuing connected transactions of the Group pursuant to Chapter 14A of the Listing Rules for the years ended 31 December 2010 and 2009. Details of these connected transactions are more particularly described in the relevant announcements released by the Company during the period covered, which are also posted in the Stock Exchange and the Company's websites.

Connected Party	**Category**	**2010 US$'000**	2009 US$'000
Tan Private Group	Travel services	**173**	142
	Provision of technological support services (note a)	**2,105**	2,192
	Lease agreements (note b)		
	— Group as tenants	**1,458**	1,225
	— Tan Private Group as tenants	**66**	—
	Administrative and support services	**116**	—
	Freight services by the Group (note c)	**254**	289
	Shipping agency services by the Group (note d)	**623**	769
	Advance payments made by the Group	**19**	103
	Service orders (note e)	**6,423**	7,324
	Purchase orders (note e)	**2,534**	2,819

(a) On 18 December 2009, Luen Thai Overseas Limited, a subsidiary of the Company, entered into an agreement with Tan Private Group pursuant to which Tan Private Group, through its subsidiary, shall continue to provide technological support services to the Group including but not limited to software and system development and maintenance services such as process mapping, analysis and design, process reengineering, scheduling, management reporting and analysis.

(b) On 18 December 2009, Luen Thai Overseas Limited, a subsidiary of the Company, entered into an agreement with Tan Private Group in relation to the leasing of properties between the Group and the Tan Private Group.

(c) On 5 February 2009, the Group has entered into a master agreement with the Tan Private Group in respect of all the transactions relating to the Group's provision of freight services to the Tan Private Group for a 3-year fixed term from 1 January 2009 to 31 December 2011.

(d) On 5 February 2009, the Group has entered into an agreement with Tan Private Group in respect of the Group's provision of shipping agency services to Tan Private Group for a 3-year fixed duration from 1 January 2009 to 31 December 2011.

(e) On 26 November 2008, the Company, through its subsidiary, entered into an agreement ("Agreement") with A. M. International Manufacturing Company Limited ("AMI"). Pursuant to the Agreement, AMI will purchase relevant manufacturing raw materials ("Purchase orders") from the subsidiaries of the Company ("Subsidiaries") each time after AMI receives the service orders placed by the Subsidiaries ("Service orders"). The service orders to be made by the Subsidiaries to AMI pursuant to the Agreement under which AMI will provide garment manufacturing services to the Group.

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

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

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Group in page 23 of the Annual Report in accordance with paragraph 14A.38 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A copy of the auditor's letter has been provided by the Company to The Stock Exchange of Hong Kong Limited.

Save as disclosed above:

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

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

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2010, the register of substantial shareholders maintained pursuant to Section 336 of the SFO showed that other than the interest disclosed in "Directors' and Chief Executives' Interests in Shares", the following shareholders had notified the Company of their relevant interests in the issued capital of the Company.

Long position in the shares

Name of shareholder	Note	Capacity	No. of ordinary Shares beneficially held	Approximate percentage of interests in the Company
Capital Glory Limited	(a)	Beneficial owner	614,250,000	61.88%
Helmsley	(a)	Interest of controlled corporation	631,350,000	63.60%
Pou Chen Corporation		Interest of controlled corporation	89,100,000	8.98%
Wealthplus Holdings Limited		Interest of controlled corporation	89,100,000	8.98%
Yue Yuen Industrial (Holdings) Limited		Interest of controlled corporation	89,100,000	8.98%
Pou Hing Industrial Co. Ltd.		Interest of controlled corporation	89,100,000	8.98%
Great Pacific Investments Limited		Beneficial owner	89,100,000	8.98%

Note:

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

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

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares for the year ended 31 December 2010.

PUBLIC FLOAT

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

MAJOR CUSTOMERS AND SUPPLIERS

The Group's top five customers accounted for approximately 53% (2009: 60%) of the total sales. The top five suppliers accounted for approximately 20.5% (2009: 48.7%) of the total purchases for the year. In addition, the Group's largest customer accounted for approximately 15% (2009: 21%) of the total sales and the Group's largest supplier accounted for approximately 7.5% (2009: 19%) of the total purchases for the year. At no time during the year have the Directors, their associates or any shareholders of the Company (which to the knowledge of the Directors own more than 5% of the Company's share capital) had any interest in these major customers and suppliers.

CORPORATE GOVERNANCE

The Company has complied with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. Corporate Governance Report is set out in page 26 to 32 of this annual report.

AUDITORS

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

On behalf of the Board
Tan Henry
Chief Executive Officer and President

30 March 2011

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 2010, the Company was in compliance with the Code as set out in the Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

This report includes key information relating to corporate governance practices of the Company during the year ended 31 December 2010 and significant events after that date and up to the date of this report.

DIRECTORS' SECURITIES TRANSACTIONS

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

BOARD OF DIRECTORS

The Board

The Board is scheduled to meet at least four times a year to determine overall strategic direction and objectives and approve interim and annual results and other significant matters. In 2010, four Board meetings were held with an average attendance rate of 97.5%, details of which are presented below.

Board Members	Meetings Attended/Held	Average Attendance Rate
Executive Directors		100%
TAN Siu Lin *(Chairman of the Board)*	4/4	100%
TAN Henry*	4/4	100%
TAN Cho Lung, Raymond*	4/4	100%
MOK, Siu Wan Anne	4/4	100%
TAN, Sunny*	4/4	100%
Non-executive Directors		88%
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 Code requirements.

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

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

Chairman and CEO

During the year 2010 and as of the date of this report, Mr. Tan Siu Lin is the Chairman of the Board and Mr. Tan Henry is the Chief Executive Officer of the Company. Mr. Tan Henry is the son of Mr. Tan Siu Lin.

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

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

Composition

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

Appointments, re-election and removal

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

Responsibilities of Directors

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

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

Independent non-executive Directors

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

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

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

(iii) serve on committees if invited; and

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

Pursuant to the letter of re-appointment dated 28 December 2010, Mr. Seing Nea Yie was re-appointed as an independent non-executive Director of the Company for a period from 28 January 2011 to 15 April 2013. Mr. Seing is entitled to an annual director fee of HK$120,000.

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

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

Supply of and access to information

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

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

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

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

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

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

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

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

The Remuneration Committee is authorized to investigate any matter within the RC Terms of Reference and seek any information it requires from any employee and obtain outside legal or other independent professional advice at the cost of the Company if it considers necessary. The Remuneration Committee has reviewed the compensation of the directors and senior executives for 2010.

In 2010, total Directors' remuneration amounted to approximately US$2,379,000 (2009: US$2,184,000). The executive Directors and senior management's compensation, including the long-term incentive, shall be based on the corporate and individual performance.

ACCOUNTABILITY AND AUDIT

Financial reporting

The Directors are responsible for the preparation of financial statements for each financial period which give a true and fair view of the state of affairs of the Group and of the results and cash flow for that period. In preparing the financial statements for the year ended 31 December 2010, the Directors have selected suitable accounting policies and applied them consistently; adopted appropriate Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards; made adjustments and estimates that are prudent and reasonable; and have prepared the financial statements on the going concern basis. The Directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company.

Internal Controls

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

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

Audit Committee

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

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

The Audit Committee has reviewed the annual and interim results of 2010 and was content that the accounting policies of the Group are in accordance with the generally accepted accounting practices in Hong Kong.

Also, based on the assessments made by the IA Team and up to the date of approval of the Company's 2010 Annual Report and financial statements, the Audit Committee and the Directors considered that:

(i) the internal control and accounting system are designed to provide reasonable but not absolute assurance that material assets are protected, business risks attributable to the Group are identified and monitored, material transactions are executed in accordance with management's authorization and the financial statements are reliable for publication;

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

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

The Audit Committee recommended to the Board that, subject to the shareholders' approval at the forthcoming annual general meeting of the Company, Messrs. PricewaterhouseCoopers be re-appointed as the external auditors of the Group for 2011.

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$801,000 was payable to PricewaterhouseCoopers for the provision of audit services. In addition, approximately US$351,000 was payable to PricewaterhouseCoopers for other non-audit services. The non-audit services mainly consist of tax compliance and interim review. The fees for audit and non-audit services for subsidiaries not performed by PricewaterhouseCoopers amounted to approximately US$174,000 and US$12,000, respectively.

Communication with Shareholders

Communication with shareholders is given high priority. Extensive information about the Group's activities is provided in the Annual Report and the Interim Report. The Company's website provides regularly updated Group information to shareholders. Luen Thai also arranges regular site visit for investors and media. Enquiries on matters relating to shareholdings and the business of the Group are welcome, and are dealt with in an informative and timely manner. The Group encourages all shareholders to attend Annual General Meeting. The Chairman of the Annual General Meeting will put each resolution set out in the notice of the 2011 Annual General Meeting to be voted by way of a poll.

SHAREHOLDERS' INFORMATION

Major Shareholders and Spread of Shareholders

As at 31 December 2010, the Company has 992,666,000 shares in issue, each with a par value of US$0.01. The major shareholders of the Company were as follows:

Beneficial Shareholders	Number of Ordinary Shares Owned	Percentage
Capital Glory Limited (notes 1 & 2)	614,250,000	61.88%
Union Bright Limited (notes 1 & 3)	43,650,000	4.40%
Hanium Industries Limited (notes 1 & 4)	17,100,000	1.72%
Other Shareholders (notes 1, 5, 6, 7 & 8)	17,315,000	1.74%
	692,315,000	69.74%
Public Shareholders		
Yue Yuen Industrials (Holdings) Limited	89,100,000	8.98%
Other Shareholders	211,251,000	21.28%
Total	992,666,000	100.00%

Notes:

1. Parties acting in concert.

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

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

4. Hanium Industries Limited is a wholly owned subsidiary of Helmsley, which in turn owned by Mr. Tan Henry and the Tan Family Trust.

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

6. Tan Siu Lin Foundation Limited, which is entirely controlled by Tan Siu Lin, holds 10,000,000 shares of the Company.

7. A total of 1,250,000 shares of the Company ("Company Shares") were purchased by associates of Mr. Tan Cho Lung, Raymond, between 2005 and 2009. He is therefore deemed under Part XV of the SFO to be interested in the total Company Shares purchased by his respective associates.

8. 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$0.82 as at 31 December 2010 and its market capitalization was approximately HK$814 million. In 2010, the highest trading price for the Company share was HK$1.26 on 15 April, and the lowest was HK$0.69 on 30 June.

PRICEWATERHOUSECOOPERS

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

We have audited the consolidated financial statements of Luen Thai Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 35 to 123, which comprise the consolidated and company balance sheets as at 31 December 2010, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

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

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

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

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

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 2010, 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, 30 March 2011

As at 31 December 2010

	Note	As at 31 December 2010 US$'000	2009 US$'000 (restated)	As at 1 January 2009 US$'000 (restated)
ASSETS				
Non-current assets				
Leasehold land and land use rights	6	8,788	8,868	10,644
Property, plant and equipment	7	105,479	104,970	117,679
Intangible assets	8	65,068	67,002	68,870
Interests in associated companies	10	494	372	377
Interests in jointly controlled entities	11	10,246	9,813	9,531
Deferred income tax assets	12	630	991	230
Properties under development	14	22,986	—	—
Other non-current assets		3,827	4,346	4,955
Total non-current assets		217,518	196,362	212,286
Current assets				
Inventories	13	79,230	62,341	76,208
Properties under development	14	—	20,758	—
Trade and bills receivable	15	115,243	110,001	108,351
Amounts due from related companies	37	2,339	2,702	4,143
Amounts due from associated companies and jointly controlled entities	37	4,395	5,192	1,584
Deposits, prepayments and other receivables		25,028	18,423	19,876
Prepaid tax		1,000	370	—
Pledged bank deposit	16	1,723	1,564	1,509
Cash and cash equivalents	16	81,907	107,550	117,839
Total current assets		310,865	328,901	329,510
Total assets		528,383	525,263	541,796
EQUITY				
Equity attributable to owners of the parent				
Share capital	17	9,927	9,925	9,925
Other reserves	18	133,911	102,110	101,340
Retained earnings				
— Proposed final dividend		3,167	2,343	1,439
— Others		129,716	119,977	108,858
		276,721	234,355	221,562
Non-controlling interests		10,839	21,821	24,898
Total equity		287,560	256,176	246,460

	Note	As at 31 December 2010 US$'000	As at 31 December 2009 US$'000 (restated)	As at 1 January 2009 US$'000 (restated)
LIABILITIES				
Non-current liabilities				
Bank borrowings	19	3,063	—	—
Loan from a non-controlling shareholder of a subsidiary	37	—	3,097	3,097
Retirement benefit obligations	20	5,687	2,841	2,431
Deferred income tax liabilities	12	6,557	6,781	5,075
Consideration payable and financial liabilities	21	—	31,259	33,959
Total non-current liabilities		15,307	43,978	44,562
Current liabilities				
Trade and bills payable	22	60,687	50,242	66,196
Other payables and accruals	23	90,810	87,364	81,039
Amounts due to related companies	37	1,852	1,309	817
Amounts due to associated companies and jointly controlled entities	37	1,308	4,340	3,953
Borrowings	19	61,189	67,016	83,540
Derivative financial instruments	24	727	22	2,199
Current income tax liabilities		8,943	14,816	13,030
Total current liabilities		225,516	225,109	250,774
Total liabilities		240,823	269,087	295,336
Total equity and liabilities		528,383	525,263	541,796
Net current assets		85,349	103,792	78,736
Total assets less current liabilities		302,867	300,154	291,022

TAN SIU LIN
Director

TAN HENRY
Director

The notes on pages 42 to 123 are an integral part of these consolidated financial statements.

