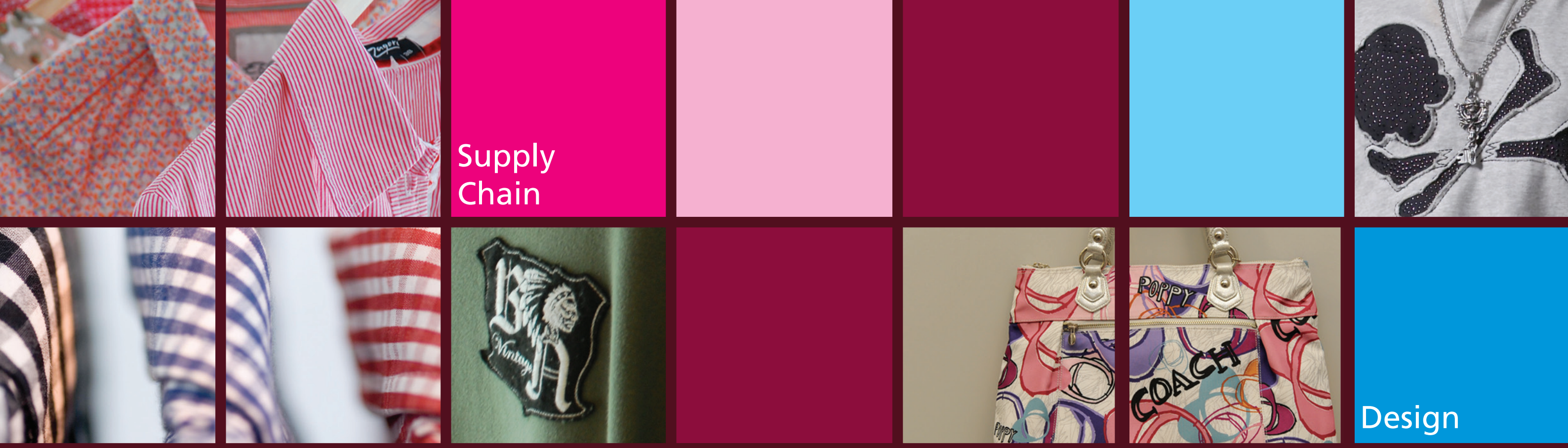


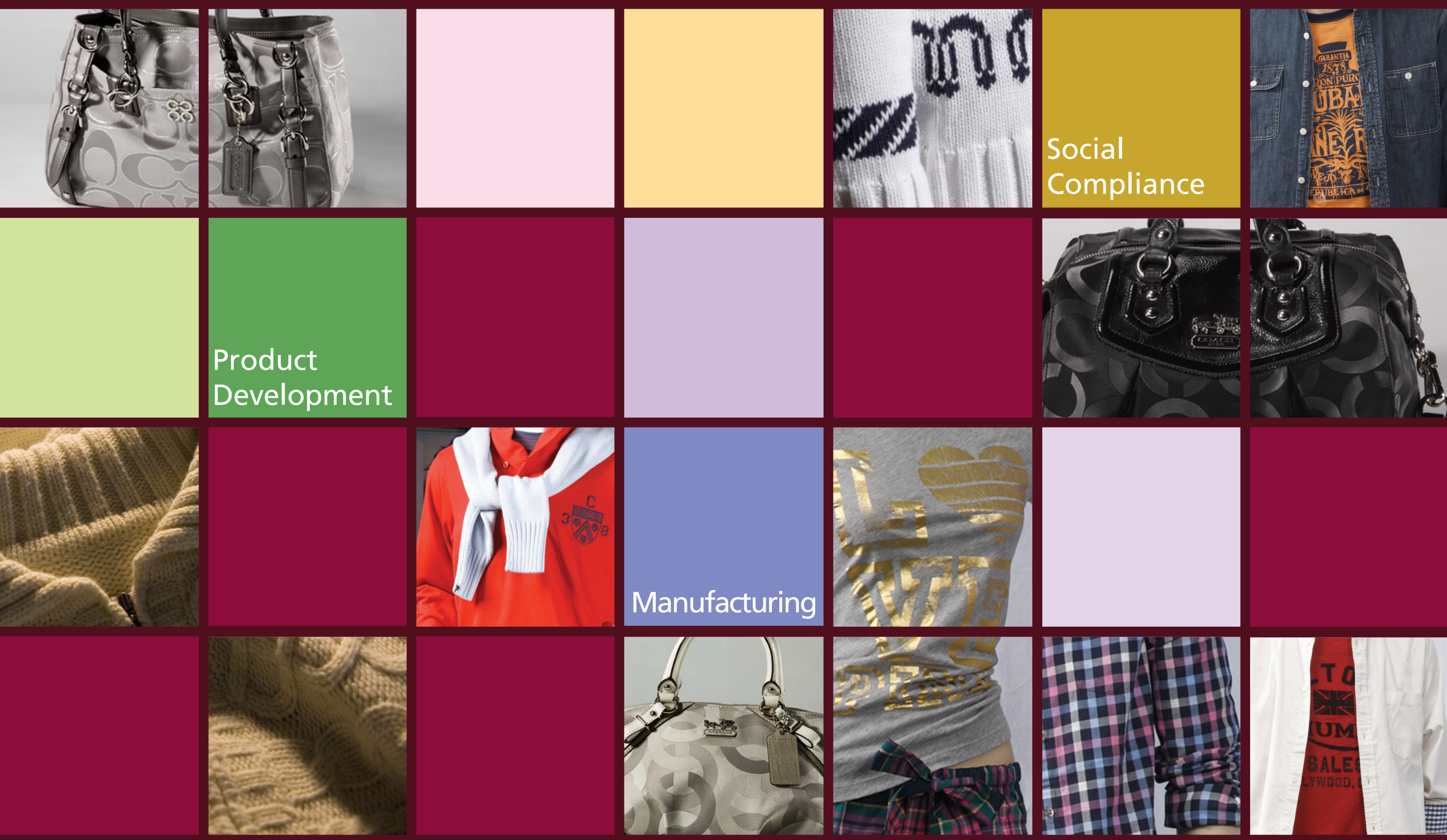
Luenthai

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 2011

CONTENTS

EXECUTIVE DIRECTORS

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

NON-EXECUTIVE DIRECTORS

TAN Willie
LU Chin Chu

INDEPENDENT NON-EXECUTIVE DIRECTORS

CHAN Henry
CHEUNG Siu Kee
SEING Nea Yie

COMPANY SECRETARY

CHIU Chi Cheung

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS

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

WEBSITE

http://www.luenthai.com

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

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

AUDITOR

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

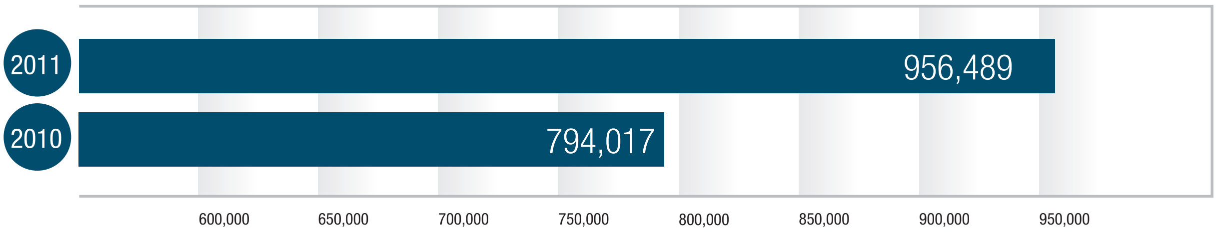
LEGAL ADVISORS

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

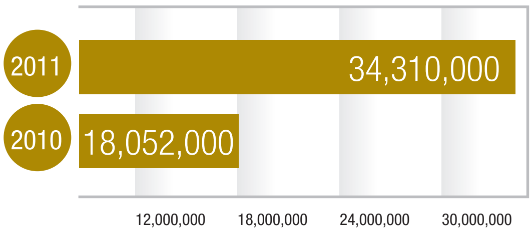
	2011 US$'000	2010 US$'000
Revenue	**956,489**	794,017
Gross Profit	**160,933**	134,335
As a percentage of revenue	**16.8%**	16.9%
Operating Profit	**28,592**	19,252
As a percentage of revenue	**3.0%**	2.4%
Profit Attributable to the owners of the Company	**34,310**	18,052
As a percentage of revenue	**3.6%**	2.3%
Earnings Per Share	**US3.5 cent**	US1.8 cent
Dividend Per Share		
— Final	**US0.804 cent**	US0.319 cent
— Interim	**US0.233 cent**	US0.227 cent
Capital and Reserves		
Attributable to the owners of the Company	**307,954**	276,721

KEY FINANCIAL HIGHLIGHTS

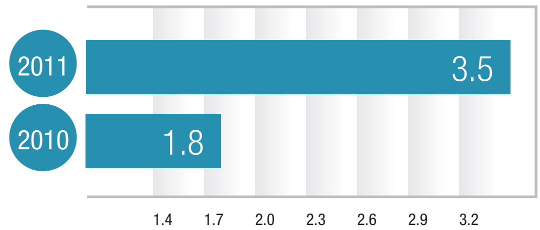
REVENUE



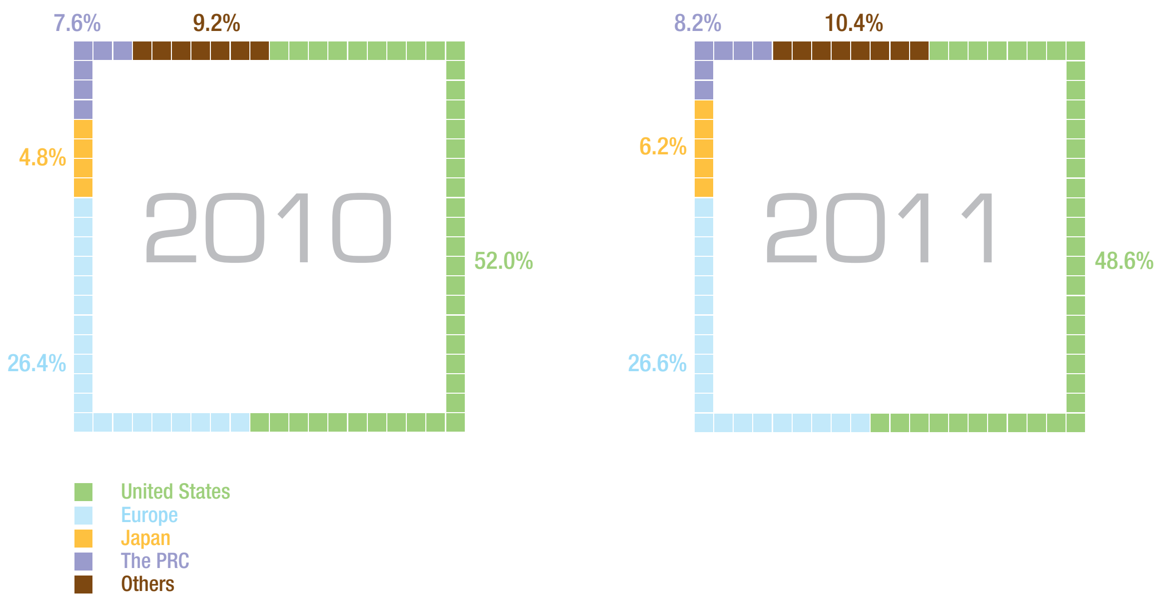
PROFIT ATTRIBUTABLE TO THE OWNERS OF THE PARENT US$



EARNINGS PER SHARE US cent



SALES BY GEOGRAPHICAL SEGMENTS



OVERVIEW

With the slowdown of the economic growth in the United States and the sovereign debt crisis within the euro zone, 2011 was another challenging year as both the United States and Europe are the top two sources of revenue of Luen Thai Holdings Limited ("Luen Thai" or "Company") by geographical location. This challenging economic environment was coupled with the significant fluctuation in cotton price. Despite this difficult operating environment, I am pleased to report that Luen Thai achieved another year of record high revenue in 2011 of approximately US$956,489,000 and the profit attributable to the owners of the Company also increased to US$34,310,000 representing an increase of 90.1% over 2010.

STRATEGIC DIRECTIONS

Diversification of Production Bases

I believe the operating costs in the mainland China will continue to rise as the labour cost itself is expected to increase by about 15% to 20% per annum in the next few years. Certain of our key customers expressed their concerns on such expected increase in operating costs in the mainland China and hope that Luen Thai can plan to increase its production capacities outside China to cope with their growth plan. While I believe China has still maintained its competitive edge for complicated products which require highly skilled labour and short lead time, the Group should focus on investing in at least one more major production base outside China to remain competitive. This is the Group's strategic direction to reduce its reliance on the production bases in China.

In selecting such production base outside China, the management team has performed analysis of various potential locations, having regard to different factors including the availability of workers, median age of working population and wage level. With the support of certain of our customers, particularly from two US major customers from Accessories Division and one major Japanese customer from Casual and Fashion Apparel Division, the board of directors (the "Board") has decided to plan and develop more production capacities in the Philippines in 2012.

In 2011, the Group successfully increased its capacities of sweater and accessories production in Indonesia and in the Philippines respectively.

Focus on OEM business

During 2011, the Company has streamlined its operations by disposing real estate development business and also its retail operation in the PRC with a view to focusing on its OEM manufacturing business. Our readiness to develop new production capacities outside the mainland China provides the Group with a good opportunity to grow our OEM business with our customers, particularly a major USA luxury bag customer under the Accessory Division.

