THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of the Offer, this Composite Document and/or the accompanying Form of Acceptance or as to the action to be taken, you should consult a licensed securities dealer or other registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Luen Thai Holdings Limited, you should at once hand this Composite Document, together with the accompanying Form of Acceptance, to the purchaser(s) or the transferee(s) or to the bank, licensed securities dealer or registered institution in securities, or other agent through whom the sale or the transfer was effected for transmission to the purchaser(s) or the transferee(s).

This Composite Document should be read in conjunction with the accompanying Form of Acceptance, the contents of which form part of the terms of the Offer.

上海纺织 SHANGTEX

SHANGTEX (HONG KONG) LIMITED

(Incorporated in Hong Kong with limited liability)

Luenthai

LUEN THAI HOLDINGS LIMITED
聯泰控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 311)

COMPOSITE OFFER AND RESPONSE DOCUMENT REGARDING THE CONDITIONAL VOLUNTARY CASH GENERAL OFFER BY THE HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED ON BEHALF OF THE OFFEROR TO ACQUIRE ALL OF THE ISSUED SHARES IN THE CAPITAL OF THE COMPANY FROM THE SHAREHOLDERS (OTHER THAN THOSE ALREADY OWNED BY THE OFFEROR)

Financial adviser to the Offeror and the Offeror Parent

HSBC

Independent Financial Adviser to the Code Independent Board Committee

八方金融有限公司
OCTAL Capital Limited

Capitalised terms used on this cover page shall have the meanings given to them in the section headed "Definitions" in this Composite Document.

A letter from HSBC containing, among other things, the principal terms of the Offer is set out on pages 11 to 24 of this Composite Document. A letter from the Board is set out on pages 25 to 29 of this Composite Document. A letter from the Code Independent Board Committee to the Shareholders containing its recommendation in respect of the Offer is set out on pages 30 to 31 of this Composite Document. A letter from the Independent Financial Adviser to the Code Independent Board Committee in respect of the Offer and the principal factors considered by it in arriving at its advice is set out on pages 32 to 50 of this Composite Document.

The procedures for acceptance and settlement and the acceptance period of the Offer are set out in Appendix I to this Composite Document and in the accompanying Form of Acceptance. Acceptances of the Offer should be received by the Registrar by no later than 4:00 p.m. (Hong Kong time) on Tuesday, 14 February 2017, being the First Closing Date (or such later time and/or date as the Offeror may decide and announce in accordance with the Takeovers Code).

Persons including, without limitation, custodians, nominees and trustees who would, or otherwise intend to, forward this Composite Document and/or the accompanying Form of Acceptance to any jurisdiction outside of Hong Kong should read the section headed "Important Notices" in this Composite Document, the section headed "Overseas Shareholders" in the letter from HSBC in this Composite Document and Appendix I to this Composite Document before taking any action. It is the responsibility of any person wishing to accept the Offer to satisfy himself, herself or itself as to full observance of the laws and regulations of the relevant jurisdiction in connection therewith, including obtaining any governmental, exchange control or other consents which may be required and the compliance with other necessary formalities or legal requirements and payment of any transfer or other taxes, duties and other required payments payable in each relevant jurisdiction. Each such person is advised to seek professional advice on deciding whether to accept the Offer.

24 January 2017

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The expected timetable set out below is indicative only and may be subject to change. Further announcement(s) will be made as and when appropriate.

Unless otherwise expressly stated, references to times and dates in this Composite Document and the Form of Acceptance are to Hong Kong times and dates.

Despatch date of this Composite Document and the accompanying Form of Acceptance and the commencement of the Offer *(Note 1)*	Tuesday, 24 January 2017
Latest date for the Selling Shareholders to accept the Offer pursuant to the Irrevocable Undertaking *(Note 2)*	Friday, 27 January 2017
Latest time and date for acceptance of the Offer *(Notes 3 and 5)*	4:00 p.m. on Tuesday, 14 February 2017
First Closing Date and (assuming that the Offer is declared unconditional in all respects on or before the seventh day after the posting of this Composite Document) Final Closing Date	Tuesday, 14 February 2017
Announcement of the results of the Offer as at the First Closing Date and (assuming that the Offer is declared unconditional in all respects on or before the seventh day after the posting of the Composite Document) the Final Closing Date on the Stock Exchange's website and the Company's website	no later than 7:00 p.m. on Tuesday, 14 February 2017
Latest date for posting of remittances for the amounts due in respect of valid acceptances received under the Offer *(Note 4)*	Thursday, 23 February 2017

Notes:

1. The Offer is made on 24 January 2017, the date of this Composite Document, and is capable of acceptance on and from that date until the close of the Offer Period. Acceptances of the Offer shall be irrevocable and not capable of being withdrawn except in the circumstances set out in Rule 19.2 of the Takeovers Code or in compliance with Rule 17 of the Takeovers Code.

2. Each of the Selling Shareholders has unconditionally and irrevocably undertaken to the Offeror and the Offeror Parent that, and Mr. Tan has unconditionally and irrevocably undertaken to the Offeror and the Offeror Parent to procure that, the Offer will be accepted by the Selling Shareholders not later than three days after the Despatch Date. The Selling Shareholders will, pursuant to the Irrevocable Undertaking, accept the Offer in respect of the IU Shares, being 520,849,598 Shares owned by them (representing approximately 50.37% of the issued share capital of the Company as at the Latest Practicable Date). Once the Selling Shareholders tender their acceptance of the Offer in respect of all of the IU Shares under the Irrevocable Undertaking, the Condition set out in paragraph (a) in the section headed "Conditions of the Offer" in the letter from HSBC will be satisfied.

3. The latest time and date for acceptances to be lodged under the Offer are 4:00 p.m. on Tuesday, 14 February 2017, being 21 days from the date of this Composite Document, unless the Offeror extends the Offer in accordance with the Takeovers Code. If the Offeror decides to extend the Offer, an announcement will be made on the website of the Stock Exchange and the website of the Company by 7:00 p.m. on the First Closing Date stating the results of the Offer and whether the Offer has been extended. In any announcement of an extension of the Offer, either the next closing day will be stated or a statement will be made that the Offer will remain open until further notice. In the latter case, at least 14 days' notice in writing must be given to Shareholders before the Offer is closed.

   Beneficial owners of Shares who hold their Shares in CCASS directly as an investor participant or indirectly via a broker or custodian participant and who wish to accept the Offer should note the timing requirements for causing instructions to be made to CCASS in accordance with the General Rules of CCASS and CCASS Operational Procedures and any deadlines set by HKSCC Nominees Limited.

4. Remittances of the amount due to an accepting Shareholder in respect of the Shares tendered by such Shareholder under the Offer, less seller's ad valorem stamp duty payable, will be despatched to the accepting Shareholder by ordinary post at its own risk as soon as possible but in any event within seven Business Days following the later of the date on which the Offer becomes or is declared unconditional in all respects and the date on which all the relevant documents are received by the Registrar to render such acceptance under the Offer complete and valid.

5. If there is a tropical cyclone warning signal no. 8 or above, or a black rainstorm warning:

   (a) in force in Hong Kong at any local time before 12:00 noon but no longer in force after 12:00 noon on the latest date for acceptance of the Offer, the latest time for acceptance of the Offer will remain at 4:00 p.m. (Hong Kong time) on the same day; or

   (b) in force in Hong Kong at any local time between 12:00 noon (Hong Kong time) and 4:00 p.m. (Hong Kong time) on the latest date for acceptance of the Offer, the latest time for acceptance of the Offer will be rescheduled to 4:00 p.m. (Hong Kong time) on the next following Business Day which does not have either of those warning in force in Hong Kong at any local time between 12:00 (Hong Kong time) and 4:00 p.m. (Hong Kong time).

NOTICE TO U.S. HOLDERS OF SHARES

The Offer is being made for the securities of a company incorporated in the Cayman Islands with limited liability and is subject to Hong Kong disclosure requirements, which are different from those of the United States.

This Composite Document will not be filed under any laws or rules of any jurisdiction other than Hong Kong, which are different from those of the United States, and has not been submitted to, or reviewed by, the U.S. Securities and Exchange Commission (the "**SEC**") or any U.S. state securities commission or other regulatory authority. Neither the SEC nor any U.S. state securities commission or other regulatory authority has approved or disapproved of the Offer or passed upon the fairness and merits of the Offer or upon the accuracy and adequacy of the information contained in this Composite Document. In addition, U.S. holders of the Shares should be aware that this Composite Document has been prepared in accordance with Hong Kong format and style, which differ from those of the United States. The Offer is being extended into the United States pursuant to the applicable U.S. tender offer rules or an available exemption therefrom and otherwise in accordance with the requirements under Hong Kong laws and regulations.

Accordingly, the Offer will be subject to disclosure and other procedural requirements, including with respect to withdrawal rights, offer timetable, settlement procedures and timing of payments that are different from those applicable under U.S. domestic tender offer procedures and law. The receipt of cash pursuant to the Offer by a U.S. holder of Shares may be a taxable transaction for U.S. federal income tax purposes and under applicable state and local, as well as foreign and other tax laws. Each holder of Shares is urged to consult his/her/its independent professional advisor immediately regarding the tax consequences of acceptance of the Offer.

The financial information included in this Composite Document has been prepared in accordance with Hong Kong Financial Reporting Standards and thus may not be comparable to financial information of U.S. companies or companies whose financial statements are prepared in accordance with generally accepted accounting principles in the United States.

U.S. holders of Shares may encounter difficulty enforcing their rights and any claims arising out of the U.S. federal securities laws, as each of the Offeror Parent, the Offeror and the Company is located in a country outside the United States and some or all of their respective officers and directors may be residents of a country other than the United States. U.S. holders of Shares may not be able to sue a non-U.S. company or its officers or directors in a non-U.S. court for violations of the U.S. securities laws. Further, U.S. holders of Shares may encounter difficulty compelling a non-U.S. company and its affiliates to subject themselves to a U.S. court's judgment.

In accordance with normal Hong Kong practice and pursuant to Rule 14e-5(b) of the U.S. Exchange Act, the Offeror hereby discloses that it or its affiliates, or its nominees, or their respective brokers (acting as agents) may from time to time make certain purchases of, or arrangements to purchase, Shares outside of the United States, other than pursuant to the Offer, before or during the period in which the Offer remains open for acceptance. In accordance with the Takeovers Code and Rule 14e-5(b) of the U.S. Exchange Act, HSBC and its affiliates may continue to act as exempt principal traders in the Shares on the Stock Exchange. These purchases may occur either in the open market at prevailing prices or in private transactions at negotiated prices, provided that (i) any such purchase or arrangement complies with applicable law and is made outside the United States and (ii) if applicable, the Offer Price is increased to match any consideration paid in any such purchase or arrangement. Any information about such purchases will be reported to the SFC and, to the extent made public by the SFC, will be available on the website of the SFC at http://www.sfc.hk/.

NOTICE TO OVERSEAS SHAREHOLDERS (OTHER THAN U.S. HOLDERS OF SHARES)

This Composite Document will not be filed under any laws or rules of any jurisdiction other than Hong Kong.

Based on the register of members of the Company as at the Latest Practicable Date, there were 3 overseas Shareholders holding 650,000 Shares, in aggregate, with registered addresses in the United States and the Philippines, which are jurisdictions outside Hong Kong. The shareholding of these overseas Shareholders represented approximately 0.06% of the total issued share capital of the Company as at the Latest Practicable Date. The Offer is in respect of a company incorporated in the Cayman Islands and listed in Hong Kong and therefore the making of the Offer to Shareholders who are citizens, residents or nationals of jurisdictions outside Hong Kong may be subject to the laws of the relevant jurisdictions. Such Shareholders may be affected by the laws of the relevant jurisdictions and it is the responsibility of each such Shareholder who wishes to accept the Offer to satisfy himself/herself/itself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents, or filing and registration requirements, which may be required to comply with all necessary formalities or legal or regulatory requirements and the payment of any transfer or other taxes due from such Shareholder in such relevant jurisdictions. For further information, please refer to the section headed "Overseas Shareholders" in the letter from HSBC in this Composite Document and Appendix I to this Composite Document.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Composite Document contains forward-looking statements, which may be identified by words such as "believe", "expect", "anticipate", "intend", "plan", "seek", "estimate", "will", "would" or words of similar meaning, that involve risks and uncertainties, as well as assumptions. All statements other than statements of historical fact are statements that could be deemed forward-looking statements.