BALANCE SHEET

As at 31 December 2010

	Note	2010 US$'000	2009 US$'000
ASSETS			
Non-current assets			
Investments in subsidiaries	9	201,326	201,326
Current assets			
Cash and cash equivalents	16	476	429
Amount due from a subsidiary	9	3,500	3,000
Total current assets		3,976	3,429
Total assets		205,302	204,755
EQUITY			
Equity attributable to owners of the parent			
Share capital	17	9,927	9,925
Other reserves	18	190,369	190,292
Retained earnings			
— Proposed final dividend		3,167	2,343
— Others		1,284	1,796
Total equity		204,747	204,356
LIABILITIES			
Current liabilities			
Other payables and accruals		405	399
Amount due to a subsidiary	9	150	—
Total current liabilities		555	399
Total equity and liabilities		205,302	204,755
Net current assets		3,421	3,030
Total assets less current liabilities		204,747	204,356

TAN SIU LIN
Director

TAN HENRY
Director

The notes on pages 42 to 123 are an integral part of this financial statement.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2010

	Note	2010 US$'000	2009 US$'000
Revenue	5	794,017	774,892
Cost of sales	26	(659,682)	(631,872)
Gross profit		134,335	143,020
Other (losses)/gains — net	25	(2,714)	3,433
Selling and distribution expenses	26	(15,885)	(13,670)
General and administrative expenses	26	(98,074)	(113,365)
Operating profit		17,662	19,418
Finance income	28	6,787	4,982
Finance costs	28	(1,488)	(3,225)
Finance income — net	28	5,299	1,757
Share of losses of associated companies		(8)	(15)
Share of profits of jointly controlled entities		402	371
Profit before income tax		23,355	21,531
Income tax expense	29	(4,092)	(2,524)
Profit for the year		19,263	19,007
Profit attributable to:			
Owners of the parent		18,052	15,220
Non-controlling interests		1,211	3,787
		19,263	19,007
Earnings per share for profit attributable to owners of the parent during the year (expressed in US cents per share)	31		
— Basic		1.8	1.5
— Diluted		1.8	1.5
Dividends	32	5,420	4,566

The notes on pages 42 to 123 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

	2010 US$'000	2009 US$'000
Profit for the year	19,263	19,007
Other comprehensive income		
Currency translation differences	1,948	(280)
Total comprehensive income for the year	21,211	18,727
Attributable to:		
— Owners of the parent	19,942	14,848
— Non-controlling interests	1,269	3,879
	21,211	18,727

The notes on pages 42 to 123 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2010

	Attributable to owners of the parent						
	Share capital US$'000	Share premium US$'000	Other reserves US$'000	Retained earnings US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
Balance at 1 January 2009	9,925	116,998	(15,658)	110,297	221,562	24,898	246,460
Profit for the year	—	—	—	15,220	15,220	3,787	19,007
Other comprehensive income							
Currency translation differences	—	—	(372)	—	(372)	92	(280)
Total comprehensive income	—	—	(372)	15,220	14,848	3,879	18,727
Transactions with owners							
Acquisition of a subsidiary and purchase of additional equity interest in a subsidiary from a non-controlling shareholder (Note 8(i))	—	—	—	—	—	(756)	(756)
Derecognition of financial liabilities upon acquisition of remaining interest in a subsidiary from a non-controlling shareholder (Note 8(i) and 18 (iii))	—	—	939	465	1,404	—	1,404
Dividends paid	—	—	—	(3,662)	(3,662)	—	(3,662)
Dividends paid to non-controlling shareholders of subsidiaries	—	—	—	—	—	(6,200)	(6,200)
Share-based payment expenses	—	—	203	—	203	—	203
Total transactions with owners	—	—	1,142	(3,197)	(2,055)	(6,956)	(9,011)
Balance at 31 December 2009	9,925	116,998	(14,888)	122,320	234,355	21,821	256,176
Balance at 1 January 2010	9,925	116,998	(14,888)	122,320	234,355	21,821	256,176
Profit for the year	—	—	—	18,052	18,052	1,211	19,263
Other comprehensive income							
Currency translation differences	—	—	1,890	—	1,890	58	1,948
Total comprehensive income	—	—	1,890	18,052	19,942	1,269	21,211
Transactions with owners							
Derecognition of financial liabilities upon termination of the put options (Note 21)	—	—	20,383	(2,893)	17,490	—	17,490
Acquisition of remaining interest in a subsidiary from a non-controlling shareholder (Notes 21 and 36)	—	—	9,451	—	9,451	(9,451)	—
Exercise of share options by employees	2	20	(6)	—	16	—	16
Dividends paid	—	—	—	(4,596)	(4,596)	(2,800)	(7,396)
Share-based payment expenses	—	—	63	—	63	—	63
Total transactions with owners	2	20	29,891	(7,489)	22,424	(12,251)	10,173
Balance at 31 December 2010	9,927	117,018	16,893	132,883	276,721	10,839	287,560

The notes on pages 42 to 123 are an integral part of these consolidated financial statements.

For the year ended 31 December 2010

	Note	2010 US$'000	2009 US$'000
Cash flow from operating activities			
Cash generated from operations	33	20,778	29,000
Interest paid		(1,488)	(2,046)
Income tax paid		(11,248)	(2,713)
Net cash generated from operating activities		8,042	24,241
Cash flow from investing activities			
Purchases of property, plant and equipment		(11,205)	(9,340)
Decrease/(increase) in bank deposits maturing beyond three months		12,560	(8,969)
Increase in pledged bank deposits		(159)	(55)
Proceeds from disposal of property, plant and equipment		903	1,397
Acquisition of a subsidiary, net of cash acquired	34	(2,178)	977
Payment for purchase of additional equity interests in subsidiaries from non-controlling shareholders	36	(7,315)	(421)
Payment of consideration payable for acquisition of a subsidiary		—	(1,592)
Increase in investment in associated companies		(146)	—
Increase in investment in jointly controlled entities		(56)	(26)
Interest received		333	940
Decrease in other non-current assets		519	609
Net cash used in investing activities		(6,744)	(16,480)
Net cash generated before financing activities		1,298	7,761
Cash flows from financing activities			
Net increase/(decrease) in trust receipts bank loans and collateralized borrowings		1,608	(4,157)
Increase in bank loans		8,861	—
Repayments of bank loans		(10,123)	(8,233)
Repayments of loan from a non-controlling shareholder of a subsidiary		(3,097)	—
Dividends paid to the Company's shareholders		(4,596)	(3,662)
Dividends paid to non-controlling shareholders of subsidiaries		(2,800)	(6,200)
Proceeds from exercising employees share options		16	—
Net cash used in financing activities		(10,131)	(22,252)
Net decrease in cash and cash equivalents		(8,833)	(14,491)
Cash and cash equivalents at beginning of year		91,365	106,489
Effect of foreign exchange rate changes		(1,140)	(633)
Cash and cash equivalents at end of year	16	81,392	91,365

The notes on pages 42 to 123 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 also the real estate development. The Group has manufacturing plants in Mainland China and the Philippines.

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

The Company's shares are listed on The 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 30 March 2011.

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2010

- HKFRS 3 (revised), 'Business combinations', and consequential amendments to HKAS 27, 'Consolidated and separate financial statements', HKAS 28, 'Investments in associates', and HKAS 31, 'Interests in joint ventures', are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.

  The revised standard continues to apply the acquisition method to business combinations but with some significant changes compared with HKFRS 3. For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the statement of comprehensive income. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interests in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs are expensed. The Group has applied the revised standard to account for the business combination during the year are set out in Note 34 to the financial statements.

  HKAS 27 (revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognized in profit or loss. Previously transactions with non-controlling interests were treated as transactions with parties external to the Group. Disposals therefore resulted in gains or losses in profit or loss and purchases resulted in the recognition of goodwill. On disposal or partial disposal, a proportionate interest in reserves attributable to the subsidiary was reclassified to profit or loss or directly to retained earnings. See Note 36 for further details of transactions with non-controlling interests.

- HKAS 17 (amendment), 'Leases', deletes specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating lease using the general principles of HKAS 17, i.e. whether the lease transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. Prior to the amendment, land interest which title is not expected to pass to the Group by the end of the lease term was classified as operating lease under "Leasehold land and land use rights", and amortized over the lease term. The change in accounting policy has no material impact on the Group's consolidated financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policy and disclosures (continued)

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

- In November 2010 the HKICPA issued Hong Kong Interpretation 5 'Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause'. The Interpretation is effective immediately and is a clarification of an existing standard, HKAS 1 'Presentation of Financial Statements'. It sets out the conclusion reached by the HKICPA that a bank loan which contains a clause which gives the lender the unconditional right to demand repayment at any time shall be classified as a current liability in accordance with paragraph 69(d) of HKAS 1 irrespective of the probability that the lender will invoke the clause without cause.

  In order to comply with the requirements of Hong Kong Interpretation 5, the Group has changed its accounting policy on the classification of bank loans that contain a repayment on demand clause. Under the new policy, bank loans with clauses which give the lender the unconditional right to call the loan at any time are classified as current liabilities in the consolidated balance sheet. Previously such bank loans were classified in accordance with the agreed repayment schedule unless the Group had breached any of the loan covenants set out in the agreement as of the reporting date or otherwise had reason to believe that the lender would invoke its rights under the immediate repayment clause within the foreseeable future.

  The new accounting policy has been applied retrospectively by re-presenting the opening balances at 1 January 2009, with consequential reclassification adjustments to comparatives for the year ended 31 December 2009. The reclassification has had no effect on reported profit or loss, total comprehensive income or equity for any period presented.

  Effect of adoption of Hong Kong Interpretation 5 on the consolidated balance sheet:

	31 December 2010 US$'000	31 December 2009 US$'000	1 January 2009 US$'000
Increase/(decrease) in			
Current liabilities			
Bank borrowings	**21,134**	27,071	33,259
Non-current liabilities			
Bank borrowings	**(21,134)**	(27,071)	(33,259)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policy and disclosures (continued)

(b) *New and amended standards, and interpretations mandatory for the first time for the financial year beginning 1 January 2010 but not currently relevant to the Group (although they may affect the accounting for future transactions and events)*

- HK(IFRIC) 9, 'Reassessment of embedded derivatives and HKAS 39, Financial instruments: Recognition and measurement', effective 1 July 2009. This amendment to HK(IFRIC) 9 requires an entity to assess whether an embedded derivative should be separated from a host contract when the entity reclassifies a hybrid financial asset out of the 'fair value through profit or loss' category. This assessment is to be made based on circumstances that existed on the later of the date the entity first became a party to the contract and the date of any contract amendments that significantly change the cash flows of the contract. If the entity is unable to make this assessment, the hybrid instrument must remain classified as at fair value through profit or loss in its entirety. The adoption of this amendment did not have a material impact on the Group's financial statements.

- HK(IFRIC) 16, 'Hedges of a net investment in a foreign operation' effective 1 July 2009. This amendment states that, in a hedge of a net investment in a foreign operation, qualifying hedging instruments may be held by any entity or entities within the Group, including the foreign operation itself, as long as the designation, documentation and effectiveness requirements of HKAS 39 that relate to a net investment hedge are satisfied. In particular, the Group should clearly document its hedging strategy because of the possibility of different designations at different levels of the Group. The adoption of this amendment did not have a material impact on the Group's financial statements.

- HK(IFRIC) 17, 'Distribution of non-cash assets to owners' (effective on or after 1 July 2009). The interpretation was published in November 2008. This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. HKFRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable. This is not currently applicable to the Group, as it has not made any non-cash distributions.