As disclosed in the Company's circular dated 26 August 2011, the Company formed a joint venture with Shan Ying Limited ("Shan Ying"), a wholly-owned subsidiary of Luen Thai Land Limited, and Keyasia Investments Limited ("Keyasia"), an associated company of Sunshine 100 Real Estate Group Co., Ltd. ("Sunshine 100") to re-position the development strategy for the residential project in Qingyuan. As Sunshine 100 is a well established and experienced property developer in the PRC, I believe that Luen Thai will benefit from the formation of this joint venture with an experienced property developer who has proven track record of property project development in various cities of the PRC.

I believe Luen Thai's business model, being an apparel and accessory supply chain services provider 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 implementation of lean reengineering strategy will continue to reduce operating costs and improve production efficiency. The diversification of production bases shall better serve our customers and I believe this is also a critical success factor in the consumer products industry.

DIVIDEND

The Board of Directors has resolved to declare a final dividend of US0.804 cent per share (or equivalent to HK6.247cents) for the year ended 31 December 2011.

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, Nomination Committee and Bank Facility Committee all at the Board of Directors' (the"Board") level, to provide assistance, advice and recommendations on the relevant matters that aim to ensure protection of the Group and the interest of the Company's shareholders as a whole.

APPRECIATION

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

TAN Siu Lin
Chairman

Hong Kong, 30 March 2012

RESULT REVIEW

For the year ended 31 December 2011, the Group's revenue increased by 20.5% to approximately US$956,489,000 when compared to 2010. The increase in revenue is mainly due to the increase in business with existing top customers, particularly those under the Accessories Division and the increase in the average selling price ("ASP"). The increase in ASP was as a result of the increase in material costs, substantial part of which was passed to our customers.

Luen Thai's overall gross profit for 2011 was approximately US$160,933,000, representing an increase of 19.8% over 2010. The overall gross profit margin in 2011 was approximately 16.8%, representing a 0.1 percentage point decrease over 2010. The decrease in gross profit margin was mainly due to the rise in raw material costs. The Group's operating expenses (including the selling and distribution expenses and the general and administrative expenses) for the continuing operations increased from US$112,377,000 in 2010 to approximately US$130,995,000 in 2011, representing an increase of 16.6% over 2010 as a result of increase in facilities in Indonesia and in the Philippines.

The profit attributable to the owners of the Company increased to US$34,310,000 as compared to US$18,052,000 in 2010, representing an increase of US$16,258,000 or 90.1% over 2010. The significant increase was mainly attributable to the one-time gain on disposal of subsidiaries in the Real Estate segment of approximately US$16,046,000 during the year under review.

The profit attributable to the owners of the Company of the continuing operations in 2011 was approximately US$19,767,000 which included a one-time loss of approximately US$3,870,000 on disposal of a subsidiary under the Casual and Fashion Apparel segment. The operating loss of this subsidiary up to the date of disposal in 2011 amounted to approximately US$1,581,000. In other words, excluding the one-time loss on disposal and the corresponding operating loss of this subsidiary, the profit attributable to the owners of the Company of the continuing business could reach approximately US$25,218,000.

SEGMENTAL REVIEW

Apparel businesses, comprising our Casual and Fashion Apparel Division, Sweater Division and Life Style Division, are the Group's major source of revenue. These include the Group's OEM apparel manufacturing, apparel sourcing and trading business, which accounted for approximately 78.3% of the Group's total revenue in 2011.

Apparel Supply Chain Management Services

The revenue and profit brought by the ladies wear business within the Casual and Fashion Apparel Division remained strong for 2011. As mentioned before, the Casual and Fashion Apparel Division recorded a one-time loss of approximately US$3,870,000 for a disposal of a subsidiary during the year under review. Excluding this one-time loss, the segment profit is approximately US$18,458,000, representing a segment profit margin of 4.2% which is about 0.5 percentage point over 2010.

Life-style apparel business has not only been benefited by the stabilization of Euro but also its successful diversification of customer base in 2011 resulting in its segment profit increase to approximately US$8,106,000, representing an increase of 103.2% over 2010.

The Sweater Division has reported a segment profit of approximately US$3,226,000 for 2011, representing a decrease of 2.6% over 2010 due mainly to the fluctuation in the cotton price. The Board believes that the Indonesia operation is a strong platform for growth and its full potential has not yet realized in 2011.

Accessory Supply Chain Management Services

Through the lean reengineering implementation, the efficiency of the Accessories Division has continued to improve. The Division has also continued to expand its customer base and product lines. Despite the Division's incurrence of additional start up costs as a results of the capacity expansion in the Philippines in the first half of the year, it still recorded a profit of approximately US$5,521,000 for 2011 representing a 315.7% increase over 2010.

Real Estate and Logistics

As disclosed in the interim report of the Company for the reporting period, Chang Jia International Limited ("Chang Jia"), an indirect wholly owned subsidiary of the Company before the transaction, had entered into a subscription and share purchase agreement with, among other parties, Sunshine 100 and Luen Thai Land Limited. Pursuant to the agreement, (a) Chang Jia would acquire from Shan Ying, a wholly owned subsidiary of Luen Thai Land Limited, a property company with approximately 428,272.9 square meters of land in Qingyuan and (b) Chang Jia would acquire from Shiny New Limited ("Shiny New"), an indirect wholly owned subsidiary of the Company, a property company with approximately 503,517.53 square meters of land in Qingyuan and (c) Keyasia would subscribe shares in Chang Jia at a consideration of RMB180 million. The transaction was completed on 29 November 2011 and Chang Jia is owned as to 55%, 24% and 21% by Keyasia, Shiny New and Shan Ying respectively. This transaction effectively disposed of the Company's Real Estate business through the formation of joint venture with Luen Thai Land Limited and Sunshine 100, and the gain on such disposal is approximately US$16,046,000. The Board expects that this joint venture shall provide an additional source of income for the Group in the next few years.

The Group's freight forwarding and logistics services recorded a revenue of approximately US$17,150,000 for the year under review, representing an increase of approximately 18.2% over 2010.

MARKETS

Geographically, the US market was still the Group's key export market in 2011, accounting for approximately 48.6% of the Group's total revenue in 2011. The revenue derived from customers in the USA is approximately US$465,235,000, representing an increase of approximately US$52,378,000 over 2010. Such increase represents mainly the increase of sales recorded by Casual and Fashion Apparel Division, Life-style Division and Accessories Division in 2011.

Europe continued to be the second largest export market of the Group in 2011. Europe accounted for approximately 26.6% of the Group's total revenue in 2011. The revenue derived from customers in Europe is approximately US$254,745,000, representing an increase of approximately US$45,037,000 over that recorded for 2010. This increase was mainly due to the fluctuation of Euro exchange rate and the increase in business with one major Europe-based customer.

Asia market (mainly the Greater China and Japan) is still a growing market in 2011 which accounted for approximately 14.4% of the Group's total revenue representing a 2.0 percentage points increase over that of 2010.

ACQUISITIONS AND JOINT VENTURES

It is the Group's strategy to strengthen its supply chain capabilities by way of selective value-enhancing acquisition and joint ventures.

The apparel manufacturing business was distorted by the quota system in the past and therefore apparel OEM manufacturer needs to be extremely efficient in order to compete with its competitors all over the world. However, manufacturers of other consumer products like bags manufacturing business under our accessories division have more room for our improvement through lean reengineering strategy. Riding on our success of turning around the business of the accessories division, we shall continue looking into acquisition targets of other consumer products to broaden our product base.

FUTURE PLANS AND PROSPECT

Increase Production Capacities Outside China

The Board has decided to maintain its current production level in China while increasing its future production capacities outside China with the view to reducing the China capacities to a level of around 50% of the total Group's production level in the next few years. Our current worker headcount is around 21,000 globally of which only approximately 5,100 and 2,400 are now in the Philippines and Indonesia respectively. With our plan to increase the production facilities outside China (mainly in the Philippines) in the next three years, our cost saving due to the wage differential between China and the Philippines should be able to offset the operating costs increase in China and maintain our profit margin.

Apparel Supply Chain Management Services

One major Japanese customer from our Casual and Fashion Apparel Division who currently places orders in our China factory has started placing orders in our Philippines facilities to cope with its rapid growth and reduce its reliance on China production.

Accessory Supply Chain Management Services

The Board expects that the Accessory Division will be the growth driver of the Company in the next three years with its revenue increase at about 20% to 30% each year, benefiting from its recent increase in production capacity through the expansion in the Philippines, and taking into account the expansion plan and commitment of a major USA luxury bag customer of the Division. In addition, the Division has developed its camera bags business and in the process of developing its travel bags business.

With the support from our customers to grow our Philippines operation, the Board has set a management goal of revenue growth for the Group to be around an average of 10% to 15% for each of the next three years.

INVESTOR RELATIONS AND COMMUNICATIONS

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

The Group 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 2011, the total amount of cash and cash equivalents of the Group was approximately US$138,827,000, representing an increase of approximately US$56,920,000 as compared to that as at 31 December 2010. The Group's total bank borrowings as at 31 December 2011 was approximately US$88,053,000, representing an increase of approximately US$23,801,000 as compared to that as at 31 December 2010.

As at 31 December 2011, 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 eight years with approximately US$66,192,000 repayable within one year, approximately US$5,495,000 in the second year, approximately US$16,078,000 in the third to fifth year, and approximately US$288,000 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 2011, 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 25,000 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 81, 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 58, is the Chief Executive Officer of Luen Thai Holdings Limited and son of Dr. TAN Siu Lin. Mr. Tan is also a member of the Remuneration Committee, Nomination Committee and the Bank Facility Committee. Mr. Tan joined the Group in January 1985 and has over 27 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 50, 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 22 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 59, is the President and Chief Merchandizing Officer of Luen Thai International Group Limited and the President of the Tien Hu Group. Ms. Mok is an accomplished industry professional with years of experience in key executive and board member positions out of which over 20 years were spent holding various management positions within the Swire Pacific Group Companies. Ms. Mok also held senior management positions with other prominent organizations including Li & Fung Limited and the Pentland Group plc, a London based international group which develops and owns some leading brands in Sports and Fashion. Ms. Mok graduated with a Bachelor's degree in Arts from the University of Hong Kong and has attended various management programmes and courses organized by Harvard University, Tsinghua University and INSEAD Euro-Asia Centre. Ms. Mok was a member of the Board of Governors for the American Chamber of Commerce in Hong Kong from 1998 to 2003 and the Chairman of the Textiles Committee for the American Chamber of Commerce in Hong Kong in 1996 and 1997. Ms. Mok joined the Group in 2003 and was appointed to the Luen Thai Holdings Board as an Executive Director in June 2005.

TAN Sunny, aged 38, 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 56, 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 29 years experience in business management in various disciplines including apparel and footwear manufacturing, fishing, logistics including cargo airline and shipping, wholesale and retail operations, hotel, travel and tours, insurance, financial and health care services. Mr. Tan obtained his Bachelor's Degree in Business Administration from the University of Guam. He is currently the External Vice President of the Philippine-China Business Council, Chairman of the Confederation of Garment Exporters of the Philippines and a director for Quanzhou City Global Youth Federation. In November 2007, Mr. Tan was appointed Honorary Ambassador-at-Large for Guam, USA.

LU Chin Chu, aged 58, is the General Manager of one of the three manufacturing groups of Yue Yuen Industrial (Holdings) Limited, a company listed on The Stock Exchange of Hong Kong Limited. Additionally, he is currently a director of Pou Chen Corporation, San Fang Chemical Industry Co. Ltd. and Evermore Chemical Industry Co. Ltd., companies being listed on the Taiwan Stock Exchange in Taiwan. Mr. Lu also holds several directorships in certain private companies established in Taiwan, Hong Kong, mainland China, the United States, Bermuda and the British Virgin Islands, which are engaged primarily in investment holding, production and marketing of non-apparel products, 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 34 years of experience in the manufacturing of footwear and related components. He joined the Group in 2007.

INDEPENDENT NON-EXECUTIVE DIRECTORS

CHAN Henry, aged 46, is a member of the Audit Committee, Nomination Committee and the Remuneration Committee. Mr. Chan has over 24 years of experience in the financial market and is the Managing Director of Sanfull Securities Limited. He was a Director of The Stock Exchange of Hong Kong Limited and was a member of the Advisory Committee of the Securities and Futures Commission. Mr. Chan is currently the Permanent Honorary President of Hong Kong Stockbrokers Association Limited, an independent non-executive director of Hengan International Group Company Limited, a company listed on the Main Board of the Stock Exchange which engages in the manufacture and distribution of personal hygiene products. Mr. Chan is also a committee member of the Chinese People's Political Consultative Conference in Xiamen, Fujian Province, China. Mr. Chan obtained his Master's degree in Business Administration from Asia International Open University (Macau) and his Bachelor's degree in Arts from Carleton University in Canada. He joined the Group in 2004.

CHEUNG Siu Kee, aged 68, is a member of the Audit Committee, Nomination Committee and the Remuneration Committee. Mr. Cheung has extensive experience in the financial industry. Mr. Cheung was the Group Treasurer of Nam Tai Electronics, Inc. from 2004 to 2005. Mr. Cheung had also worked for the Hongkong and Shanghai Banking Corporation Limited in Hong Kong for 37 years when he retired in 2003 as a Senior Executive in the Corporate and Institutional Banking division. Mr. Cheung obtained his Bachelor's degree in Arts from the University of Hong Kong. He joined the Group in 2004.

SEING Nea Yie, aged 64, is the Chairman of the Audit Committee, Nomination Committee and the Remuneration Committee. Mr. Seing is the senior partner of both accounting firms Messrs. Chan, Seing & Co. and Messrs. Chen Yih Kuen & Co. Certified Public Accountants (Practising). Mr. Seing has over 37 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 59, is the Director and Vice Chairman of CTSI Logistics Ltd. Mr. Chan is responsible for the overall management of the operation of the logistics business in China. Mr. Chan joined the Group in 1980.