In this Composite Document, the following expressions have the meanings set out below, unless the context requires otherwise:

"acting in concert"	has the meaning given to it in the Takeovers Code
"associate(s)"	has the meaning given to it in the Takeovers Code
"Board"	the board of Directors
"Business Day"	a day on which the Stock Exchange is open for the transaction of business
"BVI"	the British Virgin Islands
"CCASS"	the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited
"Circular"	the circular dated 14 December 2016 issued by the Company to the Shareholders containing, among others, (i) details of the Disposal Agreement and the Possible CCT; (ii) the recommendation of the independent board committees in respect of the Disposal Agreement and, in the case of the Code Independent Board Committee, also the Possible CCT; (iii) the advice from the Independent Financial Adviser in respect of the Disposal Agreement and the Possible CCT; and (iv) a notice convening the EGM
"Code Independent Board Committee"	the independent committee of the Board (comprising Mr. Lu Chin Chu, Mr. Chan Henry, Mr. Cheung Siu Kee and Mr. Seing Nea Yie, being all the non-executive Directors (excluding Mr. Tan Willie) and all the independent non-executive Directors) established for the purpose of advising the Shareholders in respect of the Offer
"Company"	Luen Thai Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the main board of the Stock Exchange (Stock Code: 311)
"Composite Document"	this composite offer and response document in respect of the Offer jointly issued by the Offeror and the Company in accordance with the Takeovers Code, as may be revised or supplemented as appropriate
"concert parties"	in respect of a person, persons acting in concert with such a person

"Conditions"	the conditions of the Offer, as set out in the section headed "Conditions of the Offer" in the letter from HSBC set out on pages 11 to 24 of this Composite Document
"connected person"	has the meaning given to it under the Listing Rules
"controlling shareholder"	has the meaning given to it under the Listing Rules
"Despatch Date"	24 January 2017, being the date of despatch of this Composite Document to the Shareholders as required by the Takeovers Code
"Director(s)"	director(s) of the Company
"Disinterested Shareholders"	the Shareholders other than (i) the Offeror and persons acting in concert with it (for the avoidance of doubt, Disinterested Shareholders include any member of the HSBC group in respect of Shares (1) of its non-discretionary investment clients when such client (a) has control over whether to vote and/or accept the Offer in regards to those Shares (as applicable), (b) if those Shares are to be voted and/or if the Offer is to be accepted in regards to those Shares, gives instructions to vote them and/or accept the Offer in regards to them (as applicable), and (c) is not the Offeror or a person acting in concert with it; and (2) held by exempt fund managers recognised as such for the purpose of the Takeovers Code); and (ii) those who are involved or interested in the Disposal Agreement or the Possible CCT (including Mr. Tan, Dr. Tan Siu Lin, Mr. Tan Willie, Mr. Tan Cho Lung Raymond and Mr. Sunny Tan together with their respective concert parties and associates)
"Disposal"	sale of the entire issued share capital of each of the Disposal Companies by the Disposal Vendor to the Disposal Purchaser as contemplated under the Disposal Agreement which was completed on 31 December 2016
"Disposal Agreement"	the sale and purchase agreement relating to the Disposal dated 25 October 2016 and entered into between the Disposal Vendor and the Disposal Purchaser
"Disposal Companies"	Wisely Global Limited, Shiny New Limited, Luen Thai Industrial Company Limited and CTSI Holdings Limited
"Disposal Completion"	completion of the sale and purchase of the Disposal Sale Shares pursuant to the Disposal Agreement

"Disposal Purchaser"	Torpedo Management Limited, a company incorporated with limited liability in the BVI and a connected person of the Company
"Disposal Sale Shares"	the entire issued share capital of each of the Disposal Companies
"Disposal Special Dividend"	the conditional special interim cash dividend of HK$0.82 per Share which was declared by the Board on 19 December 2016
"Disposal Vendor"	Luen Thai Overseas Limited, a company incorporated in the Bahamas with limited liability and a wholly-owned subsidiary of the Company
"EGM"	an extraordinary general meeting of the Company held on 31 December 2016 where (i) the Disinterested Shareholders approved the Disposal Agreement and the Possible CCT both as special deals under the Takeovers Code in relation to the Offer; (ii) the Independent Shareholders approved the Disposal Agreement as a notifiable transaction under Chapter 14 of the Listing Rules and a connected transaction under Chapter 14A of the Listing Rules; (iii) the Independent Shareholders approved the declaration and distribution of the Disposal Special Dividend subject to Disposal Completion; and (iv) the Independent Shareholders approved the declaration and distribution of the Offer Special Dividend subject to the Offer having been made and declared to be unconditional
"Executive"	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
"Factory"	the industrial complex erected on Land Nos. 1 to 4, Jin Fung Huang Industrial Zone, Tangli Village, Fenggang Town, Dongguan, Guangdong Province, the PRC
"Final Closing Date"	the date which is (i) the 14th day after the date on which the Offer is declared unconditional in all respects or (ii) the First Closing Date, whichever is the later, provided that the Offer will be open for acceptance for at least 21 days following the Despatch Date
"First Closing Date"	14 February 2017 or such later date as may be determined and announced by the Offeror in accordance with the Takeovers Code
"Form(s) of Acceptance"	the form(s) of acceptance and transfer in respect of the Offer accompanying this Composite Document

"Group"	the Company and its subsidiaries and the terms "Group Company" and "member of the Group" shall be construed accordingly
"HSBC"	The Hongkong and Shanghai Banking Corporation Limited, being the financial adviser to the Offeror and the Offeror Parent in relation to the Offer
"HSBC Facility"	the loan facility granted by HSBC (in its capacity as the lender) to the Offeror to finance part of the Offer
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Independent Financial Adviser"	Octal Capital Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
"Independent Shareholders"	the Shareholders other than those who have a material interest in the Disposal Agreement (within the meaning of the Listing Rules) or who are otherwise required to abstain from voting at the EGM under the Listing Rules
"Irrevocable Undertaking"	the irrevocable undertaking dated 26 October 2016 given by the Selling Parties to the Offeror and the Offeror Parent as set out in the section headed "Irrevocable Undertaking" in the letter from HSBC set out on page 13 of this Composite Document

"IU Shares"	the total of 520,849,598 Shares, comprising (1) 440,298,456 Shares held by Capital Glory Limited, representing approximately 42.58% of the issued share capital of the Company; (2) 43,546,001 Shares held by Hanium Industries Limited, representing approximately 4.21% of the issued share capital of the Company; (3) 10,465,375 Shares held by Double Joy Investments Limited, representing approximately 1.01% of the issued share capital of the Company; (4) 4,659,243 Shares held by Wincare International Company Limited, representing approximately 0.45% of the issued share capital of the Company; (5) 18,852,014 Shares held by Tan Siu Lin Foundation Limited, representing approximately 1.82% of the issued share capital of the Company; (6) 2,080,890 Shares held by Ms. Cynthia Yiu, representing approximately 0.20% of the issued share capital of the Company (among which 200,000 Shares were held in the joint account name of Ms. Cynthia Yiu and her son Mr. Justin Tan); (7) 716,807 Shares held by Hampton Asset Limited, representing approximately 0.07% of the issued share capital of the Company; and (8) 230,812 Shares held by Mr. Sunny Tan, representing approximately 0.02% of the issued share capital of the Company
"Joint Announcement"	the joint announcement dated 26 October 2016 issued by the Company and the Offeror
"Last Trading Day"	25 October 2016, being the last day on which the Shares were traded on the Stock Exchange prior to the publication of the Joint Announcement
"Latest Practicable Date"	20 January 2017, being the latest practicable date prior to the printing of this Composite Document for the purpose of ascertaining certain information for inclusion in this Composite Document
"Lease Agreement"	the lease agreement in respect of the Factory dated 25 October 2016 and entered into by Dongguan Luen Thai Garment Co. Ltd. (東莞聯泰製衣有限公司) as landlord and the Disposal Vendor as tenant
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Lock-up Period"	the period from the date of completion of the transfer of the IU Shares from the Selling Shareholders to the Offeror to the date of the publication of the third annual report of the Company after completion of such transfer of the IU Shares

"Long Stop Date"	30 June 2017 or any later date as the Offeror may determine and announce
"Master Logistics Agreement"	the agreement in relation to the freight forwarding and logistics services dated 25 October 2016 and entered into by the Disposal Vendor and CTSI Holdings Limited
"Master IT Agreement"	the agreement in relation to the information technology services dated 25 October 2016 and entered into by the Disposal Vendor and Dongguan Luen Thai Garment Co. Ltd. (東莞聯泰製衣有限公司)
"Mr. Tan"	Dr. Tan Henry, an executive Director and controlling shareholder of the Company as at the date of this Composite Document
"Offer"	the conditional voluntary cash general offer by HSBC on behalf of the Offeror to acquire all of the issued Shares (other than those already owned by the Offeror) from the Shareholders at the Offer Price and any subsequent revision or extension of such offer
"Offeror"	Shangtex (Hong Kong) Limited (上海紡織(香港)有限公司), a company incorporated in Hong Kong with limited liability and which is an indirect wholly-owned subsidiary of the Offeror Parent
"Offeror Group"	the Offeror Parent and its subsidiaries
"Offeror Parent"	Shangtex Holding Co., Ltd.* (上海紡織(集團)有限公司), a company incorporated in the PRC with limited liability which indirectly holds 100% shareholdings in the Offeror
"Offer Period"	has the meaning given to it under the Takeovers Code, being the period from the date of the Joint Announcement until the latest of: (1) the date when the Offer closes for acceptances (i.e. the Final Closing Date); (2) the date when the Offer lapses; (3) the time when the Offeror announces that the Offer will not proceed; and (4) the date when an announcement is made of the withdrawal of the Offer
"Offer Price"	HK$1.80 per Share
"Offer Shares"	the Shares which are subject to the Offer
"Offer Special Dividend"	the conditional special interim cash dividend of HK$0.749 per Share which was declared by the Board on 13 January 2017

"Possible CCT"	the Master Logistics Agreement, the Master IT Agreement and the Lease Agreement
"PRC"	the People's Republic of China, which expression, solely for the purpose of construing this Composite Document, except where the context otherwise requires, does not include Hong Kong, the Macau Special Administrative Region or Taiwan
"Pre-Conditions"	the pre-conditions to the making of the Offer, as set out in the Joint Announcement, all of which have been satisfied prior to the issue of this Composite Document
"Registrar"	Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, being the branch share registrar and the transfer office of the Company
"Relevant Authorities"	means relevant governments, governmental and/or quasi-governmental bodies, statutory and/or regulatory bodies, courts or institutions
"Relevant Period"	the period commencing from 26 April 2016, being the date falling six months preceding the date of the commencement of the Offer Period, up to and including the Latest Practicable Date
"Remaining Shares"	205,775,402 Shares which are held by the Selling Shareholders and are not the IU Shares
"RMB"	Renminbi, the lawful currency of the PRC
"Selling Parties"	the Selling Shareholders and Mr. Tan
"Selling Shareholders"	(1) Capital Glory Limited; (2) Hanium Industries Limited; (3) Double Joy Investments Limited; (4) Wincare International Company Limited; (5) Tan Siu Lin Foundation Limited; (6) Ms. Cynthia Yiu; (7) Mr. Justin Tan; (8) Hampton Asset Limited; and (9) Mr. Sunny Tan
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Shanghai SASAC"	the State-owned Assets Supervision and Administration Commission of the Shanghai Municipal Government
"Shareholders"	holders of Shares

"Shares"	ordinary shares of US$0.01 each in the issued share capital of the Company
"Special Dividends"	the Disposal Special Dividend and the Offer Special Dividend
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary"	has the meaning given to it under the Listing Rules
"substantial shareholder"	has the meaning given to it under the Listing Rules
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers
"United States or U.S."	the United States of America
"US$"	United States of America dollar, the lawful currency of the United States
"%"	percent.

* *For identification purpose only*

HSBC

24 January 2017

To the Disinterested Shareholders,

Dear Sir/Madam,

CONDITIONAL VOLUNTARY CASH GENERAL OFFER BY THE HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED ON BEHALF OF THE OFFEROR TO ACQUIRE ALL OF THE ISSUED SHARES IN THE CAPITAL OF THE COMPANY FROM THE SHAREHOLDERS (OTHER THAN THOSE ALREADY OWNED BY THE OFFEROR)

1. INTRODUCTION

On 26 October 2016, the Offeror and the Company jointly announced that HSBC, on behalf of the Offeror, firmly intended, subject to the satisfaction or waiver (as applicable) of the Pre-Conditions, to make a conditional voluntary cash general offer to acquire all of the issued Shares (other than those already owned by the Offeror) from the Shareholders at the Offer Price, being HK$1.80 per Share.

On 19 January 2017, the Offeror and the Company jointly announced that the Pre-Conditions had been satisfied.

This letter forms part of the Composite Document and sets out information on the Offeror, the reasons for making the Offer and the intentions of the Offeror in relation to Company. The terms of the Offer are set out in this letter, Appendix I to the Composite Document and in the accompanying Form of Acceptance.

Your attention is also drawn to the letter from the Board on pages 25 to 29, the letter from the Code Independent Board Committee on pages 30 to 31 and the letter from the Independent Financial Adviser on pages 32 to 50 of the Composite Document.

Terms defined in the Composite Document have the same meanings in this letter.

2. PRE-CONDITIONS TO THE OFFER

The making of the Offer was subject to the satisfaction or waiver of the Pre-Conditions. On 19 January 2017, the Offeror and the Company jointly announced that all the Pre-Conditions had been satisfied.