- HK(IFRIC) 18, 'Transfers of assets from customers', effective for transfer of assets received on or after 1 July 2009. This interpretation clarifies the requirements of IFRSs for agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water). In some cases, the entity receives cash from a customer that must be used only to acquire or construct the item of property, plant, and equipment in order to connect the customer to a network or provide the customer with ongoing access to a supply of goods or services (or to do both). This is not currently applicable to the Group, as there is no transfers of assets from customers.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policy and disclosures (continued)

(b) New and amended standards, and interpretations mandatory for the first time for the financial year beginning 1 January 2010 but not currently relevant to the Group (although they may affect the accounting for future transactions and events) (continued)

- HKAS 1 (amendment), 'Presentation of financial statements'. The amendment clarifies that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. The adoption of this amendment did not have a material impact on the Group's financial statements.

- HKAS 36 (amendment), 'Impairment of assets', effective 1 January 2010. The amendment clarifies that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment, as defined by paragraph 5 of HKFRS 8, 'Operating segments' (that is, before the aggregation of segments with similar economic characteristics). The adoption of this amendment did not have a material impact on the Group's financial statements.

- HKAS 39 (amendment), 'Eligible hedge items', effective 1 January 2010. It prohibits designating inflation as a hedgeable component of a fixed rate debt. Inflation is not separately identifiable and reliably measurable as a risk or a portion of a financial instrument, unless it is a contractually specified portion of the cash flows of a recognized inflation-linked bond whose other cash flows are unaffected by the inflation portion. It also prohibits including time value in a one-sided hedged risk when designating options as hedges. An entity may only designate the change in the intrinsic value of an option as the hedging instrument of a one-sided risk arising from a forecast transaction in a hedging relationship. A one-sided risk is that changes in cash flows or fair value of a hedged item is above or below a specified price or other variable. This is not currently applicable to the Group, as it has no hedging.

- HKFRS 2 (amendments), 'Group cash-settled share-based payment transactions', effective form 1 January 2010. In addition to incorporating HK(IFRIC) 8, 'Scope of HKFRS 2', and HK(IFRIC) 11, 'HKFRS 2—Group and treasury share transactions', the amendments expand on the guidance in HK(IFRIC) 11 to address the classification of Group arrangements that were not covered by that interpretation. This is not currently applicable to the Group, as it has no such share-based payment transactions.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policy and disclosures (continued)

(b) *New and amended standards, and interpretations mandatory for the first time for the financial year beginning 1 January 2010 but not currently relevant to the Group (although they may affect the accounting for future transactions and events) (continued)*

- HKFRS 5 (amendment), 'Non-current assets held for sale and discontinued operations'. The amendment clarificaties that HKFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirement of HKAS 1 still apply, in particular paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of HKAS 1. The adoption of this amendment did not have a material impact on the Group's financial statements.

- First improvements to Hong Kong Financial Reporting Standards (2008) were issued in October 2008 by the HKICPA. The improvement related to HKFRS 5 "Non-current assets held for sale and discontinued operations" is effective for annual period on or after 1 July 2009.

- Second improvements to Hong Kong Financial Reporting Standards (2009) were issued in May 2009 by the HKICPA. All improvements are effective in the financial year of 2010.

(c) *New standards, amendments and interpretations have been issued but are not effective for the financial year beginning 1 January 2010 and have not been early adopted*
The Group's assessment of the impact of these new standards and interpretations is set out below.

- HKFRS 9, 'Financial instruments', issued in November 2009. This standard is the first step in the process to replace HKAS 39, 'Financial instruments: recognition and measurement'. HKFRS 9 introduces new requirements for classifying and measuring financial assets and is likely to affect the Group's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. The Group is yet to assess HKFRS 9's full impact. The Group has not yet decided when to adopt HKFRS 9.

- HKAS 12 (amendment), 'Deferred tax: Recovery of underlying assets', effective 1 January 2012. It introduces an exception to the principle for the measurement of deferred tax assets or liabilities arising on an investment property measured at fair value. No early adoption is made by the Group and it is not relevant to the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policy and disclosures (continued)

(c) New standards, amendments and interpretations have been issued but are not effective for the financial year beginning 1 January 2010 and have not been early adopted (continued)

- HKAS 24 (revised), 'Related party disclosures', issued in November 2009. It supersedes HKAS 24, 'Related party disclosures', issued in 2003. HKAS 24 (revised) is mandatory for periods beginning on or after 1 January 2011. Earlier application, in whole or in part, is permitted.

  The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The Group will apply the revised standard from 1 January 2011. When the revised standard is applied, the Group and the parent will need to disclose any transactions between its subsidiaries and its associates. The Group is currently putting systems in place to capture the necessary information. It is, therefore, not possible at this stage to disclose the impact, if any, of the revised standard on the related party disclosures.

- 'Classification of rights issues' (amendment to HKAS 32), issued in October 2009. The amendment applies to annual periods beginning on or after 1 February 2010. Earlier application is permitted. The amendment addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities. The amendment applies retrospectively in accordance with IAS 8 'Accounting policies, changes in accounting estimates and errors'. The Group will apply the amended standard from 1 January 2011.

- 'Prepayments of a minimum funding requirement' (amendments to HK (IFRIC) — Int 14). The amendments correct an unintended consequence of HK (IFRIC) — Int 14, 'HKAS 19 — The limit on a defined benefit asset, minimum funding requirements and their interaction'. Without the amendments, entities are not permitted to recognize as an asset some voluntary prepayments for minimum funding contributions. This was not intended when HK (IFRIC) — Int 14 was issued, and the amendments correct this. The amendments are effective for annual periods beginning 1 January 2011. Earlier application is permitted. The amendments should be applied retrospectively to the earliest comparative period presented. This is not currently applicable to the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policy and disclosures (continued)

(c) New standards, amendments and interpretations have been issued but are not effective for the financial year beginning 1 January 2010 and have not been early adopted (continued)

- HK (IFRIC) — Int 19, 'Extinguishing financial liabilities with equity instruments', effective 1 July 2010. The interpretation clarifies the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability (debt for equity swap). It requires a gain or loss to be recognized in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments should be measured to reflect the fair value of the financial liability extinguished. The Group will apply the interpretation from 1 January 2011. The adoption of this standard did not have a material impact on the Group's financial statements.

- Third improvements to Hong Kong Financial Reporting Standards (2010) were issued in May 2010 by the HKICPA. All improvements are effective in the financial year of 2011.

2.2 Consolidation

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

(a) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases.

The Group uses the acquisition method of accounting 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 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. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interests in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Consolidation (continued)

(a) *Subsidiaries (continued)*

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 identifiable net assets acquired is recorded as goodwill. If this 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 statement of comprehensive income (Note 2.7).

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

(b) *Transactions with non-controlling interests*

Previously transactions with non-controlling interests were treated as transactions with parties external to the Group. Disposals therefore resulted in gains or losses in profit or loss and purchases resulted in the recognition of goodwill. On disposal or partial disposal, a proportionate interest in reserves attributable to the subsidiary was reclassified to profit or loss or directly to retained earnings.

Starting from 1 January 2010, the Group has adopted HKAS 27 (revised) 'Consolidated and Separate Financial Statements', the Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity. The Group applied this accounting policy prospectively.

(c) *Associates*

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Consolidation (continued)

(d) *Jointly controlled entities*

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

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

(e) *Partial disposals*

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, jointly controlled entities 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 profit or loss.

Previously, when the Group ceased to have control or significant influence over an entity, the carrying amount of the investment at the date control or significant influence became its cost for the purposes of subsequently accounting for the retained interests as associates, jointly controlled entities or financial assets.

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 are reclassified to profit or loss where appropriate.

2.3 Segment reporting

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Foreign currency translation

(a) *Functional and presentation currency*

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

(b) *Transactions and balances*

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

All foreign exchange gains and losses are presented in the consolidated income statement within 'other (losses)/gains — net'.

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

(c) *Group companies*

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Property, plant and equipment

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

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the 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, less estimated residual values, over their estimated useful lives, as follows:

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

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

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

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

2.6 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 2.5 in this Section.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Intangible assets

(a) *Goodwill*

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

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

(b) *Customer relationships*

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

2.8 Leasehold land and 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 rights.

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

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

Impairment testing of the investments in subsidiaries, associated companies or jointly controlled entities is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiaries, associated companies or jointly controlled entities 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)

2.10 Financial assets

2.10.1 Classification

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

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

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

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade, bills and other receivables' and 'cash and cash equivalents' in the balance sheet (Note 2.15 and Note 2.16).

2.10.2 Recognition and measurement

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

2.11 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.

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

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganization;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

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

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

The Group first assesses whether objective evidence of impairment exists.

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Derivative financial instruments

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

2.13 Inventories

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

2.14 Properties under development

Properties under development and held for sale are stated at the lower of cost and net realizable value. Development cost of properties comprises cost of land use rights, construction costs and borrowing costs incurred during the construction period. Upon completion, the properties are transferred to completed properties held for sale.

Net realizable value takes into account the price ultimately expected to be realized, less applicable variable selling expenses and the anticipated costs to completion.

Properties under development and held for sale are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond normal operating cycle.

Previously, land use rights that are held for development for sale were classified as prepaid operating leases and payments were amortized on a straight line basis over the period of the lease in accordance with HKAS 17. The amortization charge of land use rights was included as part of the costs of the property under development. Subsequent to the change in accounting policy, land use rights which is held for development for sale are classified as inventories in accordance with HKAS 2 and measured at the lower of cost and net realizable value.

The change in accounting policy has had no material effect on the consolidated income statements of the Group for the current year or comparative periods.

2.15 Trade and bills receivable

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

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

2.16 Cash and cash equivalents

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 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.

2.18 Trade and bills payable

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

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

2.19 Financial liabilities

(i) *Financial guarantee contracts*

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the 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 capitalized 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.

2.21 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.

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, associates and jointly controlled entities 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.

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Current and deferred income tax (continued)

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

2.22 Employee benefits

(a) *Pension obligations*

Group companies operate various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Group has both defined benefit and defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions 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. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Employee benefits (continued)

(b) *Long service payments*

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

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

(c) *Termination benefits*

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

2.23 Share-based payments

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Share-based payments (continued)

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

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

2.24 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

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

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

2.25 Contingent liabilities

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.26 Revenue recognition

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

The Group recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(i) *Sale of goods*

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

(ii) *Freight forwarding and logistics services income*

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

(iii) *Interest income*

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

(iv) *Rental income*

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

(v) *Management and commission income*

Management and commission income is recognized when services are rendered.

2.27 Leases

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

2.28 Dividend distribution

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

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

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

(a) Market risk

(1) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to United State dollar ("US$"), Hong Kong dollar ("HK$"), Euro, Philippine Peso ("Peso") and Chinese Renminbi ("RMB"). Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations.

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

At 31 December 2010, if US$ had weakened/strengthened by 4% (2009: 6%) against Euro with all other variables held constant, post-tax profit for the year would have been US$607,000 (2009: US$913,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of Euro-denominated trade receivables and payables and cash and cash equivalents.

At 31 December 2010, if US$ had weakened/strengthened by 3% (2009: 4%) against RMB with all other variables held constant, post-tax profit for the year would have been US$354,000 (2009: US$100,000) lower/higher, mainly as a result of foreign exchange gains/losses on translation of RMB-denominated trade receivables, trade payables, borrowings and cash and cash equivalents.

At 31 December 2010, if US$ had weakened/strengthened by 8% (2009: 10%) against Peso with all other variables held constant, post-tax profit for the year would have been US$197,000 (2009: US$170,000) lower/higher, mainly as a result of foreign exchange losses/gains on translation of Peso-denominated trade payables and cash and cash equivalents.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(2) *Cash flow and fair value interest rate risk*

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

The Group's interest rate risk arises from bank borrowings. As at 31 December 2010, borrowings were primarily at floating rates. The Group generally has not used financial derivatives to hedge its exposure to interest rate risk.

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

At 31 December 2010, if interest rates on borrowings had been 1% (2009: 1%) higher/lower with all other variables held constant, post-tax profit for the year would have been US$556,000 (2009: US$1,067,000) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

(b) Credit risk

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

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

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

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

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

As at 31 December 2010, the Group had a concentration of credit risk given that the top 5 customers account for 53% (2009: 60%) 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. The Group's historical experience in collection of trade and other receivables falls within the recorded allowances and management is of the opinion that provision for uncollectible receivables is not necessary.

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

(c) Liquidity risk

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

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

The following tables show the Group's non-derivative financial liabilities and net-settled derivative financial liabilities into relevant maturity grouping based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the balance sheet date) and the earliest date the Group can be required to pay.