CHOI Suk Yan, **Belinda**, aged 63, is the Group Finance Controller and Treasurer. Ms. Choi has over 37 years of experience in various areas of the apparel manufacture industry with over 26 years of experience in financial management. She joined the Group in 1967.

HELFENBEIN Richard A., aged 63, is the President of Luen Thai USA. Mr. Helfenbein has extensive experience in the industry in key executive positions with Crystal Brands Inc., as the President of Izod/Lacoste Youthwear, and as the Managing Director of Apparel Services at Burlington Industries, Inc.. He has been with the Group since 1999. Mr. Helfenbein had served for many years on the Board of Trustees of Blythedale Children's Hospital, and the Board of the Greyston Foundation in New York. He is currently a Board Member and Executive Committee Member of American Apparel and Footwear Association, as well as serving as Treasurer, (AAFA is the highly prestigious USA national trade organization for apparel and footwear), and he also is on the Apparel Studies Advisory Board of the University of Arkansas, and the Wisdom Council of the Greyston Foundation. Mr. Helfenbein received a Bachelor of Science degree in Economics from the Wharton Business School at the University of Pennsylvania, participates in COER (Consortium for Operational Excellence in Retailing), and lectures at Industry Events and prestigious Universities in the USA on the subjects of Marketing, Supply Chain Management, and International Trade.

Dr. ROMAGNA John, aged 66, 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 53, is Executive Vice President of Luen Thai International Group, Ltd., and is responsible for the business of Verte Company which manufactures mainly Ralph-Lauren brand. He concurrently holds the position of President of Luen Thai Philippines. He has been with the Group since 1994. Mr. Sauceda obtained his Bachelor's degree in Business Administration from Texas Southmost College, University of Texas. He is a member of the Hong Kong Chamber of Commerce and the Mexican Chamber of Commerce Hong Kong.

TAN Cho Yee, **Jerry**, aged 50, 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 22 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 contribution to the community. Jerry was appointed in 2011 by Governor Benigno R. Fitial as the member of the CNMI Bid Committee for the 2017 Pacific Mini Games. Jerry obtained a degree in Bachelor of Business Administration from the University of Guam.

WONG, **Sammy**, aged 55, 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 31 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 48, is the Vice President of Corporate Finance, Company Secretary of the Company. Mr. Chiu has over 19 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 2011.

PRINCIPAL ACTIVITIES

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

GROUP PROFIT

The consolidated income statement is set out on page 40 and shows the Group's profit for the year ended 31 December 2011. A discussion and analysis of the Group's performance during the year and the material factors underlying its results and financial position are provided on pages 7 to 11 of the annual report.

DIVIDENDS

An interim dividend of US0.233 cent per share was paid to the shareholders during the year totaling to approximately US$2,313,000 and the Directors recommend the payment of a final dividend of US0.804 cent per share totaling to approximately US$7,981,000.

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 2011 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$198,007,000 as at 31 December 2011, comprising retained earnings of approximately US$9,425,000, 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 116 of the annual report.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group acquired property, plant and equipment of approximately US$10,950,000. 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$104,000.

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 2011:

	Note	Date of grant (dd/mm/yyyy)	Exercisable Period (dd/mm/yyyy)	Exercise Price Per Share	No. of share options As at 1 January 2011	Granted during the year	Lapsed/ Forfeited	Exercised	As at 31 December 2011
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	**–**	**1,200,000**	**–**	**2,000,000**
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	4,496,500	–	4,496,500	–	–
		10/11/2006	10/11/2007–09/11/2011	HK$1.28	4,938,000	–	4,938,000	–	–
		21/04/2008	21/04/2009–20/04/2013	HK$0.71	10,300,000	–	–	–	10,300,000
					19,734,500	**–**	**9,434,500**	**–**	**10,300,000**
Total		26/01/2006	26/01/2007–25/01/2011	HK$2.52	5,946,500	–	5,946,500	–	–
		10/11/2006	10/11/2007–09/11/2011	HK$1.28	6,438,000	–	6,438,000	–	–
		21/04/2008	21/04/2009–20/04/2013	HK$0.71	12,300,000	–	–	–	12,300,000
					24,684,500	**–**	**12,384,500**	**–**	**12,300,000**

Notes:

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

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

3. None of the share options granted and outstanding as at 31 December 2011 has been exercised up to the date of approval of the Company's 2011 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 as 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 three 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 2011, the interests of the Directors and chief executives of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register maintained by the Company under Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") were as follows:

Long position in the Shares

Name of Director	Capacity	No. of Shares	Percentage of interests in the Company
TAN Siu Lin	Trustee (note 1)	6,500,000	0.65%
	Interest of controlled corporation (note 1)	26,000,000	2.62%
TAN Henry	Interest of controlled corporation (note 2)	677,150,000	68.22%
TAN Cho Lung, Raymond	Beneficial Owner (note 4)	1,703,000	0.17%
MOK Siu Wan, Anne	Beneficial Owner (note 3)	2,000,000	0.20%
TAN Sunny	Beneficial Owner (note 6)	322,000	0.03%
TAN Willie	Beneficial Owner (note 5)	2,100,000	0.21%

Notes:

1. Mr. Tan Siu Lin as a trustee indirectly controls the entire issued share capital of Wincare International Company Limited, which in turn holds directly 6,500,000 shares of the Company (or approximately 0.65% 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 26,000,000 shares of the Company (or approximately 2.62% of the issued share capital of the Company).

2. Mr. Tan Henry is the beneficial owner of 3,500 issued shares (representing 70% interest) in Helmsley Enterprises Limited ("Helmsley"), a company incorporated in the Commonwealth of the Bahamas. Helmsley wholly owns Capital Glory Limited and indirectly owns Hanium Industries Limited, which own 614,250,000 Shares and 17,100,000 Shares respectively or approximately 63.60% aggregate 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 2,150,000 shares of the Company (or approximately 0.22% of the issued share capital of the Company).

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

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

5. A total of 2,100,000 shares of the Company were acquired by an associate of Mr. Tan Willie in 2011. He is therefore deemed under Part XV of the SFO to be interested in all of the 2,100,000 shares acquired by his associate.

6. 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 transaction entered into by the Group during the year are as follows:

On 9 June 2011, (a) Shiny New Limited ("Shiny New"), an indirect wholly-owned subsidiary of the Company; (b) Shan Ying Limited ("Shan Ying"), a wholly-owned subsidiary of Luen Thai Land Limited; (c) Chang Jia International Limited ("Chang Jia"), an indirect wholly-owned subsidiary of the Company before the transaction; (d) the Company; (e) Luen Thai Land Limited; (f) Sunshine 100 Real Estate Group Limited ("Sunshine 100"); and (g) Keyasia Investments Limited ("Keyasia"), an associated company of Sunshine 100, entered into the Subscription and Share Purchase Agreement ("the Subscription and Share Purchase Agreement").

Pursuant to the Subscription and Share Purchase Agreement, (a) Chang Jia agreed to acquire from Shan Ying the entire interest in Eminent Star Group Limited, a property company with approximately 428,272.9 square meters of land in Qingyuan, and the consideration shall be satisfied by Chang Jia's issue and allotment of its shares to Shan Ying and by payment of RMB301,693,858 (subject to adjustments); (b) Chang Jia agreed to acquire from Shiny New the entire interest in Lofty Talent Limited, a property company with approximately 503,517.53 square meters of land in Qingyuan, and the consideration shall be satisfied by Chang Jia's issue and allotment of its shares to Shiny New and by payment of RMB354,699,414 (subject to adjustments); (c) Keyasia agreed to subscribe shares in Chang Jia at a consideration of RMB180 million. Upon completion, Chang Jia was owned as to 55%, 24% and 21% by Keyasia, Shiny New and Shan Ying respectively. This transaction effectively disposed of the Company's Real Estate Division through the formation of joint venture with Luen Thai Land Limited and Sunshine 100.

Luen Thai Land Limited is ultimately controlled by Mr. Tan Siu Lin, a Director of the Company and hence Luen Thai Land Limited is a connected person of the Company. Shan Ying is a wholly-owned subsidiary of Luen Thai Land Limited. Accordingly, Luen Thai Land Limited and Shan Ying, being parties to the Subscription and Share Purchase Agreement, are connected persons of the Company. The transaction also constitutes a connected transaction of the Company which is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Further details of the transaction were disclosed in the circular of the Company dated 26 August 2011.

Details of the Continuing Connected Transactions are as follows:

The Tan Private Group, comprising of Helmsley Enterprises Limited ("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 2011 and 2010. 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**	**2011 US$'000**	2010 US$'000
Tan Private Group	Provision of technological support services (note a)	**2,100**	2,105
	Travel services	**89**	173
	Lease agreements (note b)		
	— Group as tenants	**1,512**	1,458
	— Tan Private Group as tenants	**66**	66
	Administrative and Support Services (note c)	**50**	116
	Freight services by the Group (note d)	**324**	254
	Shipping agency services by the Group (note e)	**708**	623
	Advance Payments (note f)		
	— Made by the Group	**27**	19
	— Made by the Tan Private Group	**4**	—
	Service Order (note g)	**—**	6,423
	Purchase Order (note g)	**—**	2,534

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

(b) On 18 December 2009, Luen Thai Overseas Limited, a subsidiary of the Company, entered into an agreement with the Tan Private Group in relation to the leasing of properties between the Group and the Tan Private Group, pursuant to which such leasing arrangements will be for a term of not exceeding 3 years from 1 January 2010.

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

(d) On 5 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 ("CTSI Transactions") to the Tan Private Group for a 3-year fixed term from 1 January 2009 to 31 December 2011 ("Old Freight Master Agreement").

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

(e) On 5 February 2009, the Group has entered into an agreement with Mariana Express Lines Ltd ("MELL") in respect of the Group's provision of shipping agency services ("MELL Shipping Transactions") to the Tan Private Group for a 3-year fixed duration from 1 January 2009 to 31 December 2011 ("Old Shipping Master Agreement"). MELL is owned as to 45% by Luen Thai Enterprises Limited which in turn is controlled by Mr. Tan Henry, an executive director and the chief executive officer of the Company. Therefore is a connected person of the Company.

The MELL Shipping Transactions involved the Group providing cargo solicitation, market reports, preparation of shipping documentation, cargo loading and discharge, vessel husbanding, container monitoring and control, as well as customer services, as an agent for MELL in various jurisdictions, including the Philippines, Guam and the Commonwealth of Northern Mariana Islands. For the MELL Shipping Transactions, the Group acts as an agent of MELL to third parties.

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

(g) On 26 November 2008, the Company, through its subsidiary, entered into an agreement ("AMI Master Agreement") with A. M. International Manufacturing Company Limited ("AMI") for a term of three years from 1 January 2009 to 31 December 2011, pursuant to which AMI as a sub-contractor agreed to provide garment manufacturing services to the Group. Under the AMI Master 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 AMI Master Agreement under which AMI will provide garment manufacturing services to the Group.

AMI is a wholly owned company of Kardon International Worldwide Ltd., which is a 50%-owned company of Luen Thai Direct Investment Limited ("LTDI"). LTDI is wholly owned by Admirable Investment Holdings Limited, which in turn is indirectly owned by Mr. Tan Siu Lin, a director of the Company. AMI is, therefore, a connected person of the Company.

During the year under review, the Group has also entered into the following master agreements, the term of which commenced on 1 January 2012:

(1) On 5 December 2011, Consolidated Transportation Services Inc. ("CTSI CNMI"), an indirect wholly-owned subsidiary of the Company, has entered into the Shipping Master Agreement with MELL to renew the Old Shipping Master Agreement in respect of the MELL Shipping Transactions to extend the term for a 3-year fixed duration from 1 January 2012 to 31 December 2014. The MELL Shipping Transactions constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

The fees paid and to be paid by MELL to the Group in relation to the MELL Shipping Transactions are determined after arm's length negotiations with reference to the prevailing rates in the shipping agency industry, and are charged on the same bases as those for independent third parties.

(2) On 5 December 2011, CTSI CNMI has entered into the Freight Master Agreement with Tan Holdings Corporation and Helmsley to renew the Old Freight Master Agreement in respect of the CTSI Transactions to extend the term for a 3-year fixed duration from 1 January 2012 to 31 December 2014. The CTSI Transactions constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

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

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 Listing Rules on The Stock Exchange of Hong Kong Limited and disclosed in previous announcements.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Group in page 23 of the Annual Report in accordance with paragraph 14A.38 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange 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 2011, the register of substantial shareholders maintained pursuant to Section 336 of the SFO showed that other than the interest disclosed in "Directors' and Chief Executives' Interests in Shares", the following shareholders had notified the Company of their relevant interests in the issued capital of the Company.

Long position in the shares

Name of shareholder	Note	Capacity	No. of ordinary Shares beneficially held	Approximate percentage of interests in the Company
Capital Glory Limited	(a & b)	Beneficial owner	614,250,000	61.88%
Helmsley	(a & b)	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%

Notes:

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

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

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

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares for the year ended 31 December 2011.

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 53.3% (2010: 53%) of the total sales. The top five suppliers accounted for approximately 13.4% (2010: 20.5%) of the total purchases for the year. In addition, the Group's largest customer accounted for approximately 15.8% (2010: 15%) of the total sales and the Group's largest supplier accounted for approximately 3.5% (2010: 7.5%) of the total purchases for the year. At no time during the year have the Directors, their associates or any shareholders of the Company (which to the knowledge of the Directors own more than 5% of the Company's share capital) had any interest in these major customers and suppliers.