3. THE OFFER

The Offer Price is:

For each Offer Share . . . . HK$1.80 in cash

4. CONDITIONS OF THE OFFER

The Offer is subject to the fulfilment of the following Conditions:

(a) valid acceptances of the Offer being received (and not, where permitted, withdrawn) by 4:00 p.m. on or prior to the First Closing Date (or such later time(s) and/or date(s) as the Offeror may decide and the Executive may approve) in respect of such number of Shares which, together with Shares already owned or agreed to be acquired before or during the Offer, would result in the Offeror holding more than 50% of the voting rights in the Company;

(b) consent from the Executive in respect of the Disposal Agreement and the Possible CCT as special deals in relation to the Offer;

(c) approval by the Independent Shareholders of the Disposal Agreement in accordance with the Listing Rules;

(d) approval by the Disinterested Shareholders of the Disposal Agreement and the Possible CCT both as special deals in relation to the Offer in accordance with the Takeovers Code;

(e) Disposal Completion having taken place in accordance with the terms and conditions of the Disposal Agreement;

(f) no filings or approvals in relation to any anti-trust law being required in any jurisdictions other than those mentioned in (a) to (d) of the Pre-Conditions;

(g) no event having occurred or existing which would make the Offer or the acquisition of any of the Shares void, unenforceable or illegal or would prohibit implementation of the Offer; and

(h) no Relevant Authorities in any jurisdiction having (i) taken or instituted any action, proceeding, suit, investigation or enquiry, or (ii) enacted, made or proposed, and there not continuing to be outstanding, any statute, regulation, demand or order, in each case that would make the Offer or the implementation of the Offer in accordance with its terms void, unenforceable or illegal or which would impose any material and adverse conditions or obligations with respect to the Offer or its implementation in accordance with its terms.

The Offeror reserves the right to waive Conditions (e) to (h), whether in whole or in part, and whether generally or in respect of any particular matter. None of the other Conditions may be waived by the Offeror.

As at the Latest Practicable Date, Conditions (b), (c), (d) and (e) have been satisfied. Announcements will be made when the Offer becomes unconditional as to acceptances and when it becomes unconditional in all respects.

Each of the Selling Shareholders has unconditionally and irrevocably undertaken to the Offeror and the Offeror Parent that, and Mr. Tan has unconditionally and irrevocably undertaken to the Offeror and the Offeror Parent to procure that, the Offer will be accepted by the Selling Shareholders not later than three days after the Despatch Date. The Selling Shareholders will, pursuant to the Irrevocable Undertaking, accept the Offer in respect of the IU Shares, being 520,849,598 Shares owned by them (representing approximately 50.37% of the issued share capital of the Company as at the Latest Practicable Date). Once the Selling Shareholders tender their acceptance of the Offer in respect of all of the IU Shares under the Irrevocable Undertaking, the Condition set out in paragraph (a) of this section of this letter will be satisfied.

Pursuant to Note 2 to Rule 30.1 of the Takeovers Code, the Offeror may only invoke any of the Conditions as a basis for not proceeding with the Offer if the circumstances which give rise to the right to invoke any of the Conditions are of material significance to the Offeror in the context of the Offer.

Pursuant to Rule 15.3 of the Takeovers Code, where a conditional offer becomes or is declared unconditional (whether as to acceptances or in all respects), it should remain open for acceptances for not less than 14 days thereafter. Accordingly, if the Offer is declared unconditional in all respects on or before the seventh day after the posting of the Composite Document and remains open for acceptance for 14 days thereafter, then the Final Closing Date would be on (but no earlier than) the First Closing Date. If the Offer is declared unconditional in all respects later than the seventh day after the posting of the Composite Document, then the Final Closing Date would be at least 14 days after the date of such declaration.

WARNING: The Offer may or may not become unconditional and will lapse if it does not become unconditional. Completion of the Offer is therefore a possibility only. Shareholders and prospective investors are advised to exercise caution when dealing in the securities of the Company.

Irrevocable Undertaking

On 26 October 2016, the Offeror, the Offeror Parent and the Selling Parties entered into the Irrevocable Undertaking.

For further details of the Irrevocable Undertaking, please refer to the section headed "Principal Terms of the Irrevocable Undertaking" in this letter.

As at the Latest Practicable Date, apart from the Irrevocable Undertaking, neither the Offeror nor any person acting in concert with it had received any indication (other than the statement in paragraph (i) of the section headed "The Company" in section 6 of Appendix III to the Composite Document) or irrevocable commitment from any Shareholder to accept or reject the Offer.

5. VALUE OF THE OFFER

The Offer Price of HK$1.80 per Share represents:

(a) a discount of approximately 2.70% to the closing price of HK$1.85 per Share as quoted on the Stock Exchange on the Last Trading Day;

(b) a discount of approximately 2.70% to the average closing price of HK$1.85 per Share, being the average closing price of the Shares as quoted on the Stock Exchange for the 5 trading days immediately prior to and including the Last Trading Day;

(c) a premium of approximately 1.69% over the average closing price of HK$1.77 per Share, being the average closing price of the Shares as quoted on the Stock Exchange for the 10 trading days immediately prior to and including the Last Trading Day;

(d) a premium of approximately 14.65% over the average closing price of HK$1.57 per Share, being the average closing price of the Shares as quoted on the Stock Exchange for the 30 trading days immediately prior to and including the Last Trading Day;

(e) a premium of approximately 34.33% over the average closing price of HK$1.34 per Share, being the average closing price of the Shares as quoted on the Stock Exchange for the 90 trading days immediately prior to and including the Last Trading Day; and

(f) a discount of approximately 29.69% to the closing price of HK$2.56 per Share as quoted on the Stock Exchange as at the Latest Practicable Date.

The closing prices in (a) to (e) above are before the adjustment made by the Stock Exchange to historical closing prices on its website before the first day of trading in the Shares on an ex-dividend basis in respect of the Disposal Special Dividend. Such adjustment was not applied by the Stock Exchange to the closing price in (f) as that was a closing price after such first day of trading.

Highest and lowest Share prices

During the Relevant Period, the highest closing price of the Shares as quoted on the Stock Exchange was HK$3.29 per Share on 3 January 2017, and the lowest closing price of Shares as quoted on the Stock Exchange was HK$1.05 per Share on 22 June 2016.

The closing prices in this section are before the adjustment made by the Stock Exchange to historical closing prices on its website before the first day of trading in the Shares on an ex-dividend basis in respect of the Disposal Special Dividend.

Total consideration under the Offer

As at the Latest Practicable Date, there were 1,034,112,666 Shares in issue. The Offer, based on the Offer Price of HK$1.80 per Share, is valued at HK$1,491,007,075.20 (taking into account the irrevocable undertaking of the Selling Shareholders not to accept the Offer in respect of the Remaining Shares). On the basis of the Offer Price of HK$1.80 per Share, the entire issued share capital of the Company is valued at HK$1,861,402,798.80.

It is stated by the Company in Appendix III of the Composite Document that, as at the Latest Practicable Date, the Company did not have in issue any outstanding options, warrants, derivatives or securities that carry a right to subscribe for or which are convertible into Shares.

Confirmation of financial resources

Assuming full acceptance of the Offer (taking into account the irrevocable undertaking of the Selling Shareholders not to accept the Offer in respect of the Remaining Shares) in respect of 828,337,264 Shares (being all the Shares excluding the Remaining Shares), the aggregate cash consideration payable by the Offeror under the Offer will amount to approximately HK$1,492,498,083 (inclusive of the buyer's ad valorem stamp duty (based on the Offer Price)).

The funds required by the Offeror to satisfy the consideration payable under the Offer will be financed by a combination of the HSBC Facility and the internal resources of the Offeror. The Offeror does not intend that the payment of interest on, repayment of or security for any liability (contingent or otherwise) of the HSBC Facility will depend to any significant extent on the business of the Company.

HSBC, the financial adviser to the Offeror, is satisfied that sufficient financial resources are available to the Offeror to satisfy full acceptance of the Offer in accordance with its terms (taking into account the irrevocable undertaking of the Selling Shareholders not to accept the Offer in respect of the Remaining Shares).

6. INFORMATION ON THE OFFEROR AND THE OFFEROR PARENT

The Offeror is an investment holding company incorporated in Hong Kong with limited liability. It is an indirect wholly-owned subsidiary of the Offeror Parent, a company established under the laws of the PRC, in which the Shanghai SASAC directly and indirectly holds a controlling interest.

Incorporated in 2001, the Offeror Parent has a leading textile manufacturing and trading business in China. It engages in a broad range of businesses such as apparel retail, international trade and supply of automotive textiles to leading car manufacturers. Equipped with a nationwide distribution network, the Offeror Parent owns multiple apparel brands and is a major distributor of well-known international brands in the PRC.

7. OFFEROR'S REASONS FOR THE OFFER

The Offeror Parent is committed to building a leading global supply chain for textile and apparel products. Its strategy is to gain customers in developed markets in Europe and the U.S. and to acquire quality manufacturing capability. The Offeror Parent seeks to implement such strategy through business collaboration and capital investments.

The Offeror Parent intends to develop and manage its overseas businesses through Hong Kong, a leading trading centre for clothing with a worldwide reputation for quality and expertise. The Offeror Parent acquired a Hong Kong-based knitwear manufacturer in August 2015. It considers the Company to be one of the key platforms on which it will develop and manage its overseas businesses on a long term basis.

The Offeror Parent believes that the Company's well-established manufacturing operations in strategic locations in Asia (being China, the Philippines, Cambodia, Vietnam and Indonesia) would enable the Offeror Parent to increase its global manufacturing capability for textiles, garments and accessories. The increased manufacturing capability, coupled with the Company's wide customer base in the U.S. and Europe, will improve the Offeror Parent's ability to widen its customer base, increase its sales of apparel and enhance its capability to handle large orders. The Offeror Parent also expects its existing capabilities in garment design, fabric research and development, information systems and e-commerce will support the future development of the Company.

Intentions of the Offeror with regard to the Company

If the Offer becomes unconditional and is completed, the Offeror intends that the Company will continue to carry on its existing businesses. The Offeror expects that the Offeror Parent's and the Company's respective businesses will significantly complement each other. The Offeror Parent, being a leading textile manufacturer and trader, and the Company, being a leading OEM (as defined below) manufacturer, are expected to benefit from each other's clientele and capabilities. The Offeror has no agreement, arrangement or understanding and is not in negotiation with anyone, and has no intention, to inject any new business or asset into the Group. Except for the changes in the board composition of the Company contemplated in the paragraph headed "Proposed changes to the board composition of the Company" below, the Offeror currently has no intention to change the management of the Company or the Company's and its subsidiaries existing arrangement regarding their employees in any material respect.

Proposed changes to the board composition of the Company

It is expected that there will be changes in the board composition of the Company at or after the earliest time permitted under the Takeovers Code or by the Executive. Any such changes will only take effect in accordance with the applicable laws and regulations including the Takeovers Code (or as permitted by the Executive) and the Listing Rules.

8. MAINTAINING THE LISTING STATUS OF THE COMPANY

The Offeror intends to maintain the listing of the Shares on the Stock Exchange following completion of the Offer.

There is a possibility that the public will hold less than 25% of the Shares upon completion of the Offer depending on the level of acceptances under the Offer. If that happens, the Offeror will, after the end of the Offer Period, take appropriate steps to ensure that not less than 25% of the Shares will be held by the public in compliance with the Listing Rules. Such steps may involve the Offeror's sale of some of the Shares acquired pursuant to the Offer. If the Offeror decides to restore the public float by selling some of its Shares, it intends (subject to compliance with the applicable requirements under the Takeovers Code, the Listing Rules and other applicable laws and regulations) to identify potential independent third party investors (being potential investors who are considered to be members of the public for the purposes of the public float requirements under the Listing Rules) for such sale after the end of the Offer Period with a view to restoring the public float of the Company to 25% in compliance with the Listing Rules upon completion of such sale. In the event that the Offeror decides to restore the public float by selling some of its Shares, subject to market conditions at the relevant time and agreement with the relevant independent third party investors, the Offeror intends to enter into definitive agreements in relation to such sale as soon as reasonably practicable after the end of the Offer Period.

If less than 25% of the Shares are held by the public or if the Stock Exchange believes (i) that a false market exists or may exist in the trading of Shares or (ii) that there are insufficient Shares in public hands to maintain an orderly market, the Stock Exchange will consider exercising its discretion to suspend trading in Shares. In such connection, the directors of the Offeror and the new Directors to be appointed to the Board will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares after the end of the Offer Period.

As at the Latest Practicable Date, none of the Selling Shareholders was considered to be a member of the public for the purposes of the public float requirements under the Listing Rules.

The Offeror does not intend to exercise any rights to acquire compulsorily any Shares in respect of which the Offer is not accepted.