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

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3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

	On demand US$'000	Within 1 year US$'000	More than 1 year but less than 2 years US$'000	More than 2 years but less than 5 years US$'000	More than 5 years US$'000	Total undiscounted cash outflows US$'000
Group						
At 31 December 2010						
Bank overdrafts	513	–	–	–	–	513
Bank loans subject to a repayment on demand clause	28,862	–	–	–	–	28,862
Other bank loans	34,277	95	208	685	2,769	38,034
Trade and other payables	–	150,233	–	–	–	150,233
Amounts due to related companies	–	1,852	–	–	–	1,852
Amounts due to associated companies and jointly controlled entities	–	1,308	–	–	–	1,308
Derivative financial instruments	–	727	–	–	–	727
Consideration payable and financial liabilities	–	1,264	–	–	–	1,264
Financial guarantee contracts in relation to corporate guarantee provided to a jointly controlled entity	7,741	–	–	–	–	7,741
	71,393	155,479	208	685	2,769	230,534
Company						
At 31 December 2010						
Financial guarantee contracts in relations to corporate guarantee provided to subsidiaries	68,748	–	–	–	–	68,748
Other payables and accruals	–	405	–	–	–	405
Amount due to a subsidiary	–	150	–	–	–	150
	68,748	555	–	–	–	69,303

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

	On demand US$'000	Within 1 year US$'000	More than 1 year but less than 2 years US$'000	More than 2 years but less than 5 years US$'000	More than 5 years US$'000	Total undiscounted cash outflows US$'000
Group						
At 31 December 2009						
Bank overdrafts	3,623	—	—	—	—	3,623
Bank loans subject to a repayment on demand clause	35,383	—	—	—	—	35,383
Other bank loans	31,056	—	—	—	—	31,056
Loan from a non-controlling shareholder of a subsidiary	—	—	3,141	—	—	3,141
Trade and other payables	—	135,945	—	—	—	135,945
Amounts due to related companies	—	1,309	—	—	—	1,309
Amounts due to associated companies and jointly controlled entities	—	4,340	—	—	—	4,340
Derivative financial instruments	—	22	—	—	—	22
Consideration payable and financial liabilities	—	1,661	—	33,885	—	35,546
Financial guarantee contracts in relation to corporate guarantee provided to a jointly controlled entity	2,187	—	—	—	—	2,187
	72,249	143,277	3,141	33,885	—	252,552
Company						
At 31 December 2009						
Financial guarantee contracts in relations to corporate guarantee provided to subsidiaries	63,568	—	—	—	—	63,568
Other payables and accruals	—	399	—	—	—	399
	63,568	399	—	—	—	63,967

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

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

	Maturity Analysis — Bank loans subject to a repayment on demand clause based on scheduled repayments				
	Within 1 year	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total outflows
	US$'000	US$'000	US$'000	US$'000	US$'000
At 31 December 2010	6,139	5,402	15,031	2,290	28,862
At 31 December 2009	6,377	7,036	14,857	7,113	35,383

3.2 Capital risk management

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

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

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

3.3 Fair value estimation

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

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

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(a) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made. Please refer to Note 29 for details.

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

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

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

Property, plant and equipment, leasehold land and land use rights and intangible assets (other than goodwill) are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable such as declines in asset's market value and significant increase in interest rates that may affect the discount rate used in calculating the asset's recoverable amount. The recoverable amounts have been determined based on fair value less cost to sell calculations or market valuations. These calculations require the use of judgements and estimates.

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(d) Impairment of goodwill

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

Sensitivity analysis was performed by changing the terminal growth rate, gross margin or discount rate as follows:

	Sweaters	Casual and fashion apparel	Life-style apparel
Growth rate beyond the budget period	2.0%	2.0%	2.0%
Gross margin	12.4%	18.4%	15.1%
Discount rate	14.6%	14.6%	14.6%

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(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 reporting period.

(f) Trade and bills receivable

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

(g) Employee benefits — share-based payments

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

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

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

5 SEGMENT INFORMATION

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

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

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

The segment information provided to the executive directors for the reportable segments for the year ended 31 December 2010 is as follows:

	Casual and fashion apparel US$'000	Life-style apparel US$'000	Sweaters US$'000	Accessories US$'000	Freight forwarding/ logistics services US$'000	Real estate US$'000	Total Group US$'000
Total segment revenue	589,940	170,896	122,375	131,836	15,295	–	1,030,342
Inter-segment revenue	(219,664)	(745)	(15,130)	–	(786)	–	(236,325)
Revenue (from external customers)	370,276	170,151	107,245	131,836	14,509	–	794,017
Segment profit/(loss) for the year	13,783	3,989	3,313	1,328	316	(1,590)	21,139
Profit/(loss) for the year includes:							
Depreciation and amortization	(10,753)	(2,387)	(1,092)	(3,810)	(1,020)	(967)	(20,029)
Share of losses of associated companies	–	–	–	–	(8)	–	(8)
Share of profits of jointly controlled entities	402	–	–	–	–	–	402
Income tax expense	(1,549)	(904)	(1,006)	(460)	(173)	–	(4,092)

5 SEGMENT INFORMATION (CONTINUED)

The segment information provided to the executive directors for the reportable segments for the year ended 31 December 2009 is as follows:

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

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, write-off of property, plant and equipment and change in estimates of financial liabilities and the amortized interest costs of the financial liabilities for the year.

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

	2010 US$'000	2009 US$'000
Segment profit for the year	21,139	26,740
Corporate expenses (Note)	(8,330)	(7,575)
Write-off of property, plant and equipment	—	(3,646)
Change in estimates of financial liabilities — net	6,454	4,042
Interest expense on financial liabilities carried at amortized cost	—	(1,179)
Excess of the Group's interest in the fair values of identifiable net assets acquired over the cost of the acquisition (Note 25)	—	625
Profit for the year	19,263	19,007

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

5 SEGMENT INFORMATION (CONTINUED)

	2010 US$'000	2009 US$'000
Analysis of revenue by category		
Sales of garment, textile products and accessories	771,405	755,495
Freight forwarding and logistics service fee	14,509	13,003
Management fee income from		
— related companies	158	121
— a jointly controlled entity	291	77
— third parties	394	215
Rental income from related companies	219	100
Commission income from		
— a related company	643	769
— third parties	4,621	3,884
Others	1,777	1,228
Total revenue	794,017	774,892

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

	2010 US$'000	2009 US$'000
Analysis of revenue by geographical location		
The United States	412,857	390,965
Europe	209,708	236,258
Japan	38,532	61,907
The PRC	60,125	29,654
Others	72,795	56,108
	794,017	774,892

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

Revenue of approximately US$108,500,000 (2009: US$162,600,000) and US$122,500,000 (2009: US$147,500,000) are derived from two single external customers. These revenues are attributable to the life-style and casual and fashion apparels, respectively.

6 LEASEHOLD LAND AND LAND USE RIGHTS — GROUP

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

	2010 US$'000	2009 US$'000
Outside Hong Kong held on:		
Leases of between 10 to 50 years	8,788	8,868
At 1 January	8,868	10,644
Amortization of prepaid operating lease payment (Note 26)	(206)	(229)
Transfer to properties under development	—	(1,555)
Exchange differences	126	8
At 31 December	8,788	8,868

(a) As of 31 December 2010, the Group was in the process of obtaining the land use rights certificate in respect of a piece of land located in the PRC with a carrying amount of US$1,166,000 (2009: US$1,184,000).

(b) As at 31 December 2010, land use rights of US$3,915,000 (2009: US$4,015,000) were pledged as collateral for the Group's banking facilities (Note 19).

7 PROPERTY, PLANT AND EQUIPMENT — GROUP

	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
At 1 January 2009							
Cost	74,256	23,053	74,874	44,279	4,671	2,914	224,047
Accumulated depreciation and impairment	(13,745)	(14,129)	(43,458)	(31,697)	(3,339)	–	(106,368)
Net book amount	60,511	8,924	31,416	12,582	1,332	2,914	117,679
Year ended 31 December 2009							
Opening net book amount	60,511	8,924	31,416	12,582	1,332	2,914	117,679
Acquisition of a subsidiary (Note 34)	–	81	–	309	–	–	390
Additions	911	2,852	634	1,300	837	2,806	9,340
Disposals	–	(102)	(897)	(298)	(73)	–	(1,370)
Write-off	–	(80)	(3,519)	(47)	–	–	(3,646)
Transfer	3,967	688	(2,738)	561	18	(2,496)	–
Depreciation	(4,057)	(2,797)	(6,257)	(3,942)	(651)	–	(17,704)
Exchange differences	(146)	(53)	669	(221)	32	–	281
Closing net book amount	61,186	9,513	19,308	10,244	1,495	3,224	104,970
At 31 December 2009							
Cost	80,628	27,397	60,776	44,871	4,906	3,224	221,802
Accumulated depreciation and impairment	(19,442)	(17,884)	(41,468)	(34,627)	(3,411)	–	(116,832)
Net book amount	61,186	9,513	19,308	10,244	1,495	3,224	104,970

7 PROPERTY, PLANT AND EQUIPMENT — GROUP (CONTINUED)

	Land and buildings US$'000	Leasehold improvements US$'000	Plant and machinery US$'000	Furniture, fixtures and equipment US$'000	Motor vehicles US$'000	Construction-in-progress US$'000	Total US$'000
Year ended 31 December 2010							
Opening net book amount	61,186	9,513	19,308	10,244	1,495	3,224	104,970
Acquisition of a subsidiary (Note 34)	2,500	–	2,220	31	19	–	4,770
Additions	138	823	2,734	924	427	6,159	11,205
Disposals	–	(44)	(814)	(65)	(11)	(3)	(937)
Transfer	299	6,992	985	594	–	(8,870)	–
Depreciation	(4,756)	(2,541)	(5,639)	(3,963)	(633)	–	(17,532)
Exchange differences	1,556	179	1,239	8	18	3	3,003
Closing net book amount	60,923	14,922	20,033	7,773	1,315	513	105,479
At 31 December 2010							
Cost	86,496	35,719	68,678	44,645	5,172	513	241,223
Accumulated depreciation and impairment	(25,573)	(20,797)	(48,645)	(36,872)	(3,857)	–	(135,744)
Net book amount	60,923	14,922	20,033	7,773	1,315	513	105,479

(a) Depreciation expense of US$7,250,000 (2009: US$7,966,000) has been charged in cost of sales, and US$10,282,000 (2009: US$9,738,000) has been charged in the general and administrative expenses.

(b) As at 31 December 2010, the Group has not yet obtained the building certificate for a building located in the PRC with the carrying amount of US$7,740,000 (2009: US$8,281,000).

(c) As at 31 December 2010, buildings with net book value of US$3,805,000 (2009: US$4,037,000) were pledged as collateral for the Group's banking facilities. (Note 19)

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

8 INTANGIBLE ASSETS — GROUP

	Goodwill US$'000	Customer relationships US$'000	Total US$'000
At 1 January 2009			
Cost	46,087	30,128	76,215
Accumulated amortization and impairment	(1,585)	(5,760)	(7,345)
Net book amount	44,502	24,368	68,870
Year ended 31 December 2009			
Opening net book amount	44,502	24,368	68,870
Acquisition of additional equity interest in a subsidiary from a non-controlling shareholder (Note i)	423	—	423
Acquisition of a subsidiary (Note 34)	119	—	119
Amortization (Note 26)	—	(2,291)	(2,291)
Impairment	(119)	—	(119)
Closing net book amount	44,925	22,077	67,002
At 31 December 2009			
Cost	46,510	30,128	76,638
Accumulated amortization and impairment	(1,585)	(8,051)	(9,636)
Net book amount	44,925	22,077	67,002
Year ended 31 December 2010			
Opening net book amount	44,925	22,077	67,002
Acquisition of a subsidiary (Note 34)	357	—	357
Amortization (Note 26)	—	(2,291)	(2,291)
Closing net book amount	45,282	19,786	65,068
At 31 December 2010			
Cost	46,867	30,128	76,995
Accumulated amortization and impairment	(1,585)	(10,342)	(11,927)
Net book value	45,282	19,786	65,068

Notes:

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

(ii) Amortization of customer relationships of US$2,291,000 (2009: US$2,291,000) is included in the general and administrative expenses.

8 INTANGIBLE ASSETS — GROUP (CONTINUED)

Impairment tests for goodwill

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

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

	2010 US$'000	2009 US$'000
Sweaters	16,253	15,896
Casual and fashion apparel	2,380	2,380
Life-style apparel	26,649	26,649
	45,282	44,925

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

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, profit margins, business plans, cost of capital and tax rates. Certain assumptions are made about future market conditions, market prices, interest rates, and changes in business strategies. Changes in assumptions or estimates could materially affect the determination of the fair value of a cash generating unit, and therefore could eliminate the excess of fair value over carrying value of a cash generating unit entirely and, in some cases, could result in impairment.