CORPORATE GOVERNANCE

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

AUDITOR

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

On behalf of the Board

Tan Henry
Chief Executive Officer

30 March 2012

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 2011, the Company was in compliance with the Code as set out in the Appendix 14 of the Listing Rules.

This report includes key information relating to corporate governance practices of the Company during the year ended 31 December 2011 and significant events after that date and up to the date of this report.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standards set out in the Model Code as set out in Appendix 10 of the Listing Rules. After having made specific enquiry of all Directors, 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 2011, four Board meetings were held with an average attendance rate of 97.5%, details of which are presented below.

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

* Son of TAN Siu Lin

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

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

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

Chairman and CEO

During the year 2011 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 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 Board resolved to set up a nomination committee on 30 March 2012 with specific terms of reference in accordance with the code provisions of the Code set out in Appendix 14 of the Listing Rules.

Prior to 30 March 2012, the Company has not established any nomination committee owing to the small size of the Board of the Company and 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's activities (when necessary), induction into their responsibilities and duties, and other regulatory requirements, to ensure that he has a proper understanding of the business and his responsibilities as a Director of the Company. The Company has adopted 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 one meeting held by the Remuneration Committee during the year is set out below:

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

The Remuneration Committee is authorized to investigate any matter within the RC Terms of Reference and seek any information it requires from any employee and obtain outside legal or other independent professional advice at the cost of the Company if it considers necessary. The Remuneration Committee has reviewed the compensation of the directors and senior executives for 2011.

In 2011, total Directors'remuneration amounted to approximately US$3,208,000 (2010: US$2,379,000). 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 2011, 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 2011 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 2011 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 2012.

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

Audit Committee Members	Meetings Attended/Held
CHAN Henry	4/4
CHEUNG Siu Kee	4/4
SEING Nea Yie	4/4

The financial statements for the year have been audited by PricewaterhouseCoopers. During the year, remuneration of approximately US$754,000 was payable to PricewaterhouseCoopers for the provision of audit services. In addition, approximately US$181,000 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$107,000 and US$75,000, 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 2012 Annual General Meeting to be voted by way of a poll.

SHAREHOLDERS' INFORMATION

Major Shareholders and Spread of Shareholders

As at 31 December 2011, 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 , 9 and 10)	38,775,000	3.91%
	713,775,000	71.91%
Public Shareholders		
Great Pacific Investments Limited	89,100,000	8.98%
Other Shareholders	189,791,000	19.11%
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 as to 70% by Mr. Tan Henry.

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

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

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

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

7. Mr. Tan Henry controls and has the interest in Double Joy Investment Limited, a company incorporated in the British Virgin Islands, which directly owns 2,150,000 shares of the Company.

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

9. A total of 2,100,000 shares of the Company ("Company Shares") were purchased by an associate of Mr. Tan Willie in 2011. He is therefore deemed under Part XV of the SFO to be interested in the total Company Shares purchased by his associate.

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

Share Performance

The Company's share price was HK$0.55 as at 31 December 2011 and its market capitalization was approximately HK$546 million. In 2011, the highest trading price for the Company share was HK$0.97 on 13 January, and the lowest was HK$0.51 on 23 November and 21–23 December.

羅兵咸永道

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF LUEN THAI HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Luen Thai Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 37 to 115, which comprise the consolidated and company balance sheets as at 31 December 2011, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2011, 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 2012

As at 31 December 2011

	Note	2011 US$'000	2010 US$'000
ASSETS			
Non-current assets			
Land use rights	6	8,787	8,788
Property, plant and equipment	7	98,117	105,479
Intangible assets	8	62,519	65,068
Interests in associated companies	10	551	494
Interests in jointly controlled entities	11	16,633	10,246
Deferred income tax assets	12	757	630
Properties under development	14	—	22,986
Amount due from a jointly controlled entity	36	31,683	—
Other non-current assets		3,770	3,827
Total non-current assets		222,817	217,518
Current assets			
Inventories	13	79,795	79,230
Trade and bills receivable	15	124,107	115,243
Amounts due from related companies	36	1,306	2,339
Amounts due from associated companies and jointly controlled entities	36	3,738	4,395
Deposits, prepayments and other receivables		21,497	25,028
Prepaid tax		575	1,000
Pledged bank deposits	16	—	1,723
Cash and cash equivalents	16	138,827	81,907
Total current assets		369,845	310,865
Total assets		592,662	528,383
EQUITY			
Equity attributable to owners of the Company			
Share capital	17	9,927	9,927
Other reserves	18	136,314	133,911
Retained earnings			
— Proposed final dividend		7,981	3,167
— Others		153,732	129,716
		307,954	276,721
Non-controlling interests		9,251	10,839
Total equity		317,205	287,560

	Note	2011 US$'000	2010 US$'000
LIABILITIES			
Non-current liabilities			
Bank borrowings	19	**6,111**	3,063
Retirement benefit obligations	20	**6,480**	5,687
Deferred income tax liabilities	12	**3,671**	6,557
Total non-current liabilities		**16,262**	15,307
Current liabilities			
Trade and bills payable	21	**48,858**	60,687
Other payables and accruals	22	**111,806**	90,810
Amounts due to related companies	36	**2,025**	1,852
Amounts due to associated companies and jointly controlled entities	36	**1,729**	1,308
Bank borrowings	19	**81,942**	61,189
Derivative financial instruments	23	**949**	727
Current income tax liabilities		**11,886**	8,943
Total current liabilities		**259,195**	225,516
Total liabilities		**275,457**	240,823
Total equity and liabilities		**592,662**	528,383
Net current assets		**110,650**	85,349
Total assets less current liabilities		**333,467**	302,867

TAN SIU LIN	**TAN HENRY**
Director	Director

The notes on pages 45 to 115 are an integral part of these consolidated financial statements.

As at 31 December 2011

	Note	2011 US$'000	2010 US$'000
ASSETS			
Non-current assets			
Investments in subsidiaries	9	201,326	201,326
Current assets			
Amount due from a subsidiary	9	8,500	3,500
Cash and cash equivalents	16	414	476
Total current assets		8,914	3,976
Total assets		210,240	205,302
EQUITY			
Equity attributable to owners of the Company			
Share capital	17	9,927	9,927
Other reserves	18	190,382	190,369
Retained earnings			
— Proposed final dividend		7,981	3,167
— Others		1,444	1,284
Total equity		209,734	204,747
LIABILITIES			
Current liabilities			
Other payables and accruals		506	405
Amount due to a subsidiary	9	—	150
Total current liabilities		506	555
Total equity and liabilities		210,240	205,302
Net current assets		8,408	3,421
Total assets less current liabilities		209,734	204,747

TAN SIU LIN
Director

TAN HENRY
Director

The notes on pages 45 to 115 are an integral part of these consolidated financial statements.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2011

	Note	2011 US$'000	2010 US$'000
Continuing operations			
Revenue	5	956,489	794,017
Cost of sales	25	(795,556)	(659,682)
Gross profit		160,933	134,335
Other losses — net	24	(1,346)	(2,706)
Selling and distribution expenses	25	(14,742)	(15,885)
General and administrative expenses	25	(116,253)	(96,492)
Operating profit		28,592	19,252
Finance income	27	995	6,787
Finance costs	27	(1,558)	(1,488)
Finance (costs)/income — net	27	(563)	5,299
Share of profits/(losses) of associated companies		41	(8)
Share of profits of jointly controlled entities		269	402
Profit before income tax		28,339	24,945
Income tax expense	28	(5,160)	(4,092)
Profit for the year from continuing operations		23,179	20,853
Discontinued operations			
Profit/(loss) for the year from discontinued operations	32	14,543	(1,590)
Profit for the year		37,722	19,263
Profit attributable to:			
Owners of the Company		34,310	18,052
Non-controlling interests		3,412	1,211
		37,722	19,263

	Note	2011 US$'000	2010 US$'000
Profit/(loss) attributable to owners of the Company arises from:			
Continuing operations		19,767	19,642
Discontinued operations		14,543	(1,590)
		34,310	18,052
Earnings per share from continuing and discontinued operations attributable to owners of the Company during the year (expressed in US cents per share)			
Basic earnings per share	30		
From continuing operations		2.0	2.0
From discontinued operations		1.5	(0.2)
From profit for the year		3.5	1.8
Diluted earnings per share	30		
From continuing operations		2.0	2.0
From discontinued operations		1.5	(0.2)
From profit for the year		3.5	1.8

The notes on pages 45 to 115 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	2011 US$'000	2010 US$'000
Profit for the year	**37,722**	19,263
Other comprehensive income:		
Currency translation differences	**4,225**	1,948
Exchange reserve released upon disposal of subsidiaries (Note 34(a))	**(1,835)**	—
Total comprehensive income for the year	**40,112**	21,211
Attributable to:		
Owners of the Company	**36,700**	19,942
Non-controlling interests	**3,412**	1,269
	40,112	21,211
Total comprehensive income/(loss) attributable to owners of the Company arises from:		
Continuing operations	**22,157**	21,532
Discontinued operations	**14,543**	(1,590)
	36,700	19,942

The notes on pages 45 to 115 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2011

	Attributable to owners of the Company						
	Share capital US$'000	**Share premium** US$'000 (Note 18)	**Other reserves** US$'000 (Note 18)	**Retained earnings** US$'000	**Total** US$'000	**Non-controlling interests** US$'000	**Total equity** US$'000
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
Total contributions by and distributions to owners of the Company recognized directly in equity							
Derecognition of financial liabilities upon termination of the put options	—	—	20,383	(2,893)	17,490	—	17,490
Acquisition of remaining interest in a subsidiary from a non-controlling shareholder	—	—	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 contributions by and distributions to owners of the Company	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
Balance at 1 January 2011	**9,927**	**117,018**	**16,893**	**132,883**	**276,721**	**10,839**	**287,560**
Profit for the year	**—**	**—**	**—**	**34,310**	**34,310**	**3,412**	**37,722**
Other comprehensive income							
Currency translation differences	**—**	**—**	**4,225**	**—**	**4,225**	**—**	**4,225**
Exchange reserve released upon disposal of subsidiaries (Note 34(a))	**—**	**—**	**(1,835)**	**—**	**(1,835)**	**—**	**(1,835)**
Total comprehensive income	**—**	**—**	**2,390**	**34,310**	**36,700**	**3,412**	**40,112**
Total contributions by and distributions to owners of the Company recognized directly in equity							
Dividends paid	**—**	**—**	**—**	**(5,480)**	**(5,480)**	**(5,000)**	**(10,480)**
Share-based payment expenses	**—**	**—**	**13**	**—**	**13**	**—**	**13**
Total contributions by and distributions to owners of the Company	**—**	**—**	**13**	**(5,480)**	**(5,467)**	**(5,000)**	**(10,467)**
Balance at 31 December 2011	**9,927**	**117,018**	**19,296**	**161,713**	**307,954**	**9,251**	**317,205**

The notes on pages 45 to 115 are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2011

	Note	2011 US$'000	2010 US$'000
Cash flows from operating activities			
Cash generated from operations	33	**45,046**	20,778
Interest paid		**(1,609)**	(1,488)
Income tax paid		**(2,255)**	(11,248)
Net cash generated from operating activities		**41,182**	8,042
Cash flows from investing activities			
Purchases of property, plant and equipment		**(10,950)**	(11,205)
(Increase)/decrease in bank deposits maturing beyond three months		**(7,088)**	12,560
Decrease/(increase) in pledged bank deposits		**1,723**	(159)
Proceeds from disposal of property, plant and equipment		**991**	903
Acquisition of a subsidiary, net of cash acquired		**—**	(2,178)
Disposal of real estate business, net of cash received	34(a)	**12,555**	—
Disposal of a subsidiary, net of cash disposed	34(b)	**(292)**	—
Payment for purchase of additional equity interests in subsidiaries from non-controlling shareholders		**—**	(7,315)
Increase in investment in associated companies		**(16)**	(146)
Increase in investment in jointly controlled entities		**(195)**	(56)
Interest received		**751**	333
Decrease in other non-current assets		**57**	519
Net cash used in investing activities		**(2,464)**	(6,744)
Net cash generated before financing activities		**38,718**	1,298
Cash flows from financing activities			
Net increase in trust receipts bank loans and collateralized borrowings		**4,605**	1,608
Increase in bank loans		**25,155**	8,861
Repayments of bank loans		**(5,581)**	(10,123)
Repayments of loan from a non-controlling shareholder of a subsidiary		**—**	(3,097)
Dividends paid to the Company's shareholders		**(5,480)**	(4,596)
Dividends paid to non-controlling shareholders of subsidiaries		**(5,000)**	(2,800)
Proceeds from exercising employees share options		**—**	16
Net cash generated from/(used in) financing activities		**13,699**	(10,131)
Net increase/(decrease) in cash and cash equivalents		**52,417**	(8,833)
Cash and cash equivalents at beginning of year		**81,392**	91,365
Effect of foreign exchange rate changes		**(2,207)**	(1,140)
Cash and cash equivalents at end of year	16	**131,602**	81,392

The notes on pages 45 to 115 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, the Philippines and Indonesia.

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

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

These consolidated financial statements are presented in United States dollars (US$), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 30 March 2012.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

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

Changes in accounting policy and disclosures

(a) *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 2011

- HKAS 24 (Revised), "Related Party Disclosures" is effective for annual period beginning on or after January 2011. It introduces an exemption from all of the disclosure requirements of HKAS 24 for transactions among government related entities and the government. Those disclosures are replaced with a requirement to disclose:

  (i) The name of the government and the nature of their relationship;

  (ii) The nature and amount of any individually significant transactions; and

  (iii) The extent of any collectively-significant transactions qualitatively or quantitatively.