9. PRINCIPAL TERMS OF THE IRREVOCABLE UNDERTAKING

Date: 26 October 2016

Parties:

(a) Capital Glory Limited;

(b) Hanium Industries Limited;

(c) Double Joy Investments Limited;

(d) Wincare International Company Limited;

(e) Tan Siu Lin Foundation Limited;

(f) Ms. Cynthia Yiu (being the spouse of Mr. Tan Cho Lung, Raymond, an executive Director);

(g) Mr. Justin Tan (being the son of Ms. Cynthia Yiu and Mr. Tan Cho Lung, Raymond);

(h) Hampton Asset Limited (a wholly owned company of Ms. Rosalina Tan (being the spouse of Mr. Tan Willie, a non-executive Director));

(i) Mr. Sunny Tan (being Mr. Tan's brother);

(j) Mr. Tan;

(k) the Offeror; and

(l) the Offeror Parent.

Irrevocable undertaking to accept the Offer in respect of the IU Shares

On 26 October 2016, the Offeror, the Offeror Parent and the Selling Parties entered into the Irrevocable Undertaking, pursuant to which each of the Selling Shareholders has unconditionally and irrevocably undertaken to the Offeror and the Offeror Parent, and Mr. Tan has unconditionally and irrevocably undertaken to the Offeror and the Offeror Parent to procure, among others, each of the Selling Shareholders, (a) to accept the Offer in respect of the IU Shares, being 520,849,598 Shares (representing approximately 50.37% of the issued share capital of the Company as at the Latest Practicable Date), not later than three days after the Despatch Date and (b) not to withdraw such acceptance.

Consideration

Each of the Selling Shareholders has unconditionally and irrevocably undertaken to the Offeror and the Offeror Parent, and Mr. Tan has unconditionally and irrevocably undertaken to the Offeror and the Offeror Parent to procure, that the Offer will be accepted by the Selling Shareholders in respect of their respective IU Shares at the Offer Price of HK$1.80 per IU Share.

If the Offer becomes unconditional in all respects, the Selling Shareholders will, pursuant to the Irrevocable Undertaking, sell 520,849,598 Shares. The total consideration for such sale will accordingly be HK$937,529,276.40 (before deducting seller's ad valorem stamp duty).

Irrevocable undertaking not to accept the Offer in respect of any other Shares and not to dispose of any Shares

Each of the Selling Shareholders has unconditionally and irrevocably undertaken to the Offeror and the Offeror Parent that, and Mr. Tan has unconditionally and irrevocably undertaken to the Offeror and the Offeror Parent to procure that, (a) none of the Selling Shareholders and the parties acting in concert with any of the Selling Shareholders will accept the Offer in respect of any Shares (including the Remaining Shares) held by it other than the IU Shares; and (b) none of the Selling Shareholders will sell, transfer, charge, encumber, grant any option over or otherwise dispose of any Shares (including the Remaining Shares) other than the IU Shares before the expiry of the Offer Period.

Restrictive covenants

Under the Irrevocable Undertaking, none of the Selling Shareholders shall prior to the earlier of the completion or lapse of the Offer:

(a) sell, transfer, charge, encumber, grant any option over or otherwise dispose of all or any of the Shares held by any of them or any interest in such Shares, or accept any other offer in respect of all or any of their Shares (except tendering for acceptance of the Offer in respect of the IU Shares); or

(b) (other than pursuant to the Offer) enter into any agreement or arrangement or permit any agreement or arrangement to be entered into or incur any obligation or permit any obligation to arise:

    (i) in relation to, or operating by reference to, shares or other securities of the Company; or

    (ii) for the purpose of doing all or any of the acts referred to in sub-paragraph (a) above; or

    (iii) which would or might restrict or impede completion of the Offer or the Offer becoming unconditional or otherwise preclude any of the Selling Parties from complying with its obligations under the Irrevocable Undertaking; or

(c) acquire any shares or relevant securities (as defined under the Takeovers Code) of the Company (or any interest therein).

Under the Irrevocable Undertaking, so long as the Offeror together with its concert parties is a controlling shareholder of the Company, none of the Selling Parties will (and each of the Selling Parties shall procure that no person acting in concert with any of them will) acquire any voting rights in the Company:

(a) during the 12 month period from the date of the completion of the Offer; or

(b) if such acquisition will cause the public float of the Company to fall below 25% while (1) (if necessary) the Offeror and its concert parties have complied with their undertakings to sell Shares in order to remedy any shortfall in the public float which might arise upon completion of the Offer; and (2) neither the Offeror nor any of its close associates (as defined in the Listing Rules) will, without the consent of the Selling Parties, acquire further Shares. The restriction on the Selling Parties in this paragraph will not apply if and to the extent that any shortfall in the public float is caused by any act of the Offeror or its close associates (as defined in the Listing Rules).

The Selling Parties have jointly and severally agreed to procure that, between the date of the Irrevocable Undertaking and completion of the Offer, each member of the Group will carry on its business in the ordinary and usual course in the same manner as carried on during the six months preceding the date of the Irrevocable Undertaking and without the consent in writing of the Offeror, not do anything which is not of an ordinary nature (save for the Disposal).

Lock-up undertaking

Under the Irrevocable Undertaking, so long as the Offeror (together with its concert parties) is a controlling shareholder of the Company, none of Capital Glory Limited, Hanium Industries Limited, Wincare International Company Limited and Tan Siu Lin Foundation Limited (being some of the Selling Shareholders) shall sell, transfer, charge, encumber, grant any option over or otherwise dispose of any of its Shares during the Lock-up Period. The total number of Shares subject to such undertaking is 200,444,286, representing approximately 19.38% of the issued share capital of the Company.

Non-compete undertaking

Each of the Selling Parties has unconditionally and irrevocably undertaken that, so long as any of the Selling Parties is a shareholder of the Company, none of the Selling Parties and their respective affiliates will:

(a) establish or be engaged in original equipment manufacturing ("**OEM**") business and original design manufacturing ("**ODM**") business in relation to apparels and handbags (the "**Restricted Business**") or any business which competes with the Restricted Business or be directly or indirectly interested in any business which competes with the Restricted Business provided that where any of the Selling Parties or their respective affiliates is a licensed distributor of any brand of apparels or handbags, that Selling Party or, as the case may be, affiliate is not prohibited from being the OEM and/or ODM manufacturer of apparels or handbags for such brand; or

(b) solicit or entice away from the employment of the Group any person at present an employee of the Group.

Representations and warranties and indemnities

The Selling Parties have represented and warranted to the Offeror certain matters (including but not limited to the ownership of the IU Shares and accuracy of information of the Company published in the Stock Exchange's website for a limited period). The Selling Parties have also given indemnities to the Offeror in relation to tax matters and legal compliance of the Group, subject to certain limitations on the Selling Parties' liabilities under the Irrevocable Undertaking.

Termination

The Irrevocable Undertaking will terminate and the parties' obligations thereunder will cease if the Offer lapses or is withdrawn in circumstances permitted under the Takeovers Code.

10. GENERAL MATTERS RELATING TO THE OFFER

Effect of accepting the Offer

By validly accepting the Offer, Shareholders will sell to the Offeror their tendered Shares free from all encumbrances and together with all rights and benefits attaching to them as at the Final Closing Date or subsequently becoming attached to them, including the right to any dividends, distributions and any return of capital, if any, declared, made or paid, or agreed to be made or paid thereon or in respect thereof on or after the Final Closing Date (excluding the Special Dividends). The Offeror will not be entitled to any dividends or other distributions declared, made or paid before the Final Closing Date, including the Special Dividends, in respect of the Shares as regards which the Offer is accepted and any such dividends or other distributions will be paid to the Shareholders who are qualified to receive such dividends or distributions.

Hong Kong stamp duty

Seller's ad valorem stamp duty at the rate of 0.1% of (i) the value of the consideration arising on acceptance of the Offer or (ii) if higher, the market value of the Offer Shares as determined by the Collector of Stamp Revenue under the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong) will be payable by the Shareholders who accept the Offer (rounded up to the nearest HK$1.00). The relevant amount of stamp duty payable by the Shareholders will be deducted from the consideration payable to the Shareholders under the Offer. The Offeror will bear buyer's ad valorem stamp duty at the rate of 0.1% of the consideration payable in respect of acceptances of the Offer and will be responsible to account to the Stamp Office of Hong Kong for all the stamp duty payable for the sale and purchase of the Shares as regards which the Offer is accepted.

Overseas Shareholders

The Composite Document will not be filed under any laws or rules of any jurisdiction other than Hong Kong.

Based on the register of members of the Company as at the Latest Practicable Date, there were 3 overseas Shareholders holding 650,000 Shares, in aggregate, with registered addresses in the United States and the Philippines, which are jurisdictions outside Hong Kong. The shareholding of these overseas Shareholders represented approximately 0.06% of the total issued share capital of the Company as at the Latest Practicable Date. The Offer is in respect of a company incorporated in the Cayman Islands and listed in Hong Kong and therefore the making of the Offer to Shareholders who are citizens, residents or nationals of jurisdictions outside Hong Kong may be subject to the laws of the relevant jurisdictions. Such Shareholders may be affected by the laws of the relevant jurisdictions and it is the responsibility of each such Shareholder who wishes to accept the Offer to satisfy himself/herself/itself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents, or filing and registration requirements, which may be required to comply with all necessary formalities or legal or regulatory requirements and the payment of any transfer or other taxes due from such Shareholder in such relevant jurisdictions.

Any acceptance of the Offer by a Shareholder will be deemed to constitute a representation and warranty from such Shareholder to the Offeror, the Company and their respective advisers that all applicable laws and requirements have been complied with by such Shareholder and that the Offer can be accepted by such Shareholder lawfully under the laws of the relevant jurisdiction. Shareholders should consult their professional advisers if in doubt.

Notice to U.S. holders of Shares

The Offer is being made for the securities of a company incorporated in the Cayman Islands with limited liability and is subject to Hong Kong disclosure requirements, which are different from those of the United States.

The Composite Document will not be filed under any laws or rules of any jurisdiction other than Hong Kong, which are different from those of the United States, and has not been submitted to, or reviewed by, the U.S. Securities and Exchange Commission or any U.S. state securities commission or other regulatory authority. Neither the SEC nor any U.S. state securities commission or other regulatory authority has approved or disapproved of the Offer or passed upon the fairness and merits of the Offer or upon the accuracy and adequacy of the information contained in the Composite Document. In addition, U.S. holders of the Shares should be aware that the Composite Document has been prepared in accordance with Hong Kong format and style, which differ from those of the United States. The Offer is being extended into the United States pursuant to the applicable U.S. tender offer rules or an available exemption therefrom and otherwise in accordance with the requirements under Hong Kong laws and regulations.

Accordingly, the Offer will be subject to disclosure and other procedural requirements, including with respect to withdrawal rights, offer timetable, settlement procedures and timing of payments that are different from those applicable under U.S. domestic tender offer procedures and law. The receipt of cash pursuant to the Offer by a U.S. holder of Shares may be a taxable transaction for U.S. federal income tax purposes and under applicable state and local, as well as foreign and other tax laws. Each holder of Shares is urged to consult his/her/its independent professional advisor immediately regarding the tax consequences of acceptance of the Offer.

The financial information included in the Composite Document has been prepared in accordance with Hong Kong Financial Reporting Standards and thus may not be comparable to financial information of U.S. companies or companies whose financial statements are prepared in accordance with generally accepted accounting principles in the United States.

U.S. holders of Shares may encounter difficulty enforcing their rights and any claims arising out of the U.S. federal securities laws, as each of the Offeror Parent, the Offeror and the Company is located in a country outside the United States and some or all of their respective officers and directors may be residents of a country other than the United States. U.S. holders of Shares may not be able to sue a non-U.S. company or its officers or directors in a non-U.S. court for violations of the U.S. securities laws. Further, U.S. holders of Shares may encounter difficulty compelling a non-U.S. company and its affiliates to subject themselves to a U.S. court's judgment.

In accordance with normal Hong Kong practice and pursuant to Rule 14e-5(b) of the U.S. Exchange Act, the Offeror hereby discloses that it or its affiliates, or its nominees, or their respective brokers (acting as agents) may from time to time make certain purchases of, or arrangements to purchase, Shares outside of the United States, other than pursuant to the Offer, before or during the period in which the Offer remains open for acceptance. In accordance with the Takeovers Code and Rule 14e-5(b) of the U.S. Exchange Act, HSBC and its affiliates may continue to act as exempt principal traders in the Shares on the Stock Exchange. These purchases may occur either in the open market at prevailing prices or in private transactions at negotiated prices, provided that (i) any such purchase or arrangement complies with applicable law and is made outside the United States and (ii) if applicable, the Offer Price is increased to match any consideration paid in any such purchase or arrangement. Any information about such purchases will be reported to the SFC and, to the extent made public by the SFC, will be available on the website of the SFC at http://www.sfc.hk/.

Settlement of consideration

Information regarding settlement of the consideration under the Offer is set out in Appendix I to the Composite Document.

Taxation advice

Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Offer. It is emphasised that none of the Company, the Offeror, the Offeror Parent, HSBC, or any of their respective directors, officers or associates or any other person involved in the Offer accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offer.