The key assumptions used for value-in-use calculations in 2010 are as follows:

	Sweaters	Casual and fashion apparel	Life-style apparel
Gross margin (a)	12.9%	18.9%	15.6%
Growth rate (b)	3.0%	3.0%	3.0%
Discount rate (c)	13.6%	13.6%	13.6%

The key assumptions used for value-in-use calculations in 2009 are as follows:

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

8 INTANGIBLE ASSETS — GROUP (CONTINUED)

Impairment tests for goodwill (continued)

Notes:

(a) Budgeted gross margin.

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

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

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

Management determined the financial budgets based on past performance and its expectations for the market development. The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

The Group does not have to recognize an impairment loss for the year ended 31 December 2010 based on the impairment assessment performed.

9 INVESTMENTS IN SUBSIDIARIES — COMPANY

	2010 US$'000	2009 US$'000
Unlisted shares/investments, at cost	71,564	71,564
Amounts due from subsidiaries	129,762	129,762
	201,326	201,326

9 INVESTMENTS IN SUBSIDIARIES — COMPANY (CONTINUED)

Particulars of the principal subsidiaries as at 31 December 2010:

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

9 INVESTMENTS IN SUBSIDIARIES — COMPANY (CONTINUED)

Name	Place of incorporation	Principal activities and place of operation	Particulars of issued share capital	Interest held
CTSI Logistics Limited	Hong Kong	Provision of freight forwarding and logistics services in Hong Kong	100,000 ordinary shares of HK$10 each	100%
CTSI Logistics Phils., Inc.	The Philippines	Provision of freight forwarding and logistics services in the Philippines	100,000 ordinary shares of Peso 100 each	100%
Desk Top Limited	Hong Kong	Trading and manufacturing of bags in Hong Kong	23,206,000 ordinary shares of HK$1 each	100%
Desk Top Bags (Mfg) Limited	BVI	Provision of subcontracting services in the PRC	100 ordinary shares of US$1 each	100%
Dongguan Luen Thai Garment Co., Ltd.	The PRC	Garment manufacturing in the PRC	Registered capital of HK$264,850,000 with total paid-in capital of HK$264,850,000	100%
Dongguan Quan Thai Garment Co., Ltd	The PRC	Sourcing and trading of garment products in the PRC	HK$8,000,000	100%
Dongguan Xingxi Handbags Factory Co. Ltd.	The PRC	Manufacturing of bag in the PRC	HK$20,000,000	100%
Dongguan Xing Hao Handbags Factory Co. Ltd.	The PRC	Manufacturing of bags in the PRC	HK$54,000,000	100%
Fortune Investment Overseas Limited	BVI	Investment holding in Hong Kong	1 ordinary share of US$1 each	100%
GJM (HK) Limited	Hong Kong	Sourcing and trading of garment products in Hong Kong	2 ordinary shares of HK$1 each	100%
G.J.M. (H.K.) Manufacturing Limited	Hong Kong	Investment holding in Hong Kong	2 ordinary shares of HK$100 each	100%

9 INVESTMENTS IN SUBSIDIARIES — COMPANY (CONTINUED)

Name	Place of incorporation	Principal activities and place of operation	Particulars of issued share capital	Interest held
GJM (Qingyuan) Light Industrial Development Limited	The PRC	Garment manufacturing in the PRC	Registered capital of HK$120,500,000 with total paid-in capital of HK$106,146,661	100%
GJM (UK) Limited	United Kingdom ("UK")	Garment distributor in the UK	1 ordinary share of GBP 1 each	100%
Glory Silk International Limited	BVI	Investment holding in Hong Kong	1,000 ordinary shares of US$ 1 each	95%
Gold Chain Enterprise Limited	Hong Kong	Investment holding in Hong Kong	1,000 ordinary shares of HK$ 1 each	95%
Golden Dragon Apparel, Inc.	The Philippines	Garment manufacturing in the Philippines	62,000 ordinary shares of Peso 100 each	100%
Guangzhou G.J.M. Garment Manufacturing Factory	The PRC	Garment manufacturing in the PRC	Registered capital of US$7,200,000 with total paid-in capital of US$7,200,000	100%
Hongquan Consulting Services (Shenzhen) Co., Ltd.	The PRC	Provision of consultancy services in the PRC	HK$1,000,000	100%
Kingsmere, Inc.	U.S.A.	Investment holding in the U.S.A.	100 ordinary shares with total paid-in capital of US$310,000	100%
L & T International Group Phils., Inc.	The Philippines	Garment manufacturing in the Philippines	20,000 ordinary shares of Peso 100 each	100%
Lian Xin Garment Co. Ltd.	The PRC	Wholesale and retail in the PRC	RMB10,100,000	70%
Luen Thai International Group Limited	Hong Kong	Sourcing, manufacturing and trading of textile and garment products in Hong Kong	2 ordinary shares of HK$1 each	100%
Luen Thai Macao Commercial Offshore Company Limited	Macau	Sourcing, manufacturing and trading of textile and garment products in Macau	Registered capital of MOP$25,000	100%
Luen Thai Overseas Limited	Bahamas	Investment holding in Hong Kong	16,685,804 ordinary shares of US$1 each	100%

9 INVESTMENTS IN SUBSIDIARIES — COMPANY (CONTINUED)

Name	Place of incorporation	Principal activities and place of operation	Particulars of issued share capital	Interest held
Luen Thai (Qingyuan) Real Estate Limited	The PRC	Property development in the PRC	Registered capital of HK$53,500,000 with total paid-in capital of HK$53,500,000	100%
Manhattan Limited	Hong Kong	Garment trading and sourcing overseas/ in Hong Kong	10,000 ordinary shares of HK$1 each	60%
On Time International Limited	BVI	Investment holding in Hong Kong	500 ordinary shares of US$1 each	60%
Philippine Luen Thai Holdings Corporation	The Philippines	Investment holding in the Philippines	260,000 ordinary shares of Peso 100 each	100%
Partner Joy Group Limited	BVI	Investment holding in Hong Kong	1,000 ordinary shares of US$1 each	95%
Power Might Limited	BVI	Investment holding in Hong Kong	12,207,164 ordinary shares of US$1 each	100%
Pt. Buena Intisari Garment	Indonesia	Garment manufacturing in Indonesia	500 ordinary shares of US$1,000 each	90.2%
Pt. Cedrateks Indah Busana	Indonesia	Garment manufacturing in Indonesia	1,000 ordinary shares of US$1,000 each	92.6%
Pt. Eka Sandang Duta Prima	Indonesia	Garment manufacturing in Indonesia	500 ordinary shares of US$1,000 each	90.2%
Qingyuan Liantou Properties Limited	The PRC	Property development in the PRC	Registered capital of HK$136,000,000 with total paid-in capital of HK$61,105,400	100%
Sino Venus Limited	Hong Kong	Investment holding in Hong Kong	2 ordinary shares of HK$1 each	100%
Sunny Force Limited	BVI	Investment holding in Hong Kong	1 ordinary share of US$1 each	100%
Tellas Ltd.	U.S.A.	Import and distribution of garments in the U.S.A.	100 ordinary shares with total paid-in capital of US$100,000	100%
Texcorp Investments Limited	Hong Kong	Investment holding in Hong Kong	1,000 ordinary shares of HK$1 each	95%

9 INVESTMENTS IN SUBSIDIARIES — COMPANY (CONTINUED)

Name	Place of incorporation	Principal activities and place of operation	Particulars of issued share capital	Interest held
Tien-Hu Knitters Limited	Hong Kong	Trading of garment products in Hong Kong	1,000,000 ordinary shares of HK$1 each	95%
Tien-Hu Trading (Hong Kong) Limited	Hong Kong	Trading of garment products in Hong Kong	1,000,000 ordinary shares of HK$1 each	95%
Tien-Hu Knitting Factory (Hong Kong) Limited	Hong Kong	Trading of garment products in Hong Kong	1,000,000 ordinary shares of HK$1 each	95%
TMS Fashion (H.K) Limited	Hong Kong	Garment trading and investment holding in Hong Kong	3,000,000 shares of HK$1 each	60%
TMS International Limited	Hong Kong	Garment trading in Hong Kong	2,000 ordinary shares of HK$500 each	60%
Trinew Limited	BVI	Investment holding in Hong Kong	1,000 ordinary shares of US$1 each	100%
Victory Land Properties Limited	Hong Kong	Investment holding in the PRC	10,000 ordinary shares of HK$1 each	100%

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

Except for the amount of US$3,500,000 (2009: US$3,000,000) which is repayable within twelve months and non-interest bearing, amounts due from subsidiaries represent equity funding by the Company to the respective subsidiaries and are measured in accordance with the Company's accounting policy for investments in subsidiaries.

The amount due to a subsidiary is unsecured, interest-free and repayable on demand.

10 INTERESTS IN ASSOCIATED COMPANIES — GROUP

	2010 US$'000	2009 US$'000
Share of net assets	494	372
Unlisted investments, at cost	302	156

Particulars of the principal associated companies as at 31 December 2010:

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

11 INTERESTS IN JOINTLY CONTROLLED ENTITIES — GROUP

	2010 US$'000	2009 US$'000
Share of net assets	3,970	3,537
Amounts due from jointly controlled entities	6,276	6,276
	10,246	9,813
Unlisted investments, at cost	3,610	3,554

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

11 INTERESTS IN JOINTLY CONTROLLED ENTITIES — GROUP (CONTINUED)

Particulars of the principal jointly controlled entities as at 31 December 2010:

Name	Place of issued shares held	Principal activities and place of operation	Particulars of issued share capital	Assets	Liabilities	Revenues	Profit/ (loss)	Interest held
				US$'000	US$'000	US$'000	US$'000	
Shenzhen Guangthai International Co. Ltd.	The PRC	Garment trading in the PRC	HK$20,000,000	2,500	132	5	(48)	50%
Shenzhen Li Da Silk Garment Company Limited	The PRC	Garment manufacturing in the PRC	RMB2,400,000	1,360	1,712	–	–	25%
Wuxi Liantai Garments Co., Ltd.	The PRC	Garment manufacturing in the PRC	Registered capital of US$2,050,000 with total paid-in capital of US$1,241,400	3,431	933	4,857	110	50%
Yuen Thai Industrial Company Limited	Hong Kong	Sourcing, manufacturing and trading of sports and active wear in the PRC	2 ordinary shares of HK$1 each	31,590	29,553	65,345	1,235	50%
Yuen Thai Holdings Limited	BVI	Investment holding in the Philippines	2 ordinary shares of US$1 each	8,398	4,436	761	681	50%
Yuenthai Philippines, Inc.	The Philippines	Garment manufacturing in the Philippines	Peso4,000,000	12,040	9,499	13,607	596	50%
Hong Kong Guangthai International Company Limited	Hong Kong	Investment holding in the PRC	2 ordinary shares of HK$1 each	8,193	13,550	1,927	(1,112)	50%
New Sunshine Limited	Hong Kong	Investment holding and subcontracting services in the PRC	5,000,000 ordinary shares of HK$1 each	4,201	4,774	8,422	(509)	47.5%

12 DEFERRED INCOME TAX — GROUP

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

	2010 US$'000	2009 US$'000
Deferred tax assets:		
— Deferred tax assets to be recovered after more than 12 months	(630)	(991)
Deferred tax liabilities		
— Deferred tax liabilities to be settled after more than 12 months	6,557	6,781
Deferred tax liabilities, net	5,927	5,790

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

	2010 US$'000	2009 US$'000
At 1 January	5,790	4,845
Income statement charge/(credit) (Note 29)	137	(1,605)
Additions resulting from acquisition of properties under development	—	2,550
At 31 December	5,927	5,790

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

	Accelerated tax depreciation US$'000	**Intangible assets** US$'000	**Fair value adjustments of properties** US$'000	**Other** US$'000	**Total** US$'000
Deferred tax liabilities					
At 1 January 2009	482	2,661	—	1,838	4,981
Charged/(credited) to the income statement	401	(230)	—	(108)	63
Additions resulting from acquisition of properties under development	—	—	2,550	—	2,550
At 31 December 2009	883	2,431	2,550	1,730	7,594
Credited to the income statement	(79)	(232)	—	(111)	(422)
At 31 December 2010	**804**	**2,199**	**2,550**	**1,619**	**7,172**

12 DEFERRED INCOME TAX — GROUP (CONTINUED)

	Provision US$'000	Others US$'000	Total US$'000
Deferred tax assets			
At 1 January 2009	(21)	(115)	(136)
Credited to the income statement	(874)	(794)	(1,668)
At 31 December 2009	(895)	(909)	(1,804)
Charged to the income statement	294	265	559
At 31 December 2010	**(601)**	**(644)**	**(1,245)**

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$2,781,000 (2009: US$2,360,000) in respect of losses amounting to US$10,167,000 (2009: US$8,421,000) that can be carried forward against future taxable income. These tax losses have an expiry date from 2011 to 2019.