It also clarifies and simplifies the definition of a related party. The standard does not have significant impact on the disclosure to the consolidated financial information.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

Changes in accounting policy and disclosures (Continued)

(b) *Amendments and interpretations to existing standards effective in 2011 but not relevant to the Group*

- Amendment to HKAS 32 'Classification of rights issues' is effective for annual periods beginning on or after 1 February 2010. This is not currently applicable to the Group, as it has not made any rights issue.

- Amendment to HK(IFRIC)—Int 14 'Prepayments of a minimum funding requirement' is effective for annual periods beginning on or after 1 January 2011. This is not currently relevant to the Group, as it does not have a minimum funding requirement.

- HK(IFRIC)—Int 19 'Extinguishing financial liabilities with equity instruments' is effective for annual periods beginning on or after 1 July 2010. This is not currently applicable to the Group, as it has no extinguishment of financial liabilities replaced with equity instruments.

- Third improvements to Hong Kong Financial Reporting Standards (2010) were issued in May 2010 by both IASB and the HKICPA, except for amendment to HKAS 34 'Interim financial reporting' and the clarification to allow the presentation of an analysis of the components of other comprehensive income by item within the notes, all are not currently relevant to the Group. All improvements are effective in the financial year of 2011.

(c) *New and amended standards have been issued but are not effective for the financial year beginning 1 January 2011 and have not been early adopted*

The Group's assessment of the impact of these new and amended standards is set out below.

- HKAS 1 (Amendment), "Presentation of financial statements" requires entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). It does not address which items are presented in OCI. The Group is yet to assess HKAS 1 (Amendment)'s full impact and intends to adopt HKAS 1 (Amendment) no later than the accounting period beginning on or after 1 July 2012.

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

Changes in accounting policy and disclosures (Continued)

(c) *New and amended standards have been issued but are not effective for the financial year beginning 1 January 2011 and have not been early adopted (Continued)*

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

Changes in accounting policy and disclosures (Continued)

(c) New and amended standards have been issued but are not effective for the financial year beginning 1 January 2011 and have not been early adopted (Continued)

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

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

2.2 Subsidiaries

2.2.1 Consolidation

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control. De-facto control may arise from circumstances such as enhanced minority rights or contractual terms between shareholders, etc.

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries (Continued)

2.2.1 Consolidation (Continued)

(a) *Business combinations*

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

Acquisition-related costs are expensed as incurred.

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries (Continued)

2.2.1 Consolidation (Continued)

(c) *Disposal of subsidiaries*

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

2.2.2 Separate financial statements

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

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

2.3 Jointly controlled entities

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

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

The Group's share of post-acquisition profit or loss is recognized in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

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

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognized in the Group's consolidated financial statements only to the extent of unrelated investor's interests in the associates. Unrealized losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

2.5 Segment reporting

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

2.6 Foreign currency translation

(a) Functional and presentation currency

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Foreign currency translation (Continued)

(b) *Transactions and balances*

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

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. Exchange differences arising are recognized in equity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Foreign currency translation (Continued)

(d) Disposal of foreign operation and partial disposal

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

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

2.7 Land use rights

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

2.8 Property, plant and equipment

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

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

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate cost, 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Property, plant and equipment (Continued)

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

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.

2.9 Construction-in-progress

Construction-in-progress represents buildings, plant and machinery under construction and pending installation and is stated at cost. Cost includes the costs of construction of buildings and the costs of plant and machinery. No provision for depreciation is made on construction-in-progress until such time as the relevant assets are completed and ready for intended use. When the assets concerned are brought into use, the costs are transferred to other property, plant and equipment and depreciated in accordance with the policy as stated in Note 2.8 in this Section.

2.10 Intangible assets

(a) Goodwill

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

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

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

(b) Customer relationships

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

2.12 Financial assets

2.12.1 Classification

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

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

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

(b) Loans and receivables

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Financial assets (Continued)

2.12.2 Recognition and measurement

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

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

2.13 Impairment of financial assets

Assets carried at amortized cost

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Derivative financial instruments

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

2.15 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.

2.16 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 real estate 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.

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

2.18 Cash and cash equivalents

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Share capital

Ordinary shares are classified as equity.

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

2.20 Trade and bills payable

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

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

2.21 Financial liabilities

(a) Financial guarantee contracts

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Borrowings

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

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is 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.

2.23 Borrowing costs

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

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

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

2.24 Current and deferred income tax

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

(a) Current income tax

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 Current and deferred income tax (Continued)

(b) Deferred income tax

Inside basis differences

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

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

Outside basis differences

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

(c) Offsetting

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

2.25 Employee benefits

(a) Pension obligations

Group companies operate various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Group has both defined contribution and defined benefit plans.

(i) Defined contribution plans

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25 Employee benefits (Continued)

(a) Pension obligations (Continued)

(i) Defined contribution plans (Continued)

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

(ii) Defined benefit plans

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognized in the consolidated balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognized past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

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

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

(b) Long service payments

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25 Employee benefits (Continued)

(c) Termination benefits

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

2.26 Share-based payments

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.27 Provisions

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

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

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

2.28 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the 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.

2.29 Revenue recognition

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

(i) Sale of goods

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

(ii) Freight forwarding and logistics services income

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

(iii) Interest income

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.29 Revenue recognition (Continued)

(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.

2.30 Leases

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

2.31 Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's 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 States dollar ("US$"), Hong Kong dollar ("HK$"), Euro, Philippine Peso ("Peso") and Chinese Renminbi ("RMB"). Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations.

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

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(1) *Foreign exchange risk (Continued)*

Hong Kong dollar is pegged to United States dollar and thus foreign currency exposure is considered as minimal and is not hedged. At 31 December 2011, if US$ had weakened/strengthened by 4% (2010: 4%) against the Euro with all other variables held constant, post-tax profit for the year would have been US$388,000 (2010: US$607,000) 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 2011, if US$ had weakened/strengthened by 3% (2010: 3%) against the RMB with all other variables held constant, post-tax profit for the year would have been US$98,000 (2010: US$354,000) 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 2011, if US$ had weakened/strengthened by 4% (2010: 8%) against the Peso with all other variables held constant, post-tax profit for the year would have been US$460,000 (2010: US$197,000) lower/higher, mainly as a result of foreign exchange losses/gains on translation of Peso-denominated trade payables and cash and cash equivalents.

(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 2011, 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 2011, if interest rates on borrowings had been 1% (2010: 1%) higher/lower with all other variables held constant, post-tax profit for the year would have been US$737,000 (2010: US$556,000) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk

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

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

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

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

As at 31 December 2011, the Group had a concentration of credit risk given that the top 5 customers account for 53% (2010: 53%) of the Group's total year end trade receivables balance. However, the Group does not believe that the credit risk in relation to these customers is significant because they have no history of default in recent years.

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

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

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(c) Liquidity risk

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

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

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

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

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

	On demand US$'000	Within 1 year US$'000	More than 1 but less than 2 years US$'000	More than 2 years but less than 5 years US$'000	More than 5 years US$'000	Total un-discounted cash outflows US$'000
Group						
At 31 December 2011						
Bank overdrafts	135	–	–	–	–	135
Bank loans subject to a repayment on demand clause	20,250	–	–	–	–	20,250
Other bank loans	61,460	101	1,062	5,811	332	68,766
Trade and other payables	–	159,644	–	–	–	159,644
Amounts due to related companies	–	2,025	–	–	–	2,025
Amounts due to associated companies and jointly controlled entities	–	1,875	–	–	–	1,875
Derivative financial instruments	–	949	–	–	–	949
Consideration payable and financial liabilities	–	1,020	–	–	–	1,020
Financial guarantee contracts in relation to corporate guarantee provided to a jointly controlled entity	11,613	–	–	–	–	11,613
	93,458	165,614	1,062	5,811	332	266,277
Company						
At 31 December 2011						
Financial guarantee contracts in relation to corporate guarantees provided to subsidiaries	118,245	–	–	–	–	118,245
Other payables and accruals	–	506	–	–	–	506
	118,245	506	–	–	–	118,751

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 but less than 2 years US$'000	More than 2 years but less than 5 years US$'000	More than 5 years US$'000	Total un-discounted cash outflows US$'000
Group						
At 31 December 2010						
Bank overdrafts	513	–	–	–	–	513
Bank loans subject to a repayment on demand clause	27,079	–	–	–	–	27,079
Other bank loans	33,506	95	208	685	2,769	37,263
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
	68,839	155,479	208	685	2,769	227,980
Company						
At 31 December 2010						
Financial guarantee contracts in relations to corporate guarantees provided to subsidiaries	86,146	–	–	–	–	86,146
Other payables and accruals	–	405	–	–	–	405
Amount due to a subsidiary	–	150	–	–	–	150
	86,146	555	–	–	–	86,701

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

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

	Maturity Analysis — Bank loans subject to a repayment on demand clause based on scheduled repayments				
	Within 1 year US$'000	More than 1 but less than 2 years US$'000	More than 2 years but less than 5 years US$'000	More than 5 years US$'000	Total outflows US$'000
At 31 December 2011	**68,144**	**4,644**	**12,397**	**—**	**85,185**
At 31 December 2010	39,698	5,402	15,031	2,290	62,421

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 FINANCIAL RISK MANAGEMENT (CONTINUED)

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 JUDGMENTS

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

(a) Income taxes

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

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

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

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

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

Management judgment is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell or net present value of future cash flows which are estimated based upon the 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.

(d) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment. For the purposes of impairment reviews, the recoverable amount of goodwill is determined based on fair value less cost to sell calculations. The fair value less cost to sell calculations primarily use cash flow projections based financial budgets and forecasts covering period up to 5 years approved by management and estimated terminal value at the end of the budget period. There are a number of assumptions and estimates involved in the preparation of cash flow projections for the period covered by the approved budgets. Key assumptions include the growth rates and selection of discount rates to reflect the risks involved. Management prepares the financial budgets and forecasts reflecting actual and prior year performance and market development expectations. Judgment is required to determine key assumptions adopted in the cash flow projections and changes to key assumptions could affect these cash flow projections and therefore the results of the impairment reviews.

(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) Impairment of trade, bills and other receivables

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

(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.

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 2011 and 2010 are as follows:

	Casual and fashion apparel US$'000	Life-style apparel US$'000	Sweaters US$'000	Accessories US$'000	Freight forwarding/ logistics services US$'000	Real estate (Note a) US$'000	Total Group US$'000
For the year ended 31 December 2011							
Total segment revenue	702,469	207,702	123,447	205,670	17,775	—	1,257,063
Inter-segment revenue	(263,777)	(1,538)	(19,240)	(15,394)	(625)	—	(300,574)
Revenue (from external customers)	438,692	206,164	104,207	190,276	17,150	—	956,489
Segment profit for the year	14,588	8,106	3,226	5,521	461	14,543	46,445
Profit for the year includes:							
Depreciation and amortization	(10,178)	(2,205)	(1,589)	(3,829)	(975)	(926)	(19,702)
Impairment of goodwill	—	—	(357)	—	—	—	(357)
Share of profits of associated companies	—	—	—	—	41	—	41
Share of profits of jointly controlled entities	269	—	—	—	—	—	269
(Loss)/gain on disposal of subsidiaries	(3,870)	—	—	—	—	16,046	12,176
Income tax expense	(1,022)	(1,192)	(1,770)	(1,036)	(140)	—	(5,160)

Note a:

The real estate business was disposed in 2011.

5 SEGMENT INFORMATION (CONTINUED)

	Casual and fashion apparel US$'000	Life-style apparel US$'000	Sweaters US$'000	Accessories US$'000	Freight forwarding/ logistics services US$'000	Real estate US$'000	Total Group US$'000
For the year ended 31 December 2010							
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)

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 on 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:

	2011 US$'000	2010 US$'000
Segment profit for the year	**46,445**	21,139
Corporate expenses (Note)	**(8,967)**	(8,330)
Change in estimates of financial liabilities — net	**244**	6,454
Profit for the year	**37,722**	19,263

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

5 SEGMENT INFORMATION (CONTINUED)

	2011 US$'000	2010 US$'000
Analysis of revenue by category		
Sales of garment, textile products and accessories	930,333	771,405
Freight forwarding and logistics service fee	16,752	14,509
Commission income	3,585	5,264
Management fee income	793	843
Rental income	369	219
Others	4,657	1,777
Total revenue	956,489	794,017

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, the Philippines and the United States.

	2011 US$'000	2010 US$'000
Analysis of revenue by geographical location		
The United States	465,235	412,857
Europe	254,745	209,708
Japan	59,339	38,532
The PRC	78,177	60,125
Others	98,993	72,795
	956,489	794,017

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

Revenue of approximately US$151,400,000 (2010: US$122,500,000) and US$106,000,000 (2010: US$108,500,000) are derived from two single external customers. These revenues are attributable to the casual and fashion apparels and life-style apparels, respectively.

6 LAND USE RIGHTS — GROUP

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

	2011 US$'000	2010 US$'000
Outside Hong Kong held on:		
Leases of between 10 to 50 years	8,787	8,788
At 1 January	8,788	8,868
Amortization of prepaid operating lease payment (Note 25)	(219)	(206)
Exchange differences	218	126
At 31 December	8,787	8,788

As of 31 December 2011, 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$1,155,000 (2010: US$1,166,000). Based on the Group's experience and after consultation with the legal adviser, the Directors are of the view that such problem is unlikely to have a material effect on the carrying amounts of the land use rights and the property located on this land.