Nominee holdings

To ensure equality of treatment of all Shareholders, those registered Shareholders who hold Shares as nominees on behalf of more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. It is essential for the beneficial owners of the Shares whose investments are registered in the names of nominees to provide instructions to their nominees of their intentions with regard to the Offer.

All documents and remittances to the Shareholders will be sent by ordinary post at their own risk. Such documents and remittances will be sent to the Shareholders at their respective addresses as they appear in the register of members or, in the case of joint Shareholders, to the Shareholder whose name appears first in the register of members (or where applicable, the person and address specified in the Form of Acceptance).

None of the Company, the Offeror, the Offeror Parent, HSBC, the Registrar or any of their respective directors or professional advisers or any other parties involved in the Offer will be responsible for any loss or delay in transmission or any other liabilities that may arise as a result thereof.

11. ADDITIONAL INFORMATION

Your attention is drawn to the "Letter from the Board", the "Letter from the Code Independent Board Committee" and the "Letter from the Independent Financial Adviser" as set out in the Composite Document, the accompanying Form of Acceptance and the additional information set out in the appendices to, and which forms part of, the Composite Document.

Yours faithfully,
For and on behalf of
The Hongkong and Shanghai Banking Corporation Limited
Stephen J. Clark
Managing Director, Advisory
Global Banking, Asia Pacific

LUEN THAI HOLDINGS LIMITED
聯泰控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 311)

Executive Directors:
Tan Siu Lin *(Chairman)*
Tan Henry
Tan Cho Lung, Raymond
Mok Siu Wan, Anne

Non-executive Directors:
Tan Willie
Lu Chin Chu

Independent Non-executive Directors:
Chan Henry
Cheung Siu Kee
Seing Nea Yie

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

Head office and principal place of business in Hong Kong:
5th Floor
Nanyang Plaza
57 Hung To Road
Kwun Tong
Kowloon
Hong Kong

24 January 2017

To the Disinterested Shareholders

Dear Sir or Madam,

CONDITIONAL VOLUNTARY CASH GENERAL OFFER BY THE HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED ON BEHALF OF THE OFFEROR TO ACQUIRE ALL OF THE ISSUED SHARES IN THE CAPITAL OF THE COMPANY FROM THE SHAREHOLDERS (OTHER THAN THOSE ALREADY OWNED BY THE OFFEROR)

INTRODUCTION

On 26 October 2016, the Company and the Offeror jointly announced that, HSBC, on behalf the Offeror, firmly intended, subject to the satisfaction or waiver (as applicable) of the Pre-Conditions, to make a voluntary conditional cash general offer to acquire all of the issued Shares (other than those already owned by the Offeror) from the Shareholders at the Offer Price being HK$1.80 per Share.

The terms of the Offer are set out in the "Letter from HSBC" contained in, and Appendix I to, the Composite Document and the accompanying Form of Acceptance.

The purpose of the Composite Document, of which this letter forms part, is to provide you with, among others, information relating to the Offer. Your attention is also drawn to the letter from the Code Independent Board Committee on pages 30 to 31 and the letter from the Independent Financial Adviser on pages 32 to 50 of the Composite Document.

THE OFFER

As set out in the "Letter from HSBC" contained in the Composite Document, the Offer Price is:

For each Offer Share . . . . HK$1.80 in cash

The making of the Offer was conditional on the satisfaction or waiver (as applicable) of the Pre-Conditions. All the Pre-Conditions have been satisfied.

The Offer is subject to the fulfilment of the following Conditions:

(a) valid acceptances of the Offer being received (and not, where permitted, withdrawn) by 4:00 p.m. on or prior to the First Closing Date (or such later time(s) and/or date(s) as the Offeror may decide and the Executive may approve) in respect of such number of Shares which, together with Shares already owned or agreed to be acquired before or during the Offer, would result in the Offeror holding more than 50% of the voting rights in the Company;

(b) consent from the Executive in respect of the Disposal Agreement and the Possible CCT as special deals in relation to the Offer;

(c) approval by the Independent Shareholders of the Disposal Agreement in accordance with the Listing Rules;

(d) approval by the Disinterested Shareholders of the Disposal Agreement and the Possible CCT both as special deals in relation to the Offer in accordance with the Takeovers Code;

(e) Disposal Completion having taken place in accordance with the terms and conditions of the Disposal Agreement;

(f) no filings or approvals in relation to any anti-trust law being required in any jurisdictions other than those mentioned in (a) to (d) of the Pre-Conditions;

(g) no event having occurred or existing which would make the Offer or the acquisition of any of the Shares void, unenforceable or illegal or would prohibit implementation of the Offer; and

(h) no Relevant Authorities in any jurisdiction having (i) taken or instituted any action, proceeding, suit, investigation or enquiry, or (ii) enacted, made or proposed, and there not continuing to be outstanding, any statute, regulation, demand or order, in each case that would make the Offer or the implementation of the Offer in accordance with its terms void, unenforceable or illegal or which would impose any material and adverse conditions or obligations with respect to the Offer or its implementation in accordance with its terms.

The Offeror reserves the right to waive Conditions (e) to (h), whether in whole or in part, and whether generally or in respect of any particular matter. None of the other Conditions may be waived by the Offeror.

As at the Latest Practicable Date, Conditions (b), (c), (d) and (e) have been satisfied.

Each of the Selling Shareholders has unconditionally and irrevocably undertaken to the Offeror and the Offeror Parent that, and Mr. Tan has unconditionally and irrevocably undertaken to the Offeror and the Offeror Parent to procure that, the Offer will be accepted by the Selling Shareholders not later than three days after the Despatch Date. The Selling Shareholders will, pursuant to the Irrevocable Undertaking, accept the Offer in respect of the IU Shares, being 520,849,598 Shares owned by them (representing approximately 50.37% of the issued share capital of the Company as at the Latest Practicable Date). Once the Selling Shareholders tender their acceptance of the Offer in respect of all of the IU Shares under the Irrevocable Undertaking, the Condition set out in paragraph (a) of this section of this letter will be satisfied.

INFORMATION ON THE GROUP

The Company is incorporated in the Cayman Islands with limited liability and its Shares are listed on the Main Board of the Stock Exchange. The Group is principally engaged in apparel and bags manufacturing.

Your attention is drawn to Appendices II and III to the Composite Document which contain certain financial and general information of the Group.

INFORMATION ON THE OFFEROR AND THE OFFEROR PARENT

Your attention is drawn to the section headed "Information on the Offeror and the Offeror Parent" in the "Letter from HSBC" contained in the Composite Document.

INTENTION OF THE OFFEROR WITH REGARD TO THE COMPANY

The Board notes from the "Letter from HSBC" contained in the Composite Document that, if the Offer becomes unconditional and is completed, the Offeror intends that the Company will continue to carry on its existing businesses; and that the Offeror expects that the Offeror Parent's and the Company's respective businesses will significantly complement each other. The Offeror Parent, being a leading textile manufacturer and trader, and the Company, being a leading OEM manufacturer, are expected to benefit from each other's clientele and capabilities. The Board also notes from the "Letter from HSBC" contained in the Composite Document that, except for the changes in the board composition of the Company contemplated in the paragraph headed "Proposed changes to the board composition of the Company" below, the Offeror currently has no intention to change the management of the Company or existing arrangement regarding the employees of the Company and of its subsidiaries in any material respect.

Proposed changes to the board composition of the Company

The Board notes that from the "Letter from HSBC" contained in the Composite Document the Offeror expects that there will be changes in the board composition of the Company at or after the earliest time permitted under the Takeovers Code or by the Executive, and any such changes will only take effect in accordance with the applicable laws and regulations including the Takeovers Code (or as permitted by the Executive) and the Listing Rules.

MAINTAINING THE LISTING STATUS OF THE COMPANY

The Board notes from the "Letter from HSBC" contained in the Composite Document that:

(a) there is a possibility that the public will hold less than 25% of the Shares upon completion of the Offer depending on the level of acceptances under the Offer. If that happens, the Offeror will, after the end of the Offer Period, take appropriate steps to ensure that not less than 25% of the Shares will be held by the public in compliance with the Listing Rules. Such steps may involve the Offeror's sale of some of the Shares acquired pursuant to the Offer. If the Offeror decides to restore the public float by selling some of its Shares, it intends (subject to compliance with the applicable requirements under the Takeovers Code, the Listing Rules and other applicable laws and regulations) to identify potential independent third party investors (being potential investors who are considered to be members of the public for the purposes of the public float requirements under the Listing Rules) for such sale after the end of the Offer Period with a view to restoring the public float of the Company to 25% in compliance with the Listing Rules upon completion of such sale. In the event that the Offeror decides to restore the public float by selling some of its Shares, subject to market conditions at the relevant time and agreement with the relevant independent third party investors, the Offeror intends to enter into definitive agreements in relation to such sale as soon as reasonably practicable after the end of the Offer Period; and

(b) if less than 25% of the Shares are held by the public or if the Stock Exchange believes (i) that a false market exists or may exist in the trading of Shares or (ii) that there are insufficient Shares in public hands to maintain an orderly market, the Stock Exchange will consider exercising its discretion to suspend trading in Shares. In such connection, the directors of the Offeror and the new Directors to be appointed to the Board will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares after the end of the Offer Period.

RECOMMENDATIONS

Your attention is drawn to the "Letter from the Code Independent Board Committee" as set out in the Composite Document which contains its recommendation to the Disinterested Shareholders in respect of the Offer, and the "Letter from the Independent Financial Adviser" as set out in the Composite Document containing its advice to the Code Independent Board Committee and the Disinterested Shareholder in respect of the Offer.

ADDITIONAL INFORMATION

You are also advised to read the Composite Document together with the accompanying Form of Acceptance in respect of the acceptance and settlement procedures of the Offer. Your attention is also drawn to the additional information contained in the appendices to the Composite Document.

WARNING: The Offer may or may not become unconditional and will lapse if it does not become unconditional. Completion of the Offer is therefore a possibility only. Shareholders and prospective investors are advised to exercise caution when dealing in the securities of the Company.

Yours faithfully,
For and on behalf of the Board
Henry Tan
Director

Set out below is the text of the letter of recommendation from the Code Independent Board Committee in respect of the Offer which has been prepared for the purpose of inclusion in this Composite Document.

LUEN THAI HOLDINGS LIMITED
聯泰控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 311)

24 January 2017

To the Disinterested Shareholders

Dear Sir or Madam,

CONDITIONAL VOLUNTARY CASH GENERAL OFFER BY THE HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED ON BEHALF OF THE OFFEROR TO ACQUIRE ALL OF THE ISSUED SHARES IN THE CAPITAL OF THE COMPANY FROM THE SHAREHOLDERS (OTHER THAN THOSE ALREADY OWNED BY THE OFFEROR)

INTRODUCTION

We refer to the Composite Document dated 24 January 2017 jointly issued by the Offeror and the Company of which this letter forms part. Capitalised terms used in this letter shall have the same meaning as defined in the Composite Document unless the context requires otherwise.

We have been appointed as members of the Code Independent Board Committee to consider the Offer and to make recommendations to you as to whether, in our opinion, the terms of the Offer are fair and reasonable so far as the Disinterested Shareholders are concerned and as to acceptance of the Offer. Octal Capital Limited has been appointed as the independent financial adviser to advise us in this respect. Details of the advice of the Independent Financial Adviser, together with the principal factors taken into consideration in arriving at such advice are set out in the "Letter from the Independent Financial Adviser" in the Composite Document.

We also wish to draw your attention to the "Letter from HSBC", the "Letter from the Board" and the additional information set out in the Composite Document, including the appendices to the Composite Document and the accompanying Form of Acceptance in respect of the terms of the Offer and the acceptance and settlement procedures for the Offer.

Having taken into account the advice from the Independent Financial Adviser, in particular the factors, reasons and advice as set out in its letter in the Composite Document, we consider that the terms of the Offer are fair and reasonable so far as the Disinterested Shareholders are concerned. Accordingly, we recommend the Disinterested Shareholders to accept the Offer.

The Disinterested Shareholders are recommended to read the full text of the "Letter from the Independent Financial Adviser" as set out in the Composite Document. Notwithstanding our recommendations, the Disinterested Shareholders are strongly advised that their decisions to realise or to hold their investment in the Shares are subject to individual circumstances and investment objectives. If in any doubt, the Disinterested Shareholders should consult their own professional advisers for professional advice.

Yours faithfully,
The Code Independent Board Committee
Luen Thai Holdings Limited

Mr. Lu Chin Chu *Non-executive Director*	**Mr. Chan Henry** *Independent Non-executive Director*
Mr. Cheung Siu Kee *Independent Non-executive Director*	**Mr. Seing Nea Yie** *Independent Non-executive Director*

The following is the letter of advice from Octal Capital Limited to the Code Independent Board Committee and the Disinterested Shareholders prepared for the purpose of inclusion in this Composite Document.