Deferred income tax liabilities of US$4,944,000 (2009: US$4,397,000) 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$21,009,000 at 31 December 2010 (2009: US$17,974,000).

13 INVENTORIES — GROUP

	2010 US$'000	2009 US$'000
Raw materials	38,564	29,807
Work in progress	25,536	18,091
Finished goods	15,130	14,443
	79,230	62,341

The cost of inventories recognized as expense and included in cost of sales amounted to US$548,232,000 (2009: US$539,792,000).

As at 31 December 2010, inventories amounting to US$19,926,000 (2009: US$24,124,000) were held under trust receipts bank loan arrangement.

14 PROPERTIES UNDER DEVELOPMENT — GROUP

	2010 US$'000	2009 US$'000
Land use rights	18,499	18,192
Development costs	4,487	2,566
	22,986	20,758

The properties under development were located outside Hong Kong, and were held on leases of 41 and 66 years.

During the year ended 31 December 2010, the progress of properties under development was delayed and the balances was classified as non-current assets as at 31 December 2010.

As at 31 December 2009, properties under development included in the current assets were not scheduled for completion within twelve months after the end of the reporting period.

15 TRADE AND BILLS RECEIVABLE — GROUP

	2010 US$'000	2009 US$'000
Trade and bills receivable	116,016	111,322
Less: provision for impairment of trade and bills receivable	(773)	(1,321)
Trade and bills receivable — net	115,243	110,001

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

The Group normally grants credit terms to its customers up to 120 days. At 31 December 2010 and 2009, the ageing analysis of the trade and bills receivable based on due date is as follows:

	2010 US$'000	2009 US$'000
Current	88,783	75,905
1 to 30 days	16,432	23,876
31 to 60 days	3,097	4,218
61 to 90 days	2,037	2,234
91 to 120 days	228	881
Over 120 days	4,666	2,887
Amounts past due but not impaired	26,460	34,096
	115,243	110,001

15 TRADE AND BILLS RECEIVABLE — GROUP (CONTINUED)

The impairment provision was approximately US$773,000 as at 31 December 2010 (2009: US$1,321,000). The provision made during the year has been included in the general and administrative expenses in the consolidated income statement.

Movements on the Group provision for impairment of trade and bills receivable are as follows:

	2010 US$'000	2009 US$'000
At 1 January	1,321	1,480
Provision for impairment of trade and bills receivable	688	902
Utilization of provision	(1,236)	(1,061)
At 31 December	773	1,321

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

	2010 US$'000	2009 US$'000
US$	95,267	87,949
HK$	303	476
Euro	9,267	13,541
RMB	7,508	5,145
Philippines Peso	2,733	2,688
Other currencies	165	202
	115,243	110,001

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

16 CASH AND CASH EQUIVALENTS — GROUP AND COMPANY

	Group		Company	
	2010 US$'000	2009 US$'000	2010 US$'000	2009 US$'000
Cash at bank and on hand	60,164	67,645	476	429
Short-term bank deposits	21,741	27,343	—	—
Bank deposits with a maturity period over 3 months	2	12,562	—	—
Cash and bank deposits	81,907	107,550	476	429
Less: Bank overdrafts (Note 19)	(513)	(3,623)		
Bank deposits with a maturity period over 3 months	(2)	(12,562)		
Cash and cash equivalents in the consolidated cash flow statement	81,392	91,365		
Pledged deposit	1,723	1,564		

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

	2010 US$'000	2009 US$'000
Group		
US$	46,620	67,656
HK$	10,576	9,092
Euro	3,667	13,537
RMB	19,942	15,422
Other currencies	2,825	3,407
	83,630	109,114

16 CASH AND CASH EQUIVALENTS — GROUP AND COMPANY (CONTINUED)

	2010 US$'000	2009 US$'000
Company		
US$	426	373
Other currencies	50	56
	476	429

The effective interest rate on short-term bank deposits was 1.02% (2009: 0.22%) per annum; these deposits have an average maturity period of 36 days (2009: 50 days).

As at 31 December 2010, pledged bank deposits have a maturity period of 90 days. Certain of the Group's banking facilities were pledged by such bank deposits of US$1,723,000 (2009: US$1,564,000) (Note 19).

17 SHARE CAPITAL — GROUP AND COMPANY

	Number of Shares	**Nominal value** US$'000
Authorized — ordinary shares of US$0.01 each		
At 31 December 2009 and 2010	1,500,000,000	15,000

	Number of Shares	**Nominal value** US$'000
Issued and fully paid — ordinary shares of US$0.01 each		
At 31 December 2009	992,500,000	9,925
At 1 January 2010	992,500,000	9,925
Exercise of share options by employees (Note i)	166,000	2
At 31 December 2010	992,666,000	9,927

Note:

(i) Options exercised during the year ended 31 December 2010 resulted in 166,000 shares being issued (2009: Nil), with exercise proceeds of approximately US$16,000 (2009: Nil). The related weighted average price at the time of exercise was US$0.13 (2009: Nil) per share.

17 SHARE CAPITAL — GROUP AND COMPANY (CONTINUED)

Share option

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

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

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

Options are conditional on the employee completing a year of service (the vesting period). One-third of the options are exercisable starting one year from the grant date, another one-third options are exercisable after two years from the grant date and the rest of the options are exercisable after three years from the grant date. Options may be exercised at any time within the relevant exercise period. The exercise price is determined by the highest of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares.

Movements in the number of share options are as follows:

			Number of shares				
Date of grant	Exercise period	Subscription price per share	Beginning of year	Granted	Forfeited	Exercised	End of year
			'000	'000	'000	'000	'000
26 January 2006	From 26 January 2007 to 25 January 2011	HK$2.52	6,105	–	(158)	–	5,947
10 November 2006	From 10 November 2007 to 9 November 2011	HK$1.28	6,589	–	(151)	–	6,438
21 April 2008	From 21 April 2009 to 20 April 2013	HK$0.71	12,600	–	(134)	(166)	12,300
			25,294	–	(443)	(166)	24,685

17 SHARE CAPITAL — GROUP AND COMPANY (CONTINUED)

Share option (continued)

Out of the 24,685,000 outstanding options (2009: 25,294,000 options), 20,585,000 (2009: 16,894,000) options were exercisable. Options exercised in 2010 resulted in 166,000 shares (2009: Nil) being issued at a weighted average price of HK$1.02 (equivalent to US$0.13 (2009: Nil) per share). The Group has no legal or constructive obligation to repurchase or settle the options in cash.

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

Expiry date	Exercise price	Number of share options	
		2010	2009
		'000	'000
25 January 2011	HK$2.52	5,947	6,105
9 November 2011	HK$1.28	6,438	6,589
20 April 2013	HK$0.71	12,300	12,600
		24,685	25,294

18 OTHER RESERVES — GROUP AND COMPANY

(a) Group

	Share premium	Capital reserve (Note (i))	Other capital reserves (Note (ii))	Share based compensation reserves	Exchange reserve	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
At 1 January 2009	116,998	11,722	(35,572)	1,527	6,665	101,340
Derecognition of financial liabilities upon acquisition of remaining interest in a subsidiary from a non-controlling shareholder (Note (iii))	—	—	939	—	—	939
Share-based payment expenses	—	—	—	203	—	203
Exchange differences arising on translation of foreign subsidiaries	—	—	—	—	(372)	(372)
At 31 December 2009	116,998	11,722	(34,633)	1,730	6,293	102,110
At 1 January 2010	116,998	11,722	(34,633)	1,730	6,293	102,110
Derecognition of financial liabilities upon termination of the put options (Note (iv))	—	—	20,383	—	—	20,383
Acquisition of remaining interest in a subsidiary from a non-controlling shareholder (Note (iv))	—	—	9,451	—	—	9,451
Exercise of share options by employees	20	—	—	(6)	—	14
Share-based payment expenses	—	—	—	63	—	63
Exchange differences arising on translation of foreign subsidiaries	—	—	—	—	1,890	1,890
At 31 December 2010	117,018	11,722	(4,799)	1,787	8,183	133,911

18 OTHER RESERVES — GROUP AND COMPANY (CONTINUED)

(b) Company

	Share premium	Capital reserve (Note (v))	Share based compensation reserve	Total
	US$'000	US$'000	US$'000	US$'000
At 1 January 2009	116,998	71,564	1,527	190,089
Share-based payment expenses	—	—	203	203
At 31 December 2009	116,998	71,564	1,730	190,292
At 1 January 2010	116,998	71,564	1,730	190,292
Exercise of share options by employees	20	—	(6)	14
Share-based payment expenses	—	—	63	63
At 31 December 2010	117,018	71,564	1,787	190,369

Notes:

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

(ii) Other capital reserves primarily represent the initial recognition of the financial liabilities in relation to the put options granted to the non-controlling shareholders and the subsequent derecognition of such financial liabilities upon the put options are exercised, expired or terminated, the non-controlling interest equity being allocated to the parent equity and any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received.

(iii) During the year ended 31 December 2009, the Group derecognized financial liabilities of approximately US$1,404,000 and the related reserve amount of US$939,000 when a non-controlling shareholder of Partner Joy Limited exercised the put option to sell his 5% equity interest in Partner Joy Limited to the Group.

(iv) On 24 May 2010, the Group and a non-controlling shareholder of On Time International Limited ("On Time") entered into a termination agreement, under which it was mutually agreed that all the options granted in relation to the acquisition of the remaining 40% equity interest in On Time be terminated. Such transaction of cancellation of the options with non-controlling shareholder of On Time is regarded as financial liability expired without delivery and the financial liabilities of US$17,490,000 have been derecognized against the equity of the Group.

On 19 April 2010, the Group entered into an agreement with the non-controlling shareholder of Trinew Limited ("Trinew") to acquire the remaining 40% equity interest in Trinew at consideration of HK$57,000,000 (equivalent to US$7,315,000). The Group has recorded the excess of the non-controlling interests acquired over the acquisition cost amounting to US$2,136,000 in the equity of the Group. The option deeds in relation to the acquisition of the remaining 40% equity interest in Trinew was also terminated. In connection with such acquisition, a substantial modification of the terms of an existing financial liability shall be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The difference between the carrying amount of a financial liability extinguished and the consideration paid was recognized in the consolidated income statement. As at the option termination date, the financial liability was re-measured to US$7,315,000.

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

19 BANK BORROWINGS — GROUP

	As at 31 December 2010 US$'000	As at 31 December 2009 US$'000 (restated)	As at 1 January 2009 US$'000 (restated)
Non-current			
Bank borrowings	3,063	—	—
Current			
Bank overdrafts	513	3,623	7,757
Trust receipt bank loans	19,926	24,124	24,651
Collateralized borrowings	5,806	—	3,630
Portion of bank borrowings from banks due for repayment within one year	13,809	12,198	14,243
Portion of bank borrowings from banks due for repayment after one year which contain a repayment on demand clause	21,135	27,071	33,259
	61,189	67,016	83,540
Total borrowings	64,252	67,016	83,540

	As at 31 December 2010 US$'000	As at 31 December 2009 US$'000 (restated)	As at 1 January 2009 US$'000 (restated)
Non-current bank borrowings			
— Non-secured	3,063	—	—
Current bank borrowings			
— Secured	8,135	8,403	10,850
— Non-secured	53,054	58,613	72,690
	64,252	67,016	83,540

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

19 BANK BORROWINGS — GROUP (CONTINUED)

At 31 December 2010, the Group's borrowings were repayable as follows:

	Bank overdrafts			Trust receipt bank loans			Bank borrowings			Collateralized borrowings			Total		
			As at			As at			As at			As at			As at
	As at 31 December		1 January	As at 31 December		1 January	As at 31 December		1 January	As at 31 December		1 January	As at 31 December		1 January
	2010	2009	2009	2010	2009	2009	2010	2009	2009	2010	2009	2009	2010	2009	2009
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
								(restated)	(restated)						
Within 1 year	513	3,623	7,757	19,926	24,124	24,651	13,809	12,198	14,243	5,806	–	3,630	40,054	39,945	50,281
Bank borrowings due for repayment after one year (Note 1):															
After 1 year but within 2 years	–	–	–	–	–	–	5,432	6,821	8,509	–	–	–	5,432	6,821	8,509
After 2 years but within 5 years	–	–	–	–	–	–	14,241	13,500	13,500	–	–	–	14,241	13,500	13,500
After 5 years	–	–	–	–	–	–	4,525	6,750	11,250	–	–	–	4,525	6,750	11,250
	–	–	–	–	–	–	24,198	27,071	33,259	–	–	–	24,198	27,071	33,259
	513	3,623	7,757	19,926	24,124	24,651	38,007	39,269	47,502	5,806	–	3,630	64,252	67,016	83,540

At 31 December 2010, the Group's borrowings were repayable as follows:

	Bank overdrafts			Trust receipt bank loans			Bank borrowings			Collateralized borrowings			Total		
			As at			As at			As at			As at			As at
	As at 31 December		1 January	As at 31 December		1 January	As at 31 December		1 January	As at 31 December		1 January	As at 31 December		1 January
	2010	2009	2009	2010	2009	2009	2010	2009	2009	2010	2009	2009	2010	2009	2009
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
								(restated)	(restated)						
Wholly repayable within 5 years	513	3,623	7,757	19,926	24,124	24,651	10,103	10,019	13,752	5,806	–	3,630	36,348	37,766	49,790
Wholly repayable after 5 years	–	–	–	–	–	–	27,904	29,250	33,750	–	–	–	27,904	29,250	33,750
	513	3,623	7,757	19,926	24,124	24,651	38,007	39,269	47,502	5,806	–	3,630	64,252	67,016	83,540

Note 1: The amounts due are based on the scheduled repayment dates set out in the loan agreements and ignore the effect of any repayment on demand clause.