7 PROPERTY, PLANT AND EQUIPMENT — GROUP

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

7 PROPERTY, PLANT AND EQUIPMENT — GROUP (CONTINUED)

(a) Depreciation expense of US$6,904,000 (2010: US$7,250,000) has been charged to cost of sales, and US$10,387,000 (2010: US$10,282,000) has been charged to the general and administrative expenses.

(b) As at 31 December 2011, the Group has not yet obtained the building certificate for a building located in the PRC with the carrying amount of US$7,239,000 (2010: US$7,740,000). Please refer to Note 6 for details.

(c) 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.

	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	2,500	—	2,220	31	19	—	4,770
Additions	138	823	2,734	924	427	6,159	11,205
Disposals/write-off	—	(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

8 INTANGIBLE ASSETS — GROUP

	Goodwill	Customer relationships	Total
	US$'000	US$'000	US$'000
Year ended 31 December 2010			
Opening net book amount	44,925	22,077	67,002
Acquisition of a subsidiary (Note i)	357	—	357
Amortization (Note 25)	—	(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 amount	45,282	19,786	65,068
Year ended 31 December 2011			
Opening net book amount	**45,282**	**19,786**	**65,068**
Impairment loss (Note i and Note 24)	**(357)**	**—**	**(357)**
Amortization (Note 25)	**—**	**(2,192)**	**(2,192)**
Closing net book amount	**44,925**	**17,594**	**62,519**
At 31 December 2011			
Cost	**46,867**	**30,128**	**76,995**
Accumulated amortization and impairment	**(1,942)**	**(12,534)**	**(14,476)**
Net book value	**44,925**	**17,594**	**62,519**

Notes:

(i) During the year ended 31 December 2010, the Group acquired 100% interest in Glory Silk International Limited ("Glory"), Gold Chain Enterprises Limited ("Gold") and Texcorp Investments Limited ("Texcorp"), which is engaged in the trading and manufacturing of garment in Indonesia and a goodwill of approximately US$357,000 has been recognized. The Group has fully provided for impairment of this goodwill during the year ended 31 December 2011.

(ii) Amortization of customer relationships of US$2,192,000 (2010: 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:

	2011 US$'000	2010 US$'000
Sweaters	15,896	16,253
Life-style apparel	26,649	26,649
Others	2,380	2,380
	44,925	45,282

The recoverable amount of a CGU is determined based on fair value less costs to sell 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.

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 fair value less costs to sell calculations in 2011 are as follows:

	Sweaters	Life-style apparel
Average gross margin (a)	16.8%	16.4%
Terminal growth rate (b)	3.0%	3.0%
Discount rate (c)	12.0%	14.0%

The key assumptions used for fair value less costs to sell calculations in 2010 are as follows:

	Sweaters	Life-style apparel
Average gross margin (a)	12.9%	15.6%
Terminal growth rate (b)	3.0%	3.0%
Discount rate (c)	13.6%	13.6%

Notes:

(a) Budgeted gross margin.

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

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

8 INTANGIBLE ASSETS — GROUP (CONTINUED)

Impairment tests for goodwill (Continued)

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.

9 INVESTMENTS IN SUBSIDIARIES — COMPANY

	2011 US$'000	2010 US$'000
Unlisted shares/investments, at cost	71,564	71,564
Amounts due from subsidiaries	129,762	129,762
	201,326	201,326

Particulars of the principal subsidiaries as at 31 December 2011:

Name	Place of incorporation	Principal activities and place of operation	Particulars of issued share capital	Interest held
Consolidated Transportation Services, Inc.	CNMI	Provision of freight forwarding and logistics services in CNMI	1,000,000 ordinary shares of US$1 each	100%
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%

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 (Korea), Inc.	Korea	Provision of freight forwarding and logistics services in Korea	60,000 ordinary shares of Won 5,000 each	60%
CTSI Logistics Limited	Hong Kong	Provision of freight forwarding and logistics services in Hong Kong	100,000 ordinary shares of HK$10 each	100%
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%
Dluxe Bags Limited	Hong Kong	Trading and manufacturing of bags in Hong Kong	1 ordinary share of US$1 each	100%
Dluxe Bags Philippines, Inc.	The Philippines	Provision of subcontracting services in the Philippines	50,000,000 ordinary share of Peso 100 each	100%
Dongguan Luen Thai Garment Co., Ltd. (東莞聯泰製衣有限公司)	The PRC	Garment manufacturing in the PRC	Registered capital of HK$264,850,000 with total paid-in capital of HK$264,850,000	100%
Dongguan Tomwell Garment Co. Ltd. (東莞通威服裝有限公司)	The PRC	Trading and manufacturing of garment products in the PRC	US$2,500,000	100%
Dongguan Quan Thai Garment Co., Ltd (東莞泉泰服飾有限公司)	The PRC	Sourcing and trading of garment products in the PRC	HK$8,000,000	100%
Dongguan Xingxi Handbags Factory Co. Ltd. (東莞星系手袋廠有限公司)	The PRC	Manufacturing of bag in the PRC	HK$20,000,000	100%
Dongguan Xing Hao Handbags Factory Co. Ltd. (東莞星浩手袋有限公司)	The PRC	Manufacturing of bags in the PRC	HK$54,000,000	100%

9 INVESTMENTS IN SUBSIDIARIES — COMPANY (CONTINUED)

Name	Place of incorporation	Principal activities and place of operation	Particulars of issued share capital	Interest held
Fortune Investment Overseas Limited	BVI	Investment holding in Hong Kong	1 ordinary share of US$1 each	100%
G.J.M. (HK) Ltd	Hong Kong	Sourcing and trading of garment products in Hong Kong	2 ordinary shares of HK$1 each	100%
G.J.M. (H.K.) Manufacturing Limited	Hong Kong	Investment holding in Hong Kong	2 ordinary shares of HK$100 each	100%
GJM (Qingyuan) Light Industrial Development Limited (捷進（清遠）輕工開發有限公司)	The PRC	Garment manufacturing in the PRC	Registered capital of HK$120,500,000 with total paid-in capital of HK$106,146,661	100%
GJM (UK) Limited	United Kingdom (“UK”)	Garment distributor in the UK	1 ordinary share of GBP 1 each	100%
Glory Silk International Limited	BVI	Investment holding in Hong Kong	1,000 ordinary shares of US$ 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 (廣州市捷進製衣廠有限公司)	The PRC	Garment manufacturing in the PRC	Registered capital of US$7,200,000 with total paid-in capital of US$7,200,000	100%
Hongquan Consulting Services (Shenzhen) Co., Ltd. (鴻泉諮詢服務（深圳）有限公司	The PRC	Provision of consultancy services in the PRC	HK$1,000,000	100%
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%

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 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%
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%
Project Stitches (HK) Ltd	Hong Kong	Garment trading in Hong Kong	1 ordinary share of US$1 each	60%
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%
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%

9 INVESTMENTS IN SUBSIDIARIES — COMPANY (CONTINUED)

Name	Place of incorporation	Principal activities and place of operation	Particulars of issued share capital	Interest held
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%
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%

* Shares held directly by the Company

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

Amounts due from subsidiaries represent equity funding by the Company to the respective subsidiaries and are measured in accordance with the Company's accounting policy for investments in subsidiaries, except for an amount of US$8,500,000 (2010: US$3,500,000) which is unsecured, non-interest bearing and repayment on demand.

10 INTERESTS IN ASSOCIATED COMPANIES — GROUP

	2011 US$'000	2010 US$'000
Share of net assets	551	494
Unlisted investments, at cost	302	302

Particulars of the principal associated company as at 31 December 2011:

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

11 INTERESTS IN JOINTLY CONTROLLED ENTITIES — GROUP

	2011 US$'000	2010 US$'000
Share of net assets	13,031	6,552
Amounts due from jointly controlled entities	3,602	3,694
	16,633	10,246
Unlisted investments, at cost	14,739	3,610

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

The loans to 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 2011:

Name	Place of issued shares held	Principal activities and place of operations	Particulars of issued share capital	Assets US$'000	Liabilities US$'000	Revenues US$'000	Profit/(loss) US$'000	Interest held
Chang Jia International Limited	BVI	Real estate in the PRC	100 ordinary shares of US$ 1 each	155,214	103,102	–	(432)	24%
Shenzhen Guangthai International Co. Ltd. (深圳廣新聯泰商貿有限公司)	The PRC	Garment trading in the PRC	HK$20,000,000	2,658	138	6	38	50%
Shenzhen Li Da Silk Garment Company Limited (深圳利達絲綢服裝有限公司)	The PRC	Garment manufacturing in the PRC	RMB2,400,000	1,360	1,712	–	–	25%
Wuxi Liantai Garments Co., Ltd. (無錫聯泰製衣集團有限公司)	The PRC	Garment manufacturing in the PRC	Registered capital of US$2,050,000 with total paid-in capital of US$1,241,400	3,438	716	4,866	109	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	48,718	45,291	80,005	1,387	50%
Yuen Thai Holdings Limited	BVI	Investment Holding in the Philippines	2 ordinary shares of US$1 each	11,469	6,802	683	611	50%
Yuenthai Philippines, Inc.	The Philippines	Garment manufacturing in the Philippines	Peso 1,000,000	13,969	12,888	18,304	(1,331)	50%
Hong Kong Guangthai International Company Limited	Hong Kong	Investment holding in the PRC	2 ordinary shares of HK$1 each	8,418	13,767	2,212	5	50%
New Sunshine Limited	Hong Kong	Investment holding and subcontracting services in the PRC	5,000,000 ordinary shares of HK$1 each	5,399	6,427	7,737	(436)	47.5%

12 DEFERRED INCOME TAX — GROUP

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

	2011 US$'000	2010 US$'000
Deferred tax assets:		
— Deferred tax assets to be recovered after more than 12 months	(757)	(630)
Deferred tax liabilities:		
— Deferred tax liabilities to be settled after more than 12 months	3,671	6,557
Deferred tax liabilities, net	2,914	5,927

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

	2011 US$'000	2010 US$'000
At 1 January	5,927	5,790
(Credited)/charged to consolidated income statement (Note 28)	(463)	137
Disposal of subsidiaries (Note 34(a))	(2,550)	—
At 31 December	2,914	5,927

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:

Deferred tax liabilities	**Accelerated tax depreciation** US$'000	**Intangible assets** US$'000	**Fair value adjustments of properties** US$'000	**Others** US$'000	**Total** US$'000
At 1 January 2010	883	2,431	2,550	1,730	7,594
Credited to consolidated income statement	(79)	(232)	—	(111)	(422)
At 31 December 2010	804	2,199	2,550	1,619	7,172
Credited to consolidated income statement	(439)	(231)	—	(94)	(764)
Disposal of subsidiaries (Note 34(a))	—	—	(2,550)	—	(2,550)
At 31 December 2011	365	1,968	—	1,525	3,858

12 DEFERRED INCOME TAX — GROUP (CONTINUED)

Deferred tax assets	**Provision** US$'000	**Others** US$'000	**Total** US$'000
At 1 January 2010	(895)	(909)	(1,804)
Charged to consolidated income statement	294	265	559
At 31 December 2010	(601)	(644)	(1,245)
(Credited)/charged to consolidated income statement	(39)	340	301
At 31 December 2011	**(640)**	**(304)**	**(944)**

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$2,122,000 (2010: US$2,781,000) in respect of losses amounting to US$8,639,000 (2010: US$10,167,000) 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$3,913,000 (2010: US$4,944,000) 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$24,216,000 at 31 December 2011 (2010: US$21,009,000).

13 INVENTORIES — GROUP

	2011 **US$'000**	2010 US$'000
Raw materials	**33,923**	38,564
Work in progress	**29,045**	25,536
Finished goods	**16,827**	15,130
	79,795	79,230

The cost of inventories recognized as expense and included in cost of sales amounted to US$658,270,000 (2010: US$548,232,000).

As at 31 December 2011, inventories amounting to US$26,724,000 (2010: US$19,926,000) were held under trust receipts bank loan arrangement.

14 PROPERTIES UNDER DEVELOPMENT — GROUP

	2011 US$'000	2010 US$'000
Land use rights	–	18,499
Development costs	–	4,487
	–	22,986

All the balances of properties under development were disposed during the year (Note 34).

15 TRADE AND BILLS RECEIVABLE — GROUP

	2011 US$'000	2010 US$'000
Trade and bills receivable	127,868	116,016
Less: provision for impairment	(3,761)	(773)
Trade and bills receivable — net	124,107	115,243

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

The Group normally grants credit terms to its customers up to 120 days. At 31 December 2011 and 2010, the ageing analysis of the trade and bills receivable based on due date , net of provision is as follows:

	2011 US$'000	2010 US$'000
Current	94,719	88,783
1 to 30 days	20,877	16,432
31 to 60 days	2,305	3,097
61 to 90 days	1,974	2,037
91 to 120 days	216	228
Over 120 days	4,016	4,666
Amounts past due but not impaired	29,388	26,460
	124,107	115,243

The impairment provision was approximately US$3,761,000 as at 31 December 2011 (2010: US$773,000). The provision made during the year has been included in the general and administrative expenses in the consolidated income statement.