Octal Capital Limited
802–805, 8th Floor, Nan Fung Tower
88 Connaught Road Central
Hong Kong

24 January 2017

To the Code Independent Board Committee and the Disinterested Shareholders

Dear Sir or Madam,

CONDITIONAL VOLUNTARY CASH GENERAL OFFER BY THE HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED ON BEHALF OF THE OFFEROR TO ACQUIRE ALL THE ISSUED SHARES IN THE CAPITAL OF THE LUEN THAI HOLDINGS LIMITED FROM THE SHAREHOLDERS (OTHER THAN THOSE ALREADY OWNED BY THE OFFEROR)

INTRODUCTION

We refer to our engagement to advise the Code Independent Board Committee and the Disinterested Shareholders in respect of the terms of the Offer, thereunder, details of which are set out in the Composite Document of the Company to the Shareholders dated 24 January 2017, of which this letter forms part. Unless the context otherwise requires, terms used in this letter shall have the same meanings as those defined in the Composite Document.

The Offeror, the Offeror Parent and the Selling Parties entered into the Irrevocable Undertaking on 26 October 2016. Pursuant to the Irrevocable Undertaking, each of the Selling Shareholders has unconditionally and irrevocably undertaken to the Offeror and the Offeror Parent that, and Mr. Tan has unconditionally and irrevocably undertaken to the Offeror and the Offeror Parent to procure that, among others, (a) each of the Selling Shareholders will accept the Offer in respect of the IU Shares, being 520,849,598 Shares owned by them (representing approximately 50.37% of the issued share capital of the Company as at the Latest Practicable Date) and not to withdraw the acceptance; (b) none of the Selling Shareholders and the parties acting in concert with any of the Selling Shareholders will accept the Offer in respect of any Shares (including the Remaining Shares) held by it other than the IU Shares; and (c) none of the Selling Shareholders will sell, transfer, charge, encumber, grant any option over or otherwise dispose of any Shares (including the Remaining Shares) other than the IU Shares before the expiry of the Offer Period.

The Offer is subject to the satisfaction or waiver (as applicable) of the Pre-Conditions set out in the "Letter from HSBC" in the Composite Document. On 19 January 2017, the Offeror and the Company jointly announced that all the Pre-Conditions have been fully satisfied.

The Code Independent Board Committee comprises all the non-executive Directors (other than Mr. Tan Willie) and all the independent non-executive Directors established for the purpose of advising the Shareholders in respect of the Offer. We, Octal Capital Limited, have been appointed to advise the Code Independent Board Committee and the Disinterested Shareholders in this regard.

As at the Latest Practicable Date, we, Octal Capital Limited, are not connected with the Directors, chief executives and substantial shareholders of the Company, the Offeror, the Offeror Parent or any of their respective subsidiaries or associates and are therefore considered suitable to give independent advice to the Code Independent Board Committee and the Disinterested Shareholders.

During the last two years, Octal Capital Limited has been appointed as the independent financial adviser in respect of the Disposal Agreement and Possible CCT. Details of such appointment are set out in the circular of the Company dated 14 December 2016. Apart from the normal professional fees paid to us in connection with the aforesaid appointment, no arrangement exists whereby we had received any fees or benefits from the Company or any other party to the transactions, therefore we consider such relationship would not affect our independence.

BASIS OF OUR OPINION

In formulating our opinion, we have relied on the accuracy of the information and representations contained in the Composite Document and have assumed that all information and representations made or referred to in the Composite Document as provided by the Directors of the Company, the Offeror and/or and the Offeror Parent were true at the time they were made and continue to be true as at the Latest Practicable Date. We have reviewed the published information of the Company, including but not limited to, the annual reports of the Company for the two years ended 31 December 2014 and 2015, and the interim report of the Company for the six months ended 30 June 2016, and other documents in the Composite Document. We have also reviewed the trading performance of the Shares on the Stock Exchange. We also relied on our discussion with the Directors and the senior management of the Company regarding the Group and the Offer, including the information and representations contained in the Composite Document. We have also assumed that all statements of belief, opinion and intention made by Directors of the Company, the Offeror and the Offeror Parent respectively in the Composite Document were reasonably made after due enquiry. We have no reason to suspect that any material facts have been omitted or withheld from the information contained or opinions expressed in the Composite Document nor to doubt the truth, accuracy and completeness of the information and representations provided by Directors of the Company, the Offeror and the Offeror Parent. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, the Offeror, the Offeror Parent and their respective associates nor have we carried out any independent verification of the information supplied.

We have sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and opinions expressed by them. Should there be any material changes to our opinion after the Latest Practicable Date, the Shareholders would be notified as soon as possible pursuant to Rule 9.1 of the Takeovers Code. We have also assumed that all expectations and intentions of the Directors, management of the Company and its subsidiaries, will be met or carried out as the case may be. All Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Composite Document (Other than the information relating to the Offeror and the Offeror Parent and parties acting in concert with them and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, the information contained in the Composite Document (other than the information relating to the Offeror, the Offeror Parent and parties acting in concert with them) is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in the Composite Document misleading.

We have not considered the tax implications on the Disinterested Shareholders of their acceptances or non-acceptances of the Offer since these are particular to their own individual circumstances. In particular, the Disinterested Shareholders who are residents outside Hong Kong or subject to overseas taxes or Hong Kong taxation on securities dealings should consider their own tax position with regard to the Offer and, if any doubt, should consult their own professional adviser.

Terms of the Offer

On 26 October 2016, the Company and the Offeror jointly announced that, HSBC, on behalf the Offeror, firmly intended, subject to the satisfaction or waiver (as applicable) of the Pre-Conditions, to make a voluntary conditional cash general offer to acquire all of the issued Shares (other than those already owned by the Offeror) from the Shareholders at the Offer Price being HK$1.80 per Share. On 19 January 2017, the Offeror and the Company jointly announced that all Pre-Conditions have been satisfied.

By validly accepting the Offer, the Shareholders will sell to the Offeror their tendered Shares free from all encumbrances and together with all rights and benefits at any time accruing and attaching thereto including all rights to any dividend or other distributions declared, made or paid on or after the Final Closing Date (excluding the Special Dividends). The Offeror will not be entitled to any dividends or other distributions declared, made or paid before the Final Closing Date, including the Special Dividends, in respect of the Shares as regards which the Offer is accepted. Any such dividends or other distributions will be paid to the Shareholders who are qualified to receive such dividends or distributions.

Acceptance of the Offer tendered by the Shareholders shall be irrevocable and cannot be withdrawn, except in the circumstances set out in the section headed “Right of Withdrawal” in Appendix I to the Composite Document and permitted under the Takeovers Code.

Detailed terms and conditions of the Offer, including the procedures for acceptance of the Offer, are set out in the Composite Document.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion on the terms of the Offer, we have taken into account the following principal factors and reasons:

(1) Review of financial information and position of the Group

The Group is principally engaged in the manufacturing and trading of apparel and accessories, freight forwarding and logistics business and real estate development before the Disposal completed on 31 December 2016. The Group has strategic partnerships with some global brands. The main products of the Group are casual and fashion apparel, sweaters, lifestyle apparel and accessories which are produced in Asia such as China, the Philippines, Cambodia, Vietnam and Indonesia, etc. After the Disposal Completion, the Group is principally engaged in apparel and bags manufacturing.

The table below sets out the key financial results of the Group for the two financial years ended 31 December 2015 based on the annual reports and the six months ended 30 June 2015 and 2016 based on the interim report:

	For the year ended 31 December		**For the six months ended 30 June**	
	2014	**2015**	**2015**	**2016**
	US$'000	*US$'000*	*US$'000*	*US$'000*
	(audited)	(audited)	(unaudited) (restated)	(unaudited)
Casual and fashion apparel *Note*	707,275	616,280	344,679	299,336
Life-style apparel	89,903	55,948	—	—
Sweaters	97,037	106,569	32,255	29,220
Accessories	309,321	313,377	133,479	134,116
Freight forwarding/ logistics services	20,692	21,277	11,011	10,938
Total revenue	1,224,228	1,113,451	521,424	473,610
Gross profit	216,083	170,137	78,281	80,862
Profit after tax	16,425	13,462	7,759	8,292

Note: According to the interim report of the Company for the six months ended 30 June 2016, the revenue derived from the life-style apparel division is included in the casual and fashion apparel division.

Source: Annual Report and Interim Report of the Company

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

	For the year ended 31 December	
	2014	**2015**
	US$'000	*US$'000*
	(audited)	(audited)
Analysis of revenue by geographical location *Note*		
United States	621,592	581,092
Europe	271,861	248,787
PRC (including Hong Kong and Macao)	109,333	85,163
Japan	86,135	78,508
Canada	34,703	24,627
Others	100,604	95,274
Total revenue	1,224,228	1,113,451

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

For the year ended 31 December 2015

The revenue for the year ended 31 December 2015 decreased by approximately US$110.8 million or 9.0% to approximately US$1,113.5 million from the previous year due to the reduction in production volume which in turn was mainly attributable to the reduction in orders placed by some customers in the United States and Europe and the reduction of output in Cambodia factories. The Group's gross profit for the year ended 31 December 2015 was approximately US$170.1 million, representing a decrease of approximately 21.3% from last year due to the unsatisfactory performance of the factories in Cambodia within the casual and fashion apparel division. The profit after tax was approximately US$13.5 million, representing a decrease of approximately US$3.0 million or 18.0% from the year ended 31 December 2014 due to the deterioration of the gross profit.

For the six months ended 30 June 2016

As referred to the interim report for the six months ended 30 June 2016, the unaudited revenue was approximately US$473.6 million, representing a decrease of approximately US$47.8 million or 9.2% from the same period of 2015. The unaudited gross profit was US$80.9 million for the six months ended 30 June 2016, representing an increase of approximately US$2.6 million or 3.3% from the six months ended 30 June 2015. The unaudited profit after tax was approximately US$8.3 million, representing a slight increase of approximately US$0.5 million or 6.9% from the same period of 2015. The overall improvement of the financial performance was mainly attributable to the improving performance of the casual and fashion apparel division.

According to the interim report of 2016, the Group is facing the challenges brought by the online shopping. The growth of online stores has threatened the traditional physical stores. The average selling prices of apparel and accessories are in a decreasing trend due to the competition of online stores. In order to reduce costs and inventory, brands are requesting a shorter lead time in the supply chain management. The Group is looking for investments in factories and performance fabric to tackle the challenges from online stores. Apart from that, the Group will pursue new growth drivers through development of new customers in particular for the production of bags.

The table below is an overview of the unaudited financial position of the Group as at 30 June 2016 based on information in the Group's interim report.

	As at 30 June 2016 *US$'000* (unaudited)
Non-current assets	192,513
Current assets	490,604
Total assets	683,117
Non-current liabilities	18,876
Current liabilities	276,137
Total liabilities	295,013
Net assets	388,104

Source: Interim Report of the Company

Based on the interim report for the six months ended 30 June 2016, the total assets were approximately US$683.1 million. The total assets recorded a slight decrease of approximately US$1.0 million or 0.1% compared to that of 31 December 2015. As at 30 June 2016, the inventories, trade and other receivables and cash and bank balances in aggregate accounted for approximately 70.7% of the total assets. As at 30 June 2016, the total liabilities were approximately US$295.0 million, representing a slight decrease of approximately US$6.5 million or 2.2% compared to that of 31 December 2015. The total liabilities mainly consisted of trade and other payables and borrowings (current and non-current portions), representing approximately 66.0% and 25.3% of total liabilities respectively.

(2) Future prospect of the Group

As disclosed in the annual reports, the revenue of the Group was in a decreasing trend from US$1,228.7 million for the year ended 31 December 2013 to US$1,113.5 million for the year ended 31 December 2015, representing a negative CAGR of 4.8%. During the first half of 2016, the revenue was lower than that for the same period of last year by approximately US$47.8 million or 9.2%. In term of the revenue by customers' geographical location, the revenue derived from the United States decreased from approximately US$621.6 million for the year ended 31 December 2014 to US$581.1 million for the year ended 31 December 2015 and revenue derived from Europe decreased from approximately US$271.9 million for the year ended 31 December 2014 to US$248.8 million for the year ended 31 December 2015. The total revenue from the United States and Europe accounted for over 70% of the total revenue during the two years ended 31 December 2015 and the six months ended 30 June 2016, and as such, the future performance of the Group in those markets is going to have a significant impact on the overall performance of the Group. The data from Organization for Economic Co-operation and Development (the "**OECD**") showed that the Consumer Confidence Index of OECD in Europe was 100.55 in January 2015 and 100.59 in November 2016. The consumer sentiment in Europe did not exhibit improvement during the years of 2015 and 2016. The Consumer Confidence Index of the United States dropped from 101.09 in January 2015 to 100.68 in November 2016. Given the low consumer sentiment, it is uncertain whether the Group can improve its sales performance in the American and European market.