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

	As at 31 December		As at 1 January
	2010	2009	2009
	US$'000	US$'000	US$'000
HK$	17,471	22,153	31,456
US$	44,354	38,243	46,717
RMB	2,364	6,620	5,367
EUR	63	—	—
	64,252	67,016	83,540

19 BANK BORROWINGS — GROUP (CONTINUED)

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

	As at 31 December 2010			As at 31 December 2009			As at 1 January 2009		
	US$	HK$	RMB	US$	HK$	RMB	US$	HK$	RMB
Bank loans	3.65%	1.52%	4.72%	3.10%	4.23%	4.82%	1.88%	4.27%	7.30%
Trust receipt bank loans	1.13%	0.91%	—	1.78%	1.78%	—	3.53%	3.53%	—
Bank overdrafts	5.25%	5.00%	—	5.00%	5.00%	—	5.00%	5.00%	—

As at 31 December 2010, the Group had aggregate banking facilities of approximately US$324,385,000 (2009: US$339,702,000) for overdrafts, loans, trade financing and bank guarantees. Unused facilities as at the same date amounted to approximately US$238,239,000 (2009: US$267,550,000). These facilities are secured by:

(i) Mortgages over the Group's land use rights and buildings with a total net book value of approximately US$7,720,000 as at 31 December 2010 (2009: US$8,052,000) (Note 6 and 7);

(ii) Pledge of the Group's bank deposits as at 31 December 2010 of US$1,723,000 (2009: US$1,564,000).

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

(iv) Corporate guarantee provided by the Company (Note 37).

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

20 RETIREMENT BENEFIT OBLIGATIONS — GROUP

	2010 US$'000	2009 US$'000
Balance sheet obligations for:		
Defined benefits plans	5,235	2,343
Provision for long service payments	452	498
	5,687	2,841
Income statement charge for (Note 27):		
Defined benefits plans	366	564
Provision for long service payments	(116)	17
	250	581

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

(a) Defined contribution plans

During the year, the Group maintained various defined contribution retirement schemes for its employees, which are managed by independent trustees. Employees' and employer's contributions are based on various percentages of employees' gross salaries and length of service. The total contributions to the defined contribution retirement schemes were approximately US$2,378,000 for the year ended 31 December 2010 (2009: US$2,623,000).

20 RETIREMENT BENEFIT OBLIGATIONS — GROUP (CONTINUED)

(b) Defined benefit plans

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

	2010 US$'000	2009 US$'000
Present value of unfunded obligations	5,152	1,903
Unrecognized actuarial gains	83	440
Liability in the consolidated balance sheet	5,235	2,343

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

	2010 US$'000	2009 US$'000
Current service cost	382	378
Interest cost	233	188
Actuarial loss recognized during the year	(249)	(2)
Total, included in staff costs (Note 27)	366	564

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

	2010 US$'000	2009 US$'000
At 1 January	2,343	1,961
Total expenses — included in staff costs as shown above	366	564
Acquisition of subsidiaries (Note 34)	2,387	—
Contributions paid	(24)	(244)
Exchange difference	163	62
At 31 December	5,235	2,343

The principal actuarial assumptions used are as follows:

	2010	2009
Discount rate	7.50%–8.00%	9.25%
Future salary increases rate	4.00%–14.00%	5.00%

20 RETIREMENT BENEFIT OBLIGATIONS — GROUP (CONTINUED)

(c) Long service payments

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

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

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

	2010 US$'000	2009 US$'000
Present value of unfunded obligations	418	388
Unrecognized actuarial gains	34	110
Liability in the consolidated balance sheet	452	498

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

	2010 US$'000	2009 US$'000
Current service cost	14	11
Interest cost	7	6
Actuarial loss recognized during the year	(137)	—
Total, included in employee benefit expense (Note 27)	(116)	17

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

20 RETIREMENT BENEFIT OBLIGATIONS — GROUP (CONTINUED)

(c) Long service payments (continued)

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

	2010 US$'000	2009 US$'000
At 1 January	498	470
Total expenses — included in staff costs as shown above	(116)	17
MPF refund received	70	11
At 31 December	452	498

The principal actuarial assumptions used are as follows:

	2010	2009
Discount rate	1.8%	2.0%
Future salary increases rate	2.5%	2.0%

21 CONSIDERATION PAYABLE AND FINANCIAL LIABILITIES — GROUP

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

	2010 US$'000	2009 US$'000
Consideration payable:		
— Within 1 year	—	397
Financial liabilities:		
— Within 1 year	1,264	1,264
— Between 2 and 5 years	—	33,885
	1,264	35,546
Less: Amount representing interest element	—	(2,626)
Present value of the consideration payable and financial liabilities	1,264	32,920
Less: Current portion included in other payables and accruals	(1,264)	(1,661)
	—	31,259

During the year, the option deeds in relation to the acquisition of the remaining equity interests in On Time International Limited ("On Time") and Trinew Limited ("Trinew") were cancelled. The financial liabilities in relation to the put options granted to the venders of On Time and Trinew were re-measured to an amount of approximately US$24,805,000 upon the termination of these options. The financial liability in relation to the acquisition of the remaining equity interests in On Time of US$17,490,000 was then derecognized against the equity while the financial liabilities in relation to the acquisition of Trinew of US$7,315,000 was settled upon the acquisition of 40% equity interest in Trinew (Note 36).

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

	2010 US$'000	2009 US$'000
US$	1,264	31,744
HK$	—	1,176
	1,264	32,920

22 TRADE AND BILLS PAYABLE — GROUP

At 31 December 2010, the ageing analysis of the trade and bills payable were as follows:

	2010 US$'000	2009 US$'000
0 to 30 days	53,346	41,564
31 to 60 days	2,401	2,010
61 to 90 days	205	1,548
Over 90 days	4,735	5,120
	60,687	50,242

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

	2010 US$'000	2009 US$'000
US$	29,381	26,426
HK$	19,642	8,164
Euro	3,088	6,709
RMB	7,510	8,001
Philippines Peso	729	658
Other currencies	337	284
	60,687	50,242

23 OTHER PAYABLES AND ACCRUALS — GROUP

Other payables and accruals of the Group include provision for claims of US$8,121,000 (2009: US$9,519,000). Movements of the provision for claims are as follows:

	2010 US$'000	2009 US$'000
At 1 January	9,519	8,356
Provision for the year (Note 26)	3,019	3,802
Utilization for the year	(4,417)	(2,639)
At 31 December	8,121	9,519

24 DERIVATIVE FINANCIAL INSTRUMENTS — GROUP

	2010 US$'000	2009 US$'000
Currency forward contracts	47	(51)
Interest rate swap-fair value hedge (Note a)	680	73
	727	22

Note:

(a) The notional principal amounts of the outstanding interest rate swap contract at 31 December 2010 were US$24,750,000 (2009: US$29,250,000).

25 OTHER (LOSSES)/GAINS — NET

	2010 US$'000	2009 US$'000
Fair value losses on derivative financial instruments (Note 24)		
— net (losses)/gains on currency forward contracts	(47)	51
— interest rate swap	(680)	(73)
Net gain on foreign exchange forward contracts	1,449	422
Net foreign exchange (loss)/gain	(3,436)	2,527
Excess of the Group's interest in the fair values of identifiable net assets acquired over the cost of the acquisition	—	625
Impairment for goodwill	—	(119)
	(2,714)	3,433

26 EXPENSES BY NATURE

	2010 US$'000	2009 US$'000
Raw materials and consumables used	540,100	522,516
Changes in inventories of finished goods and work in progress	8,132	17,276
Loss/(gain) on disposal of property, plant and equipment	34	(27)
Auditors' remuneration	1,191	934
Amortization of leasehold land and land use rights (Note 6)	206	229
Amortization of intangible assets (Note 8)	2,291	2,291
Depreciation of property, plant and equipment (Note 7)	17,532	17,704
Write-off of property, plant and equipment (Note 7)	—	3,646
Provision for claims (Note 23)	3,019	3,802
Provision for impairment of trade receivables (Note 15)	688	902
Provision for inventory obsolescence	1,808	916
Write-off of reimbursement receivables (Note i)	—	1,780
Operating leases		
— office premises and warehouses	6,914	8,017
— plant and machinery	415	374
Employee benefit expense (Note 27)	137,072	126,691
Transportation	5,081	5,137
Commission	2,432	2,789
Communication, supplies and utilities	18,343	18,754
Other expenses	28,383	25,176
	773,641	758,907
Representing:		
Cost of sales	659,682	631,872
Selling and distribution expenses	15,885	13,670
General and administrative expenses	98,074	113,365
	773,641	758,907

Note:

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

27 EMPLOYEE BENEFIT EXPENSE — INCLUDING DIRECTORS' EMOLUMENTS

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

	2010 US$'000	2009 US$'000
Wages, salaries and allowances	133,399	120,020
Termination benefits	784	2,791
Share options granted to directors and employees	63	203
Pension costs		
— Defined contribution plans (Note 20(a))	2,378	2,623
— Defined benefit plans (Note 20(b))	366	564
— Long service payments (Note 20(c))	(116)	17
Others	198	473
	137,072	126,691

(b) Directors' and senior management's emoluments

The remuneration of every director for the year ended 31 December 2010 is set out below:

Name of director	Fees US$'000	Salary US$'000	Discretionary bonuses US$'000	Other benefits US$'000	Employer's contribution to pension scheme US$'000	Total US$'000
Executive directors						
Mr. Tan Siu Lin	—	113	—	—	—	113
Mr. Tan Henry	—	394	51	—	2	447
Mr. Tan Cho Lung, Raymond	—	286	36	—	2	324
Ms. Mok Siu Wan, Anne	15	403	673	—	63	1,154
Mr. Tan Sunny	—	112	17	—	2	131
Non-executive directors						
Mr. Tan Willie	150	—	—	—	—	150
Mr. Lu Chin Chu	15	—	—	—	—	15
Independent non-executive directors						
Mr. Chan Henry	15	—	—	—	—	15
Mr. Cheung Siu Kee	15	—	—	—	—	15
Mr. Seing Nea Yie	15	—	—	—	—	15

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

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

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

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

Other benefits mainly include share options and other allowances.

None of the directors of the Company waived any emoluments paid by the Group companies during the year (2009: Nil).

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

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included one (2009: one) director whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining four (2009: four) individuals during the year are as follows:

	2010 US$'000	2009 US$'000
Basic salaries, other allowances and benefits in kind	803	1,153
Discretionary bonuses	1,366	1,037
Pension scheme contributions	22	13
Others	642	499
	2,833	2,702

The emoluments fell within the following bands:

	Number of individuals	
	2010	2009
Emolument bands		
US$516,129 to US$580,645 (equivalent to HK$4,000,001 to HK$4,500,000)	1	2
US$645,162 to US$709,677 (equivalent to HK$5,000,001 to HK$5,500,000)	1	1
US$709,678 to US$774,194 (equivalent to HK$5,500,001 to HK$6,000,000)	1	—
US$838,710 to US$903,226 (equivalent to HK$6,500,001 to HK$7,000,000)	1	1
	4	4

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

28 FINANCE INCOME AND COSTS

	2010 US$'000	2009 US$'000
Interest expense on bank loans and overdrafts	1,488	2,046
Interest expense on financial liabilities carried at amortized costs	—	1,179
Finance costs	1,488	3,225
Interest income	(333)	(940)
Change in estimates of financial liabilities (Note)	(6,454)	(4,042)
Finance income	(6,787)	(4,982)
Net finance income	(5,299)	(1,757)

Note:

The net effect of the change in estimates related to the financial liabilities in connection with the put options granted to the non-controlling interests of certain subsidiaries, which were terminated during the year (see Note 21). Such change in estimates represented the changes in estimated final redemption amount.