15 TRADE AND BILLS RECEIVABLE — GROUP (CONTINUED)

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

	2011 US$'000	2010 US$'000
At 1 January	**773**	1,321
Provision for impairment of trade and bills receivable (note 25)	**4,412**	688
Utilization of provision	**(1,424)**	(1,236)
At 31 December	**3,761**	773

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

	2011 US$'000	2010 US$'000
US$	**99,557**	95,267
HK$	**1,906**	303
Euro	**11,001**	9,267
RMB	**8,854**	7,508
Philippines Peso	**2,748**	2,733
Other currencies	**41**	165
	124,107	115,243

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

16 CASH AND CASH EQUIVALENTS — GROUP AND COMPANY

	Group		Company	
	2011 US$'000	2010 US$'000	2011 US$'000	2010 US$'000
Cash at bank and on hand	**79,215**	60,164	**414**	476
Short-term bank deposits	**52,522**	21,741	**—**	—
Bank deposits with a maturity period over 3 months	**7,090**	2	**—**	—
Cash and bank deposits	**138,827**	81,907	**414**	476
Less: bank overdrafts (Note 19)	**(135)**	(513)		
Bank deposits with a maturity period over 3 months	**(7,090)**	(2)		
Cash and cash equivalents in the consolidated cash flow statement	**131,602**	81,392		
Pledged bank deposits	**—**	1,723		

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

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

Group	2011 US$'000	2010 US$'000
US$	**55,909**	46,620
HK$	**12,727**	10,576
Euro	**5,598**	3,667
RMB	**46,546**	19,942
Other currencies	**18,047**	2,825
	138,827	83,630

Company	2011 US$'000	2010 US$'000
US$	**253**	426
Other currencies	**161**	50
	414	476

The effective interest rate on short-term bank deposits was 1.48% (2010: 1.02%) per annum; these deposits have an average maturity period of 77 days (2010: 36 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 (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 2010 and 2011	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 2010 and 2011	992,666,000	9,927

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 '000	Granted '000	Lapsed/ Forfeited '000	Exercised '000	End of year '000
26 January 2006	From 26 January 2007 to 25 January 2011	HK$2.52	5,947	—	(5,947)	—	—
10 November 2006	From 10 November 2007 to 9 November 2011	HK$1.28	6,438	—	(6,438)	—	—
21 April 2008	From 21 April 2009 to 20 April 2013	HK$0.71	12,300	—	—	—	12,300
			24,685	—	(12,385)	—	12,300

12,300,000 outstanding options were exercisable (2010: out of the 24,685,000 outstanding options, 20,585,000 options were exercisable). No option was exercised in 2011. Options exercised in 2010 resulted in 166,000 shares being issued at a weighted average price of HK$1.02 (equivalent to US$0.13 per share). The Group has no legal or constructive obligation to repurchase or settle the options in cash.

17 SHARE CAPITAL — GROUP AND COMPANY (CONTINUED)

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

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

18 OTHER RESERVES — GROUP AND COMPANY

(a) Group

	Share premium US$'000	Capital reserve (Note (i)) US$'000	Other capital reserves (Note (ii)) US$'000	Share based compensation reserves US$'000	Exchange reserve US$'000	Total US$'000
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 (iii))	—	—	20,383	—	—	20,383
Acquisition of remaining interest in a subsidiary from a non-controlling shareholder (Note (iii))	—	—	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
At 1 January 2011	117,018	11,722	(4,799)	1,787	8,183	133,911
Share-based payment expenses	–	–	–	13	–	13
Exchange differences arising on translation of foreign subsidiaries	–	–	–	–	4,225	4,225
Exchange reserve released upon disposal of subsidiaries (Note 34(a))	–	–	–	–	(1,835)	(1,835)
At 31 December 2011	117,018	11,722	(4,799)	1,800	10,573	136,314

18 OTHER RESERVES — GROUP AND COMPANY (CONTINUED)

(b) Company

	Share premium US$'000	Capital reserve (Note (iv)) US$'000	Share based compensation reserve US$'000	Total US$'000
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
At 1 January 2011	117,018	71,564	1,787	190,369
Share-based payment expenses	—	—	13	13
At 31 December 2011	117,018	71,564	1,800	190,382

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) 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 interest 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.

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

19 BANK BORROWINGS — GROUP

	2011 US$'000	2010 US$'000
Non-current		
Bank borrowings	6,111	3,063
Current		
Bank overdrafts	135	513
Trust receipt bank loans	26,724	19,926
Collateralized borrowings	3,613	5,806
Portion of bank borrowings from banks due for repayment within one year	35,720	13,809
Portion of bank borrowings from banks due for repayment after one year which contain a repayment on demand clause	15,750	21,135
	81,942	61,189
Total borrowings	88,053	64,252

	2011 US$'000	2010 US$'000
Non-current bank borrowings		
— Secured	3,145	—
— Non-secured	2,966	3,063
Current bank borrowings		
— Secured	—	8,135
— Non-secured	81,942	53,054
	88,053	64,252

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 2011, the Group's borrowings were repayable as follows:

	Bank overdrafts		Trust receipt bank loans		Bank borrowings		Collateralized borrowings		Total	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Within 1 year	135	513	26,724	19,926	35,720	13,809	3,613	5,806	66,192	40,054
Bank borrowings due for repayment after one year (Note 1):										
After 1 year but within 2 years	—	—	—	—	5,495	5,432	—	—	5,495	5,432
After 2 years but within 5 years	—	—	—	—	16,078	14,241	—	—	16,078	14,241
After 5 years	—	—	—	—	288	4,525	—	—	288	4,525
	—	—	—	—	21,861	24,198	—	—	21,861	24,198
	135	513	26,724	19,926	57,581	38,007	3,613	5,806	88,053	64,252

At 31 December 2011, the Group's borrowings were repayable as follows:

	Bank overdrafts		Trust receipt bank loans		Bank borrowings		Collateralized borrowings		Total	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Wholly repayable within 5 years	135	513	26,724	19,926	54,519	10,103	3,613	5,806	84,991	36,348
Wholly repayable after 5 years	—	—	—	—	3,062	27,904	—	—	3,062	27,904
	135	513	26,724	19,926	57,581	38,007	3,613	5,806	88,053	64,252

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:

	2011	2010
	US$'000	US$'000
HK$	16,574	17,471
US$	71,381	44,354
RMB	—	2,364
EUR	98	63
	88,053	64,252

19 BANK BORROWINGS — GROUP (CONTINUED)

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

	As at 31 December 2011			As at 31 December 2010		
	US$	HK$	RMB	US$	HK$	RMB
Bank loans	2.74%	0.19%	—	3.65%	1.52%	4.72%
Trust receipt bank loans	0.95%	0.82%	—	1.13%	0.91%	—
Bank overdrafts	5.00%	5.00%	—	5.25%	5.00%	—
Collateralized borrowings	—	1.12%	—	—	1.12%	—

As at 31 December 2011, the Group had aggregate banking facilities of approximately US$302,985,000 (2010: US$324,385,000) for overdrafts, loans, trade financing and bank guarantees. Unused facilities as at the same date amounted to approximately US$184,740,000 (2010: US$238,239,000). These facilities are secured by:

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

(ii) Corporate guarantee provided by the Company (Note 36).

As at 31 December 2010, the Group has pledged deposits of US$1,723,000 to secure the banking facilities (Note 16).

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

20 RETIREMENT BENEFIT OBLIGATIONS — GROUP

	2011 US$'000	2010 US$'000
Balance sheet obligations for:		
Defined benefits plans	(6,111)	(5,235)
Provision for long service payments	(369)	(452)
	(6,480)	(5,687)
Income statement charge for (Note 26):		
Defined contribution plans	2,485	2,378
Defined benefits plans	955	366
Provision for long service payments	(276)	(116)
	3,164	2,628

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

20 RETIREMENT BENEFIT OBLIGATIONS — GROUP (CONTINUED)

(a) Defined contribution plans

During the year, the Group maintained various defined contribution retirement schemes for its employees, which are managed by independent trustees. Employees' and employer's contributions are based on various percentages of employees' gross salaries and length of service. The total contributions to the defined contribution retirement schemes were approximately US$2,485,000 for the year ended 31 December 2011 (2010: US$2,378,000).

(b) Defined benefit plans

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

	2011 US$'000	2010 US$'000
Present value of unfunded obligations	6,815	5,152
Unrecognized actuarial (gains)/losses	(704)	83
Liability in the consolidated balance sheet	6,111	5,235

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

	2011 US$'000	2010 US$'000
Current service cost	573	382
Interest cost	382	233
Actuarial gain recognized during the year	—	(249)
Total, included in staff costs (Note 26)	955	366

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

	2011 US$'000	2010 US$'000
At 1 January	5,235	2,343
Total expenses — included in staff costs as shown above	955	366
Acquisition of subsidiaries	—	2,387
Contributions paid	(55)	(24)
Exchange difference	(24)	163
At 31 December	6,111	5,235

20 RETIREMENT BENEFIT OBLIGATIONS — GROUP (CONTINUED)

(b) Defined benefit plans (Continued)

The principal actuarial assumptions used are as follows:

	2011	2010
Discount rate	6.10%–6.23%	7.50%–8.00%
Future salary increases rate	3.00%–14.00%	4.00%–14.00%

(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:

	2011 US$'000	2010 US$'000
Present value of unfunded obligations	638	418
Unrecognized actuarial (gains)/losses	(269)	34
Liability in the consolidated balance sheet	369	452

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

	2011 US$'000	2010 US$'000
Current service cost	9	14
Interest cost	7	7
Actuarial gains recognized during the year	(292)	(137)
Total, included in employee benefit expenses (Note 26)	(276)	(116)

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:

	2011 US$'000	2010 US$'000
At 1 January	452	498
Total income — included in staff costs as shown above	(276)	(116)
Mandatory Provident Fund refund received	193	70
At 31 December	369	452

The principal actuarial assumptions used are as follows:

	2011	2010
Discount rate	0.96%	1.80%
Future salary increases rate	3.00%	2.50%

21 TRADE AND BILLS PAYABLE — GROUP

At 31 December 2011 and 2010, the ageing analysis of the trade and bills payable based on invoice date are as follows:

	2011 US$'000	2010 US$'000
0 to 30 days	44,283	53,346
31 to 60 days	1,929	2,401
61 to 90 days	414	205
Over 90 days	2,232	4,735
	48,858	60,687

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

	2011 US$'000	2010 US$'000
US$	25,764	29,381
HK$	16,469	19,642
Euro	1,490	3,088
RMB	4,318	7,510
Philippines Peso	668	729
Other currencies	149	337
	48,858	60,687

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

22 OTHER PAYABLES AND ACCRUALS — GROUP

Other payables and accruals of the Group include provision for claims of US$8,652,000 (2010: US$8,121,000). Movements of the provision for claims are as follows:

	2011 US$'000	2010 US$'000
At 1 January	8,121	9,519
Provision for the year (Note 25)	1,280	3,019
Utilization for the year	(749)	(4,417)
At 31 December	8,652	8,121

23 DERIVATIVE FINANCIAL INSTRUMENTS — GROUP

	2011 US$'000	2010 US$'000
Currency forward contracts	21	47
Interest rate swap-fair value hedge (Note a)	928	680
	949	727

Note:

(a) The notional principal amounts of the outstanding interest rate swap contract at 31 December 2011 were US$30,050,000 (2010: US$24,750,000).

24 OTHER LOSSES — NET

	2011 US$'000	2010 US$'000
From continuing operations:		
Fair value gains/(losses) on derivative financial instruments		
— net gains/(losses) on currency forward contracts	96	(47)
— interest rate swap	(247)	(680)
Net gain on foreign exchange forward contracts	2,102	1,449
Net foreign exchange gain/(loss)	930	(3,428)
Impairment loss on goodwill	(357)	—
Loss on disposal of interests in a subsidiary (Note 34(b))	(3,870)	—
	(1,346)	(2,706)
From discontinued operations:		
Net foreign exchange loss	—	(8)
Gain on disposal of interests in subsidiaries (Note 34(a))	16,046	—
	16,046	(8)

25 EXPENSES BY NATURE

	2011 US$'000	2010 US$'000
From continuing operations:		
Raw materials and consumables used	653,064	540,100
Changes in inventories of finished goods and work in progress	5,206	8,132
Employee benefit expenses (Note 26)	168,428	136,917
(Gain)/loss on disposal of property, plant and equipment	(227)	34
Auditors' remuneration	1,109	1,191
Amortization of land use rights (Note 6)	219	206
Amortization of intangible assets (Note 8)	2,192	2,291
Depreciation of property, plant and equipment (Note 7)	16,365	16,565
Provision for claims (Note 22)	1,280	3,019
Provision for impairment of trade receivables (Note 15)	4,412	688
(Reversal of provision)/provision for inventory obsolescence	(114)	1,808
Operating leases		
— office premises and warehouses	7,057	6,914
— plant and machinery	345	415
Transportation	5,619	5,081
Commission	1,896	2,432
Communication, supplies and utilities	21,384	18,343
Other expenses	38,316	27,923
	926,551	772,059
From discontinued operations:		
Employee benefit expenses (Note 26)	376	155
Depreciation of property, plant and equipment (Note 7)	926	967
Other expenses	150	460
	1,452	1,582

	2011 US$'000	2010 US$'000
From continuing operations:		
Representing:		
Cost of sales	795,556	659,682
Selling and distribution expenses	14,742	15,885
General and administrative expenses	116,253	96,492
	926,551	772,059
From discontinued operations:		
Representing:		
General and administrative expenses	1,452	1,582

26 EMPLOYEE BENEFIT EXPENSES — INCLUDING DIRECTORS' EMOLUMENTS

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

	2011 US$'000	2010 US$'000
Wages, salaries and allowances	164,821	133,399
Termination benefits	698	784
Share options granted to directors and employees	13	63
Pension costs		
— Defined contribution plans (Note 20(a))	2,485	2,378
— Defined benefit plans (Note 20(b))	955	366
Long service payments (Note 20(c))	(276)	(116)
Others	108	198
	168,804	137,072

(b) Directors' and senior management's emoluments

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

Name of director	Fees US$'000	Salary US$'000	Discretionary bonuses US$'000	Other benefits US$'000	Employer's contribution to pension scheme US$'000	Total US$'000
Executive directors						
Mr. Tan Siu Lin	—	113	—	—	—	113
Mr. Tan Henry	—	466	485	—	2	953
Mr. Tan Cho Lung, Raymond	—	339	298	36	2	675
Ms. Mok Siu Wan, Anne	15	403	626	—	69	1,113
Mr. Tan Sunny	15	112	—	—	2	129
Non-executive directors						
Mr. Tan Willie	150	—	—	15	—	165
Mr. Lu Chin Chu	15	—	—	—	—	15
Independent non-executive directors						
Mr. Chan Henry	15	—	—	—	—	15
Mr. Cheung Siu Kee	15	—	—	—	—	15
Mr. Seing Nea Yie	15	—	—	—	—	15

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

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

The remuneration of every director for the year ended 31 December 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

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 (2010: Nil).