Since the Group's customers are mainly based in Europe and the United States, the sluggish economy in these regions, the weaker consumer sentiment and the uncertainties of Brexit have adversely affected the revenue derived from customers of these regions. Moreover, the upcoming change in the president of the United States may change the trading relationship between China and the United States. The revenue of the Group in the foreseeable future will be uncertain.

Apart from the decreasing trend of revenue, during the past two financial years ended 31 December 2015, the Group's gross profit margin decreased and it was partially due to the increase in labor cost. To tackle the operating cost pressure, the Group has gradually shifting its production facilities to other Southeast Asian Countries such as Vietnam, Cambodia and the Philippines. The gross profit margin has shown an improvement from 15.0% for the first six months of 2015 to 17.1% for the first six months of 2016. Furthermore, the growth of online shops is one of the challenges faced by the Group. Due to the growth of popularity of online shopping, the average selling prices of apparel and accessories are generally in a decreasing trend. The customers of the Group are expecting to lower the production cost and shorter the production lead time in order to meet the fast-changing online shopping environment.

In view of (i) the decreasing revenue of the Group; (ii) the competition of online shopping; (iii) the increasing trend of labour cost in the PRC; (iv) the shorter lead time requested by the customers and (v) the risk and uncertainties of the economy and political environment in Europe and the United States, we are cautious about the prospect and outlook of the Group.

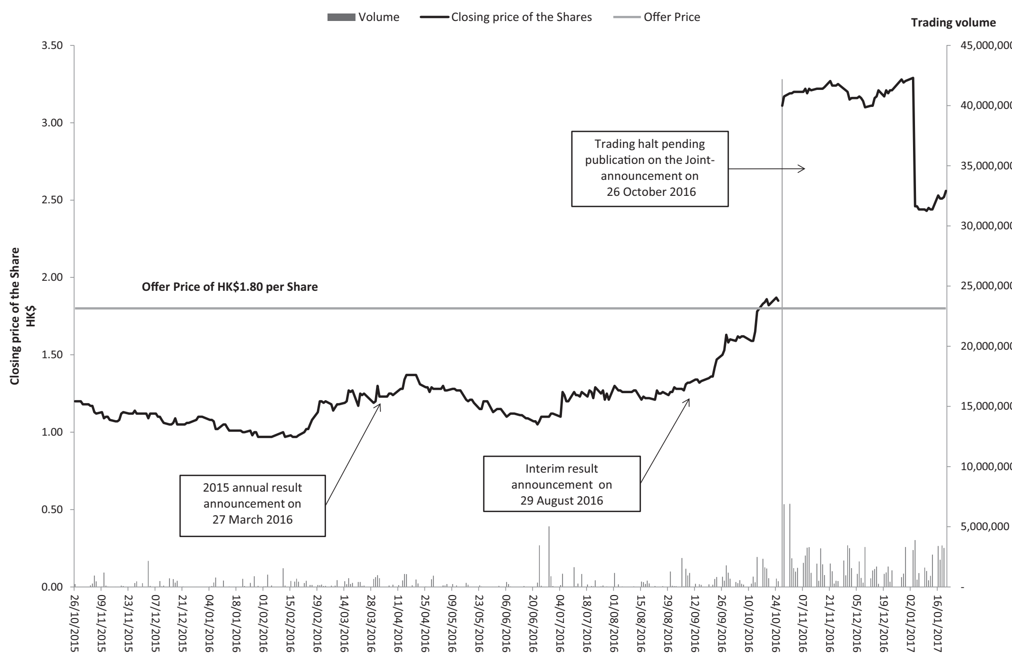
(3) Historical price performance and trading liquidity

i. Historical price performance of the Shares

The Offer Price of HK$1.80 per Share under the Offer represents:

		Price per Share approximately *HK$*	(Discount) to/ premium over at approximately *%*
(i)	The closing price as quoted on the Stock Exchange on the Last Trading Day	1.85	(2.70)
(ii)	The average closing price of the Shares as quoted on the Stock Exchange for the five consecutive trading days immediately prior to and including the Last Trading Day	1.85	(2.70)
(iii)	The average closing price of the Shares as quoted on the Stock Exchange for the 10 consecutive trading days immediately prior to and including the Last Trading Day	1.77	1.69
(iv)	The average closing price of the Shares as quoted on the Stock Exchange for the 30 consecutive trading days immediately prior to and including the Last Trading Day	1.57	14.65
(v)	The average closing price of the Shares as quoted on the Stock Exchange for the 90 consecutive trading days immediately prior to and including the Last Trading Day	1.34	34.33
(vi)	The Group's audited consolidated net asset value attributable to the Shareholders per Share as at 31 December 2015	2.87	(37.28)
(vii)	The Group's unaudited consolidated net asset value attributable to the Shareholders per Share as at 30 June 2016	2.91	(38.14)
(viii)	The closing price of the Shares as quoted on the Stock Exchange as at the Latest Practicable Date	2.56	(29.69)

Set out below is the daily closing price of the Shares as quoted on the Stock Exchange for the period commencing from 26 October 2015 up to and including the Last Trading Day (the "**Pre-Announcement Period**"), and further up to and including the Latest Practicable Date (the "**Review Period**") are shown as follows:



Source: the Stock Exchange and Infocast

During the Pre-Announcement Period, the lowest closing price of Share was HK$0.97 per Share recorded on 29 January 2016, 1 to 5 February 2016, 12 February 2016, 16 to 18 February 2016 while the highest closing price of Share was HK$1.87 per Share on 24 October 2016. The Offer Price of HK$1.80 is within the range of the lowest and highest closing prices of Shares during the Pre-Announcement Period. Besides, as illustrated in the above diagram, there were six out of the 247 trading days during the Pre-Announcement Period that the closing prices of the Shares exceeded the Offer Price of HK$1.80.

The annual result of the Company for the year ended 31 December 2015 was announced on 24 March 2016 and the interim result of the Company for the six months ended 30 June 2016 was announced on 29 August 2016. During the period from 24 March 2016 to 29 August 2016, the closing prices of the Shares remained stable at the average level of HK$1.22 per Share. The Offer Price represents a premium of approximately 47.54% over the average price of HK$1.22 per Share. After the interim result announcement of the Company on 29 August 2016, the closing prices of the Shares were in an upward trend reaching the highest level of HK$1.87 per Share on 24 October 2016. The Offer Price represents a discount of approximately 3.74% to this highest price of HK$1.87 per Share. The closing price of the Share on the Last Trading Day reduced slightly to the level of

HK$1.85 per Share, which is higher than the Offer Price by approximately 2.70%. The Directors confirmed that they are not aware of any reasons in relation to the upward movement of the Share prices during that period.

The average closing price of the Shares from 29 August 2016 to the Last Trading Day (both days inclusive) was approximately HK$1.51 per Share which is lower than the Offer Price by approximately 16.11%. The Offer Price represents a premium of approximately 1.69% over the average closing price of the Shares for the 10 consecutive trading days immediately prior to and including the Last Trading Day but a discount of approximately 2.70% to the average closing price of the Shares for the five consecutive trading days immediately prior to and including the Last Trading Day.

Trading of the Shares was suspended on 26 October 2016, on which the Company published the Joint Announcement. After the publication of the Joint Announcement on 26 October 2016, the closing price of the Share increased significantly to HK$3.11 per Share on 27 October 2016, being the first trading day immediately after publication of the Joint Announcement. During the period from 26 October 2016 to the Latest Practicable Date, the stock price remained at the average level of approximately HK$3.04 per Share which is higher than the Offer Price by approximately 68.89%. After the Joint Announcement, the highest closing price was HK$3.29 which is higher than the Offer Price by approximately 82.78%. From 27 October 2016 to the Latest Practicable Date, there was a fluctuation of the Share prices which may be due to the Joint Announcement and the Offer. We have enquired with the Directors regarding the possible reasons for the increase in the Share price after the publication of the Joint Announcement and were advised that save for the possibility of the Offer, they were not aware of any other matters which might have impact on the Share price. Therefore, we believe that the fluctuation in the closing price of the Shares immediately after the publication of the Joint Announcement was likely attributable to the market speculation on the Offer as disclosed in the Joint Announcement.

The Offer Price represents a discount of 38.14% to the Group's unaudited consolidated net asset value attributable to the Shareholders per Share as at 30 June 2016, being HK$2.91 per Share. As disclosed in the circular dated 14 December 2016, the announcements dated 2 and 3 January 2017, the Disposal Special Dividend of HK$0.82 per Share had been approved by the Independent Shareholders on 31 December 2016 and was distributed in cash on 16 January 2017. In addition, reference to the circular dated 14 December 2016, the Offer Special Dividend of HK$0.749 per Share, which is subject to the Offer having been made and declared to be unconditional, had been approved by the Independent Shareholders on 31 December 2016. The Offer Special Dividend will be paid on or about 15 February 2017. Taking into account the aggregate distribution of the Disposal Special Dividend and Offer Special Dividend of HK$1.569 per Share, the Group's unaudited consolidated net asset value attributable to the Shareholders per Share as at 30 June 2016 after deducting the Special Dividends is reduced to HK$1.341 per Share. The Offer Price represents a premium of approximately 34.23% over the post-dividend net asset value per Share of HK$1.341.

Having considered that (i) the Offer Price is at premium over the closing prices of Shares during 241 out of 247 trading days of the Pre-Announcement Period; (ii) the Offer Price is at a premium over the closing prices of Shares for the 10, 30 and 90 trading days immediately prior to and including the Last Trading Day; (iii) the Offer Price is at a premium over the net asset value attributable to the Shareholders per Share as at 30 June 2016 after deducting the Special Dividends, being HK$1.341 per Share; (iv) we believe that the fluctuation in the closing price of the Shares immediately after the publication of the Joint Announcement was likely attributable to the market speculation on the Offer as disclosed in the Joint Announcement, we are of the view that the Offer Price is fair and reasonable so far as the Disinterested Shareholders are concerned.

We note that the closing prices of Shares has been significantly above the Offer Price during the period after the Last Trading Day up to and including the Latest Practicable Date with ranged from HK$2.43 per Share to HK$3.29 per Share. The Disinterested Shareholders should also note that although the Offer Price represents a discount of approximately 29.69% over the closing price of HK$2.56 per Share on the Latest Practicable Date. There is no assurance that the trading prices of the Shares will continue to sustain at such level or to be significantly higher than the Offer Price during the Offer Period. The Disinterested Shareholders should be reminded to closely monitor the market price of the Shares during the Offer Period. The Disinterested Shareholders should note that the information set out above is not an indicator of the future performance of the Shares, and that the prices of the Shares may increase or decrease from its closing price as at the Latest Practicable Date.

In view of the fluctuation in the trading prices of the Shares as stated above, the Disinterested Shareholders who wish to realize their investment in the Company are reminded that they should carefully and closely monitor the share price of the Company during the Offer Period and consider selling their Shares in the open market during the Offer Period, rather than accepting the Offer, if the net proceeds from the sale of such Shares in the open market would exceed the net amount receivable under the Offer.

Trading Liquidity

The average daily number of Shares traded per month, and the respective percentages of the Shares' monthly trading volume during the Review Period as compared to (i) the total number of issued Shares held by the public as at the Last Trading Day; and (ii) the total number of issued Shares as at the Last Trading Day, are tabulated as follows:

Month	No of trading days in each month	Total monthly trading volume	Approximate average daily trading volume	% of average daily trading volume to the total number of issued Shares *Note 1*	% of average daily trading volume to the total number of Shares held by the Public *Note 2*
2015					
October	5	266,000	53,200	0.01%	0.02%
November	21	4,528,200	215,629	0.02%	0.07%
December	22	5,191,000	235,955	0.02%	0.08%
2016					
January	20	3,970,000	198,500	0.02%	0.06%
February	18	6,258,000	347,667	0.03%	0.11%
March	21	6,801,080	323,861	0.03%	0.11%
April	20	6,635,000	331,750	0.03%	0.11%
May	21	1,624,000	77,333	0.01%	0.03%
June	21	10,788,000	513,714	0.05%	0.17%
July	20	5,481,000	274,050	0.03%	0.09%
August	22	4,940,000	224,545	0.02%	0.07%
September	21	13,810,000	657,619	0.06%	0.21%
October (up to and including the Last Trading Day)	15	13,128,000	875,200	0.08%	0.28%
October (after the Last Trading Day)	3	55,975,273	18,658,424	1.80%	6.07%
November	22	38,826,060	1,764,821	0.17%	0.57%
December	20	28,977,000	1,448,850	0.14%	0.47%
2017					
January (up to the Latest Practicable Date)	14	38,185,047	2,727,503	0.26%	0.89%

Notes:

1. Based on 1,034,112,666 Shares in issue as at the Last Trading Day.

2. Based on 307,487,666 issued Shares held by the public Shareholders as at the Last Trading Day.

Source: the Stock Exchange and Infocast

We note from the above table that the average daily trading volume of the Shares has been thin in general prior to the release of the Joint Announcement published on 26 October 2016. There were 37 out of 247 trading days during the Pre-Announcement Period that none of the Shares was transacted. During the Pre-Announcement Period, the average trading volume of the Shares as percentage of the total number of issued Shares ranged from approximately 0.01% to 0.08% whereas the average daily trading volume of Shares as a percentage of the total number of Shares held by the public ranged from approximately 0.02% to 0.28%.