29 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 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.

	2010 US$'000	2009 US$'000
Current income tax	4,150	6,059
Over-provision in prior years	(195)	(1,930)
Deferred income tax (Note 12)	137	(1,605)
	4,092	2,524

29 INCOME TAX EXPENSE (CONTINUED)

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

	2010 US$'000	2009 US$'000
Profit before income tax	23,355	21,531
Tax calculated at domestic tax rates applicable to profits in the respective countries	4,561	4,377
Income not subject to tax	(1,288)	(1,512)
Expenses not deductible for tax purposes	536	955
Tax losses for which no deferred income tax asset was recognized	257	242
Tax effect of share of results of associated companies and jointly controlled entities	221	392
Over-provision in prior years	(195)	(1,930)
Tax charge	4,092	2,524

The weighted average applicable tax rate was 19.5% (2009: 20.3%). The decrease is caused by a change of profitability of the Group's subsidiaries in the respective countries.

Note:

(i) In prior years, a Hong Kong subsidiary received notices of additional assessments/assessments from the Hong Kong Inland Revenue department (the "IRD") for the years of assessment 2000/01 to 2007/08 and 2009/10 demanding for tax totalling US$3,887,000 in respect of certain income, which the directors has regarded as not subject to Hong Kong Profits Tax. The directors have thoroughly revisited the situations and have concluded that the subsidiary company has grounds to defend that the relevant profits are not subject to Hong Kong Profits Tax. In these circumstances, the directors have filed objections to these additional assessments/assessments and consider that sufficient tax provision has been made in the financial statements. The subsidiary company has paid the amount of US$3,453,000 in the form of Tax Reserve Certificates. The Tax Reserve Certificates amount paid was included in prepayments in the consolidated balance sheet as at 31 December 2010.

(ii) In prior years, two other subsidiaries were under tax audit conducted by the IRD and have received additional assessments 2000/01 to 2008/09, demanding tax totalling US$10,185,000. Some of these assessments are protective assessments issued before the expiry of the statutory time-barred period pending the result of the tax audit. These subsidiaries have lodged objections to the assessments. The directors consider that sufficient tax provision has been made in the consolidated financial statements in this regard.

30 PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

The profit attributable to owners of the parent is dealt with in the financial statements of the Company to the extent of approximately US$4,908,000 (2009: US$4,870,000).

31 EARNINGS PER SHARE

(a) Basic

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

	2010 US$'000	2009 US$'000
Profit attributable to owners of the parent	18,052	15,220
Weighted average number of ordinary shares in issue (thousands)	992,613	992,500
Basic earnings per share (US cents per share)	1.8	1.5

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has share options which have potential dilutive effect on its ordinary shares. A calculation is done 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.

	2010	2009
Weighted average number of ordinary shares in issue (thousands)	992,613	992,500
Adjustment for share options (thousands)	927	—
Weighted average number of ordinary shares for diluted earnings per share (thousands)	993,540	992,500
Diluted earnings per share (US cents per share)	1.8	1.5

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

32. DIVIDENDS

	2010 US$'000	2009 US$'000
Interim dividend paid of US0.227 cent or equivalent to HK1.764 cents (2009: US0.224 cents) per ordinary share	2,253	2,223
Proposed final dividend of US0.319 cent or equivalent to HK2.488 cents (2009: US0.236 cents) per ordinary share	3,167	2,343
	5,420	4,566

The directors have recommended the payment of a final dividend of US cent of 0.319 per share, totaling US$3,167,000. Such dividend is to be approved by the shareholders at the forthcoming Annual General Meeting. These financial statements do not reflect this dividend payable.

33 CASH GENERATED FROM OPERATIONS

	2010 US$'000	2009 US$'000
Profit before income tax	23,355	21,531
Adjustments for:		
Share of losses of associated companies	8	15
Share of profits of jointly controlled entities	(402)	(371)
Finance income (Note 28)	(6,787)	(4,982)
Finance costs (Note 28)	1,488	3,225
Fair value losses on derivative financial instruments	727	22
Excess of the Group's interest in the fair values of identifiable net assets acquired over the cost of the acquisition	–	(625)
Impairment of intangible assets (Note 8)	–	119
Amortization of intangible assets (Note 8)	2,291	2,291
Amortization of leasehold land and land use rights (Note 6)	206	229
Depreciation of property, plant and equipment (Note 7)	17,532	17,704
Write-off of property, plants and equipment	–	3,646
Write-off the non-controlling interest's share of net liabilities	–	276
Loss/(gain) on disposal of property, plant and equipment, net	34	(27)
Share-based payment	63	203
Operating profit before working capital changes	38,515	43,256
Changes in working capital:		
Inventories	(16,082)	16,207
Properties under development	(2,228)	(16,653)
Trade and bills receivable	(5,240)	(1,498)
Amounts due from related companies	363	1,441
Amounts due from associated companies and jointly controlled entities	797	(3,608)
Deposits, prepayments and other receivables	(6,134)	1,677
Trade and bills payable	10,445	(16,017)
Amounts due to related companies	543	492
Amounts due to associated companies and jointly controlled entities	(3,032)	387
Other payables and accruals	2,394	5,105
Derivative financial instruments	(22)	(2,199)
Retirement benefit obligations	459	410
Cash generated from operations	20,778	29,000

33 CASH GENERATED FROM OPERATIONS (CONTINUED)

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

	2010 US$'000	2009 US$'000
Net book amount (Note 7)	937	1,370
(Loss)/gain on disposal of property, plant and equipment	(34)	27
Proceeds from disposal of property, plant and equipment	903	1,397

34 BUSINESS COMBINATIONS

On 31 August 2010, the Group acquired 100% interest in Glory Silk International Limited ("Glory"), Gold Chain Enterprises Limited ("Gold") and Texcorp Investments Limited ("Texcorp") (altogether "Indonesia Group"), which is engaged in the trading and manufacturing of garment in Indonesia. Indonesia Group's main customer was the Group and therefore, the acquisition of the Indonesia Group contributed no significant revenues and contributed net losses of approximately US$382,000 to the Group for the period from 1 September 2010 to 31 December 2010. If the acquisition had occurred on 1 January 2010, the Group's revenue would have no significant change and the Group's profit would decrease by approximately US$1,231,000. These amounts have been calculated using the Group's accounting policies.

The assets and liabilities as of 31 August 2010 arising from the acquisition are as follows:

	Fair value US$'000
Property, plant and equipment	4,770
Inventories	807
Cash and cash equivalents	365
Trade receivables	2
Deposits, prepayments and other receivables	471
Other payables and accruals	(1,052)
Retirement benefit obligations (Note 20(b))	(2,387)
Taxation payable	(790)
Fair value of net assets acquired	2,186
Goodwill (Note 8) (Note (i))	357
Total purchase consideration	2,543
Purchase consideration settled in cash	(2,543)
Cash and cash equivalents in subsidiary acquired	365
Cash outflow on acquisition	(2,178)

Note:

(i) The goodwill is attributable to the economies of scale expected from combining the operations of the Group and the acquired businesses. The goodwill is allocated to the sweaters segment.

34 BUSINESS COMBINATIONS (CONTINUED)

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

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

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

35 COMMITMENTS

(a) Capital commitments — Group

As at 31 December 2010, the Group had the following capital commitments:

	2010 US$'000	2009 US$'000
Contracted but not provided for		
— Property, plant and equipment	101	851
— Properties under development	32,889	32,441
	32,990	33,292

(b) Operating lease commitments — Group

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

	2010 US$'000	2009 US$'000
Land and buildings		
— No later than 1 year	3,873	2,897
— Later than 1 year and no later than 5 years	6,299	5,568
— Later than 5 years	4,655	5,257
	14,827	13,722
Plant and equipment		
— No later than 1 year	24	77
— Later than 1 year and no later than 5 years	—	133
	24	210

The Company has no material commitments as at 31 December 2009 and 31 December 2010.

36 TRANSACTIONS WITH NON-CONTROLLING INTERESTS

On 14 June 2010, the Group acquired the remaining 40% equity interest in Trinew for a cash consideration of US$7,315,000 from a non-controlling shareholder. The carrying amount of the non-controlling interests in Trinew at the date of acquisition was US$9,451,000. In addition, the call and put options that were granted in previous years in relation to the acquisition of such remaining equity interests were terminated (see Note 21).

37 RELATED-PARTY TRANSACTIONS

Capital Glory Limited, a company incorporated in the British Virgin Islands, owns 61.88% interest in the Company's shares. The directors regard the ultimate holding company of the Company to be Helmsley Enterprises Limited, a company incorporated in Bahamas. The ultimate controlling party of the Group is Mr. Tan Siu Lin and his close family members.

(a) Transactions with related parties

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

(i) Provisions of goods and services

	2010 US$'000	2009 US$'000
Management fee income from		
— related companies	158	121
— a jointly controlled entity	291	77
	449	198
Commission income from related companies	643	769
Freight forwarding and logistics service income from		
— related companies	393	289
— jointly controlled entities	250	210
	643	499
Rental income from a related company	219	100
Subcontracting income from a jointly controlled entity	3,496	1,565

37 RELATED-PARTY TRANSACTIONS (CONTINUED)

(a) Transactions with related parties (continued)

(i) Provisions of goods and services (continued)

	2010 US$'000	2009 US$'000
Service income from related companies	310	—
Advance payment to		
— related companies	153	103
— a jointly controlled entity	352	197
	505	300
Recharge of material costs and other expenses to		
— related companies	4,020	2,819
— jointly controlled entities	11,239	7,305
	15,259	10,124

(ii) Purchases of goods and services

	2010 US$'000	2009 US$'000
Rental expenses for occupying office premises, warehouses and staff quarters charged by related companies	1,603	1,346
Travelling related service fees charged by related companies	176	213
Professional and technological support service fees to related companies	2,362	2,192
Subcontracting fee charged by jointly controlled entities	15,332	4,565
Commission expense charged by jointly controlled entities	1,829	1,876

37 RELATED-PARTY TRANSACTIONS (CONTINUED)

(a) Transactions with related parties (continued)

(ii) Purchases of goods and services (continued)

	2010 US$'000	2009 US$'000
Recharge of material costs and other expenses by		
— related companies	501	—
— jointly controlled entities	4,258	2,490
	4,759	2,490
Purchase of materials from		
— a related company	6,448	7,324
— a jointly controlled entity	—	211
	6,448	7,535

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

(b) On 31 August 2010, the Group acquired the Indonesia Group for a cash consideration of US$2,543,000 from Kardon International Worldwide Limited ("Kardon"), a related company indirectly owned by Mr. Tan Siu Lin, which owned 42% equity interest in Indonesia Group and a third party namely Linktop Enterprises Limited.

37 RELATED-PARTY TRANSACTIONS (CONTINUED)

(c) Key management compensation

	2010 US$'000	2009 US$'000
Basic salaries and allowance	3,797	4,539
Bonus	3,530	3,723
Pension scheme contributions	100	93
	7,427	8,355

(d) Banking facilities

As at 31 December 2010, certain banking facilities of the Group to the extent of US$279,311,000 (2009: US$279,311,000) were secured by corporate guarantees given by the Company.

The Company also provided corporate guarantees to the extent of US$11,613,000, equivalent to HK$90,000,000 (2009: US$11,613,000, equivalent to HK$90,000,000) to Yuen Thai Industrial Co. Ltd., a jointly controlled entity of the Group.

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

As at 31 December 2010, the outstanding balances with the related companies, associated companies and jointly controlled entities are unsecured, interest-free and repayable on demand.

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

37 RELATED-PARTY TRANSACTIONS (CONTINUED)

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

(g) Loan from a non-controlling shareholder of a subsidiary

As at 31 December 2010, the loan from a non-controlling shareholder of a subsidiary was repaid during the year (2009: US$3,097,000).

38 CONTINGENT LIABILITIES AND LITIGATION

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

FINANCIAL SUMMARY

	2006	2007	2008	2009	2010
Financial highlights (US$'000)					
Total assets	445,894	457,124	541,796	525,263	528,383
Total liabilities	231,661	227,044	295,336	269,087	240,823
Bank borrowings	69,434	52,158	83,540	67,016	64,252
Capital and reserves attributable to the owners of the parent	198,731	220,286	221,562	234,355	276,721
Working capital (restated)	88,394	89,418	78,736	103,792	85,349
Revenue	661,836	800,877	832,002	774,892	794,017
Profit attributable to the owners of the parent	2,509	12,515	11,829	15,220	18,052
Key ratios					
Current ratio (restated)	1.43	1.46	1.31	1.46	1.38
Gross profit margin	18.8%	19.3%	18.5%	18.5%	16.9%
Profit margin attributable to the owners of the parent	0.4%	1.56%	1.42%	1.96%	2.30%