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included three (2010: one) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2010: four) individuals during the year are as follows:

	2011 US$'000	2010 US$'000
Basic salaries, other allowances and benefits in kind	494	803
Discretionary bonuses	551	1,366
Pension scheme contributions	17	22
Others	540	642
	1,602	2,833

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

(c) Five highest paid individuals (Continued)

The emoluments fell within the following bands:

	Number of individuals	
	2011	2010
Emolument bands		
US$516,129 to US$580,645		
(equivalent to HK$4,000,001 to HK$4,500,000)	**–**	1
US$645,162 to US$709,677		
(equivalent to HK$5,000,001 to HK$5,500,000)	**–**	1
US$709,678 to US$774,194		
(equivalent to HK$5,500,001 to HK$6,000,000)	**1**	1
US$838,710 to US$903,226		
(equivalent to HK$6,500,001 to HK$7,000,000)	**1**	1
	2	4

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

27 FINANCE COSTS — NET

	2011 US$'000	2010 US$'000
From continuing operations:		
Interest expense on bank loans and overdrafts	**1,558**	1,488
Finance costs	**1,558**	1,488
Interest income	**(751)**	(333)
Change in estimates of financial liabilities (Note)	**(244)**	(6,454)
Finance income	**(995)**	(6,787)
Finance costs/(income)—net	**563**	(5,299)
From discontinued operations:		
Interest expense on bank loans and overdrafts	**51**	—

Note:

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

28 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 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.

	2011 US$'000	2010 US$'000
Current income tax	6,123	4,150
Over-provision in prior years	(500)	(195)
Deferred income tax (Note 12)	(463)	137
Income tax expense	5,160	4,092

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:

	2011 US$'000	2010 US$'000
Profit before income tax including discontinued operation	42,882	23,355
Tax calculated at domestic tax rates applicable to profits in the respective countries	7,100	4,561
Income not subject to tax	(2,981)	(1,288)
Expenses not deductible for tax purposes	1,998	536
Utilization of previously unrecognized tax losses	(533)	—
Tax losses for which no deferred income tax asset was recognized	176	257
Tax effect of share of results of associated companies and jointly controlled entities	(100)	221
Over-provision in prior years	(500)	(195)
Income tax expense	5,160	4,092

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, 2009/10 and 2010/11 demanding for tax totalling US$3,960,000 in respect of certain income, which the directors have 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$3,571,000 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 2011.

(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.

29 PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The profit attributable to owners of the Company is dealt with in the financial statements of the Company to the extent of approximately US$10,454,000 (2010: US$4,908,000).

30 EARNINGS PER SHARE

(a) Basic

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

	2011 US$'000	2010 US$'000
Profit from continuing operations attributable to owners of the Company	**19,767**	19,642
Profit/(loss) from discontinued operation attributable to owners of the Company	**14,543**	(1,590)
Profit attributable to owners of the Company	**34,310**	18,052
Weighted average number of ordinary shares in issue (thousands)	**992,666**	992,613
Basic earnings per share (US cents per share)	**3.5**	1.8

(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.

	2011	2010
Weighted average number of ordinary shares in issue (thousands)	**992,666**	992,613
Adjustment for share options (thousands)	**214**	927
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**992,880**	993,540
Diluted earnings per share (US cents per share)	**3.5**	1.8

31 DIVIDENDS

	2011 US$'000	2010 US$'000
Interim dividend paid of US0.233 cent or equivalent to HK1.817 cents (2010: US0.227 cent) per ordinary share	**2,313**	2,253
Proposed final dividend of US0.804 cent or equivalent to HK6.247 cents (2010: US0.319 cent) per ordinary share	**7,981**	3,167
	10,294	5,420

The directors have recommended the payment of a final dividend of US cent of 0.804 per share, totaling US$7,981,000. Such dividend is to be approved by the shareholders at the forthcoming Annual General Meeting. These financial statements do not reflect this dividend payable.

32 DISCONTINUED OPERATIONS

Pursuant to a subscription and share purchase agreement signed on 9 June 2011, the Group entered into a transaction ("Transaction") involving the disposal of the subsidiaries in the real estate segment ("Disposal Group") to a jointly controlled entity for a cash consideration of RMB298,055,000 (equivalent to US$46,923,000) and the Group is entitled to 24% equity interest in the jointly controlled entity. The transaction was completed on 29 November 2011.

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

	2011 US$'000	2010 US$'000
Revenue	**—**	—
Expenses	**(1,503)**	(1,590)
Other gain	**16,046**	—
Profit/(loss) before income tax from discontinued operations	**14,543**	(1,590)
Income tax expense	**—**	—
Profit/(loss) after tax from discontinued operations	**14,543**	(1,590)
Profit/(loss) for the year from discontinued operations attributed to:		
— Owners of the Company	**14,543**	(1,590)
— Non-controlling interests	**—**	—
Profit/(loss) for the year from discontinued operations	**14,543**	(1,590)
Net cash outflow from operating activities	**(526)**	(1,590)
Net cash inflow from investing activity	**12,555**	—
Net cash outflow from financing activity	**(51)**	—
Net cash generated from/(used in) discontinued operations	**11,978**	(1,590)

33 CASH GENERATED FROM OPERATIONS

	2011 US$'000	2010 US$'000
Profit before income tax including discontinued operations	**42,882**	23,355
Adjustments for:		
Share of (profits)/losses of associated companies	**(41)**	8
Share of profits of jointly controlled entities	**(269)**	(402)
Finance income (Note 27)	**(995)**	(6,787)
Finance expense, net (Note 27)	**1,609**	1,488
Fair value losses on derivative financial instruments	**949**	727
Impairment of intangible assets (Note 8)	**357**	—
Amortization of intangible assets (Note 8)	**2,192**	2,291
Amortization of land use rights (Note 6)	**219**	206
Depreciation of property, plant and equipment (Note 7)	**17,291**	17,532
Gain on disposal of subsidiaries, net (Note 34)	**(12,176)**	—
(Gain)/loss on disposal of property, plant and equipment, net	**(227)**	34
Share-based payment expenses	**13**	63
Operating profit before working capital changes	**51,804**	38,515
Changes in working capital:		
Inventories	**(3,475)**	(16,082)
Properties under development	**(8,077)**	(2,228)
Trade and bills receivable	**(9,255)**	(5,240)
Amounts due from related companies	**1,033**	363
Amounts due from associated companies and jointly controlled entities	**657**	797
Deposits, prepayments and other receivables	**1,922**	(6,134)
Trade and bills payable	**(11,785)**	10,445
Amounts due to related companies	**173**	543
Amounts due to associated companies and jointly controlled entities	**421**	(3,032)
Other payables and accruals	**21,562**	2,394
Derivative financial instruments	**(727)**	(22)
Retirement benefit obligations	**793**	459
Cash generated from operations	**45,046**	20,778

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

	2011 US$'000	2010 US$'000
Net book amount (Note 7)	**764**	937
Gain/(loss) on disposal of property, plant and equipment	**227**	(34)
Proceeds from disposal of property, plant and equipment	**991**	903

34 DISPOSAL OF SUBSIDIARIES

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

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

In order to further enhance the value and development potential of the land plots in Qingyuan, Guangdong, the PRC (the "PRC Land"), the Group has co-operated with Luen Thai Land Limited, a related company, and Sunshine 100 Real Estate Group Co. Ltd. ("Sunshine 100"), a third party, to establish a jointly controlled entity (the "JCE") for the joint development of the real estate project. All the assets under the real estate project have been transferred to the JCE with consideration which was determined with reference to the fair value of the land. In return, the Group would be entitled to 24% equity interest in the JCE and a cash consideration of RMB298,055,000 (equivalent to US$46,923,000). The transaction was completed on 29 November 2011.

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

34 DISPOSAL OF SUBSIDIARIES (CONTINUED)

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

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

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

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

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

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

35 COMMITMENTS

(a) Capital commitments — Group

As at 31 December 2011, the Group had the following capital commitments:

	2011 US$'000	2010 US$'000
Contracted but not provided for		
— Property, plant and equipment	690	101
— Properties under development	—	32,889
	690	32,990

(b) Operating lease commitments — Group

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

	2011 US$'000	2010 US$'000
Land and buildings		
— No later than 1 year	3,797	3,873
— Later than 1 year and no later than 5 years	5,356	6,299
— Later than 5 years	4,976	4,655
	14,129	14,827
Property, plant and equipment		
— No later than 1 year	216	24
— Later than 1 year and no later than 5 years	131	—
	347	24

The Company has no other material commitments as at 31 December 2010 and 2011.

36 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").

36 RELATED-PARTY TRANSACTIONS (CONTINUED)

(a) Transactions with related parties (Continued)

(i) Provisions of goods and services

	2011 US$'000	2010 US$'000
Management fee income from		
— related companies	422	158
— jointly controlled entities	371	291
	793	449
Commission income from related companies	712	643
Freight forwarding and logistics service income from		
— related companies	517	393
— jointly controlled entities	316	250
	833	643
Rental income from related companies	369	219
Subcontracting income from a jointly controlled entities	2,760	3,496
Service income from related companies	253	310
Advance payment to		
— related companies	58	153
— a jointly controlled entity	1,401	352
	1,459	505
Recharge of material costs and other expenses to		
— related companies	1,367	4,020
— jointly controlled entities	13,513	11,239
	14,880	15,259
Sales of apparels, textile products and accessories to		
— a related company	—	17
— jointly controlled entities	122	2
	122	19

36 RELATED-PARTY TRANSACTIONS (CONTINUED)

(a) Transactions with related parties (Continued)

(ii) Purchases of goods and services

	2011 US$'000	2010 US$'000
Rental expenses for occupying office premises, warehouses and staff quarters charged by related companies	**1,476**	1,603
Travelling related service fees charged by related companies	**—**	176
Professional and technological support service fees to related companies	**2,155**	2,362
Subcontracting fee charged by jointly controlled entities	**16,251**	15,332
Commission expense charged by jointly controlled entities	**2,569**	1,829
Recharge of material costs and other expenses by		
— related companies	**709**	501
— jointly controlled entities	**4,542**	4,258
	5,251	4,759
Purchase of materials from		
— related companies	**—**	6,448
— jointly controlled entities	**8**	—
	8	6,448
Management fees charged by a jointly controlled entity	**670**	—
Freight forwarding and logistics service fee charged by an associated company	**60**	48
Medical benefits & other employee related expenses charged by related companies	**199**	219

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

36 RELATED-PARTY TRANSACTIONS (CONTINUED)

(b) Key management compensation

	2011 US$'000	2010 US$'000
Basic salaries and allowance	4,088	3,797
Bonus	3,700	3,530
Pension scheme contributions	101	100
	7,889	7,427

(c) Banking facilities

As at 31 December 2011, certain banking facilities of the Group to the extent of US$333,443,000 (2010: 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 (2010: US$11,613,000, equivalent to HK$90,000,000) to Yuen Thai Industrial Co. Ltd., a jointly controlled entity of the Group.

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

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

Except for an amount due from a jointly controlled entity of US$31,683,000 (2010: Nil) is unsecured, interest-bearing and repayable within the next four years.

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

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

37 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.

38 EVENTS AFTER THE BALANCE SHEET DATE

On 1 February 2012, the Group entered into a Sale and Purchase Agreement with Opelbonds Management Limited and Ms So Suk Ling, independent third parties, to acquire the entire issued capital of Tien-Hu Knitting Company (Hong Kong) Limited and its wholly owned subsidiary in the PRC, at a consideration of HK$46,500,000 (equivalent to US$6,000,000). Tien-Hu Knitting Company (Hong Kong) Limited and its wholly owned subsidiary are principally engaged in garment manufacturing. The Group is in the progress of assessing the financial impact to the Group's financial statements as a result of this acquisition.

	2007	2008	2009	2010	2011
Financial highlights (US$'000)					
Total assets	457,124	541,796	525,263	528,383	**592,662**
Total liabilities	227,044	295,336	269,087	240,823	**275,457**
Bank borrowings	52,158	83,540	67,016	64,252	**88,053**
Capital and reserves attributable to the owners of the Company	220,286	221,562	234,355	276,721	**307,954**
Working capital	89,418	78,736	103,792	85,349	**110,650**
Revenue	800,877	832,002	774,892	794,017	**956,489**
Profit attributable to the owners of the Company	12,515	11,829	15,220	18,052	**34,310**
Key ratios					
Current ratio	1.46	1.31	1.46	1.38	**1.43**
Gross profit margin	19.3%	18.5%	18.5%	16.9%	**16.8%**
Profit margin attributable to the owners of the Company	1.56%	1.42%	1.96%	2.30%	**3.6%**