The trading volume reached the highest level after the Joint Announcement was published in October 2016. From 27 October 2016, being the first trading day after the Joint Announcement, to 31 October 2016, the average trading volume of the Shares as percentage of the total number of issued Shares was approximately 1.80% whereas the average daily trading volume of Shares as a percentage of the total number of Shares held by the public was approximately 6.07%.

However, the average daily trading volume of the Shares remained thin again just after the month of the Joint Announcement. From 1 November 2016 up to and including the Latest Practicable Date, the average daily trading volume of the Shares as a percentage of the total number of Shares remained below 0.30% and the average daily trading volume of Shares as a percentage of the total number of Shares held by the public remained below 0.90%.

In view of the generally low liquidity of Shares except the period just after the Joint Announcement in October 2016, we considered that the Disinterested Shareholders who might wish to realise their investment in the Company in the open market may not be able to do so without exerting a downward pressure on the market price of Shares and the Disinterested Shareholders may not necessarily receive proceeds reflected by the market price from disposal of Shares in the open market and thus, the Offer furnishes an alternative means for the Disinterested Shareholders to realise their investment in the Company.

(4) Comparable analysis

In assessing the fairness and reasonableness of the Offer Price, it is the general practice to apply commonly used benchmarks for evaluating the value of companies. We have considered applying the price-to-earnings ratios (the "**P/E ratio**") in our analysis.

The Group is principally engaged in apparel and accessories manufacturing. We have identified four companies (the "**Comparables**"), which (i) are listed on the Main Board of the Stock Exchange; (ii) have market capitalization between HK$1.2 billion and HK$2.0 billion; (iii) are principally engaged in manufacturing of apparels; and (iv) are profit-making in the latest financial year. We considered the selection of the

Comparables can reflect the general business performance and value similar to those of the Company and believe that the Comparables are fair and representative comparables to the Company and represent an exhaustive list under such criteria. Summarized below are our relevant findings.

Company name (stock code)	Principal business activities	Closing price of the share as at the Last Trading Day *(HK$)*	Market capitalization as at the Last Trading Day *(HK$' Million)* *(Note 1)*	P/E ratio *(Times)*	Closing price of the share as at the Latest Practicable Date *(HK$)*	Market capitalization as at the Latest Practicable Date *(HK$' Million)* *(Note 1)*	P/E ratio *(Times)*
Win Hanverky (3322)	Manufacturing and selling of garment products, including sportswear, golf and high-end fashion apparel, and related accessories.	1.33	1,708	7.02	1.25	1,606	6.60
Eagle Nice (2368)	Manufacture and trading of sportswear and garments.	2.32	1,159	9.27	2.19	1,094	8.75
China Outfitters (1146)	Design, manufacturing, marketing and sale of apparel products and accessories in the PRC, with a focus on menswear.	0.39	1,344	11.21	0.40	1,378	11.49
China Fordoo (2399)	Manufacturing and wholesaling of menswear in the mainland China.	3.52	1,691	5.12	7.91	3,804	11.51
			Maximum	11.21			11.51
			Minimum	5.12			6.60
			Mean	8.16			9.59
			Median	8.15			10.12
The Company		1.80 (Offer Price)	1,861 *(Note 2)*	18.79			

Source: *the Stock Exchange and Infocast*

Note 1: The market capitalization is calculated based on the closing price on the Last Trading Day and the Latest Practicable Date and the number of issued shares on 30 November 2016 and 31 December 2016 extracted from the website of the Stock Exchange.

Note 2: The market capitalization is calculated based on the Offer Price and the number of issued shares on 30 November 2016 extracted from the website of the Stock Exchange.

Based on the above table, we noted that the P/E ratios of the Comparables ranged from approximately 5.12 times to 11.21 times as at the Last Trading Day. Also, the P/E ratios of the Comparables ranged from approximately 6.60 times to 11.51 times as at the Latest Practicable Date. The P/E ratio implied by the Offer Price of approximately 18.79 times is above the upper range of the Comparables as at the Last Trading Day and the Latest Practicable Date. Therefore, we are of the view that the Offer Price is fair and reasonable to the Disinterested Shareholders.

We have also reviewed all the voluntary cash offers announced by companies, which (i) are listed on the Main Board of the Stock Exchange; (ii) have market capitalization at or below HK$2.0 billion; (iii) are trading in the market prior to the respective last trading day; and (iv) involved change in controlling shareholders of respective listed companies, during the twelve months period prior to the Last Trading Day. Three voluntary cash offers (the "**GO Comparables**"), which meet our selection criteria, were announced and represented an exhaustive list. We also consider that a review period, being the twelve months period prior to the Last Trading Day, is appropriate to capture the recent market practice and recent market conditions. However, given their discrepancies with the Group in terms of business nature, financial performance and financial position, we consider that the GO Comparables might not constitute close reference with the Offer but could be a general market reference. Set out below are the details of the cash offers announced by other listed companies:

				Approximate % of premium/(discount) of offer price over/ to the closing share price of				
Date of announcement	Company (stock code)	Market capitalization as at the Last Trading Day	Offer price	the last consecutive trading day	the last 5 consecutive trading days	the last 10 consecutive trading days	the last 30 consecutive trading days	the last 90 consecutive trading days
		HK$' million	*(HK$)*					
3/10/2016	Perfectech International (765)	592	1.815	8.04	7.40	6.76	12.04	15.79
31/8/2016	EPI (Holdings) (689)	865	0.168	—	8.39	11.63	14.05	10.55
28/12/2015	IPE Group (929)	1,736	1.5	36.40	30.40	28.20	33.90	34.49
		Maximum		36.40	30.40	28.20	33.90	34.49
		Minimum		—	7.4	6.76	12.04	10.55
		Mean		14.81	15.40	15.53	20.00	20.28
	The Company		1.8	(2.70)	(2.70)	1.69	14.65	34.33

Based on the above table, the Offer Price, which represents a discount of approximately 2.70% and 2.70% to the closing price on the Last Trading Day and the last five consecutive trading days up to and including the Last Trading Day respectively, is outside the respective range of the GO Comparables.

The Offer Price, which represents a premium of approximately 1.69% over the average closing price of the last 10 consecutive trading days up to and including the Last Trading Day, is also outside the respective range of the GO Comparables.

The Offer Price, which represents a premium of approximately 14.65% and 34.33% over the average closing price of the last 30 and 90 consecutive trading days up to and including the Last Trading Day respectively, is within the respective range of the GO Comparables.

Due to the fact that the trading prices of the Shares surged just before the release of Joint Announcement, the respective discounts and premium of the Offer Price to its closing price on the Last Trading Day and to the average closing price of the last five and ten consecutive trading days up to and including the Last Trading Day may not be relevant to compare. Given that the Offer Price represents a premium of approximately 14.65% and 34.33% over the average closing prices of the last 30 and 90 consecutive trading days up to and including the Last Trading Day respectively, we consider that the Offer Price is fair and reasonable so far as the Disinterested Shareholders are concerned.

(5) Background of the Offeror and intention of the Offeror regarding the Company

Background of the Offeror

The Offeror is an investment holding company incorporated in Hong Kong with limited liability. The Offeror is an indirectly wholly-owned subsidiary of the Offeror Parent which is a company incorporated in the PRC and the Shanghai SASAC directly and indirectly hold a controlling interest in the Offeror Parent. The Offeror Parent is engaged in textile manufacturing and trading in China. It engages in a broad range of businesses such as apparel retail, international trade and supply of automotive textiles to leading car manufacturers. Equipped with a nationwide distribution network, the Offeror Parent owns multiple apparel brands and is a major distributor of well-known international brands such as Disney in the PRC.

Intention of the Offeror regarding the Group

After the completion of the Offer, the Offeror will become the controlling shareholder of the Group. As stated in the "Letter from HSBC", the Offeror intends to maintain the listing status of the Group.

There is a possibility that the public will hold less than 25% of the Shares upon completion of the Offer depending on the level of acceptances under the Offer. If that happens, the Offeror will, after the end of the Offer Period, take appropriate steps to ensure that not less than 25% of the Shares will be held by the public in compliance with the Listing Rules. Such steps may involve the Offeror's sale of some of the Shares acquired pursuant to the Offer. If the Offeror decides to restore the public float by selling some of its Shares, it intends (subject to compliance with the applicable requirements under the Takeovers Code, the Listing Rules and other applicable laws and regulations) to identify potential independent third party investors (being potential investors who are considered to be members of the public for the purposes of the public float requirements under the Listing Rules) for such sale after the end of the Offer Period with a view to restoring the public float of the Company to 25% in compliance with the Listing Rules upon completion of such sale. In the event that the Offeror decides to restore the public float by selling some of its Shares, subject to market conditions at the relevant time and agreement with the relevant independent third party investors, the Offeror intends to enter into definitive agreements in relation to such sale as soon as reasonably practicable after the end of the Offer Period.

If less than 25% of the Shares are held by the public or if the Stock Exchange believes (i) that a false market exists or may exist in the trading of Shares or (ii) that there are insufficient Shares in public hands to maintain an orderly market, the Stock Exchange will consider exercising its discretion to suspend trading in Shares. In such connection, the directors of the Offeror and the new Directors to be appointed to the Board will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares after the end of the Offer Period.

Proposed changes to the board composition of the Company

It is expected that there will be changes in the board composition of the Company at or after the earliest time permitted under the Takeovers Code or by the Executive. Any such changes will only take effect in accordance with the applicable laws and regulations including the Takeovers Code (or as permitted by the Executive) and the Listing Rules.

As set out in the above, it is believe that the nature of business of the Company will not have material change as the Offeror intends to continue the existing principal businesses of the Group.

RECOMMENDATION

Taking into consideration the above mentioned principal factors and reasons, in particular, the following,

(i) the Group's revenue decreased during the two years ended 31 December 2015 and the six months ended 30 June 2015 and 2016. Despite the profit after tax for the six months ended 30 June 2016 increased by approximately 6.9% as compared to the six months ended 30 June 2015, the prospect and outlook of the Group due to the risk and uncertainties in the economy and political environment in Europe and the United States where the Group's major customers are located, is still uncertain.

(ii) the Offer Price is at premium over the closing prices of Shares during 241 out of 247 trading days of the Pre-Announcement Period.

(iii) the increase in the closing price of the Shares immediately after the publication of the Joint Announcement was likely attributable to the market speculation on the Offer. Therefore, the recent market price of the Shares may not be sustained after the Offer Period.

(iv) The P/E ratio implied by the Offer Price of approximately 18.79 times is higher than the upper range of the Comparables as at the Last Trading Day and the Latest Practicable Date.

(v) the trading liquidity of the Shares has been thin in general prior to the publication of the Joint Announcement and thus the Disinterested Shareholders may find it difficult to dispose a large number of Shares in the open market without exerting a downward pressure on the Share's prices. Alternatively, the Offer provides the Disinterested Shareholders with an exit if they wish to realise their investments in the Shares.

We consider that the terms of the Offer are fair and reasonable as far as the Disinterested Shareholders are concerned. On such basis, we recommend the Code Independent Board Committee to advise the Disinterested Shareholders to accept the Offer.

However, the Disinterested Shareholders should note that the trading prices of the Shares have been maintaining at a level higher than the Offer Price since the publication of the Joint Announcement and up to the Latest Practicable Date. There is no guarantee that the current trading price of the Shares will or will not sustain and will or will not be higher than the Offer Price during and after the Offer Period. Those Disinterested Shareholders who intend to accept the Offer are strongly reminded to closely monitor the market price and the liquidity of the Shares during the period when the Offer remains open for acceptance and should consider selling their Shares in the open market, instead of accepting the Offer, if the net proceeds from the sale of their Shares in the open market would exceed the net proceeds receivable under the Offer.

For those Disinterested Shareholders who are attracted by and confident in the future prospects of the Group, given the background and future intention of the Offeror and the Offeror Parent as detailed in the "Letter from HSBC" in this Composite Document and notwithstanding that no detailed business plan has been laid down by the Offeror, they may consider to retain their Shares in full or in part. We would like to remind the Disinterested Shareholders that if they consider retaining their Shares or tendering less than all their Shares under the Offer, they should carefully consider the potential difficulties they may encounter in disposing of their investment after the close of the Offer in view of the historical low liquidity of the Shares and there is no guarantee that the prevailing trading prices of Shares will sustain during and after the Offer Period.

The Disinterested Shareholders are strongly advised that the decisions to accept the Offer or to hold their investment in the Shares is subject to individual circumstances and investment objectives. The Disinterested Shareholders are also reminded to read carefully the procedures for accepting the Offer as detailed in the Composite Document, the appendices to the Composite Document and the relevant form of acceptance and transfer, if they wish to accept the Offer.

Yours faithfully,
For and on behalf of
Octal Capital Limited
Alan Fung **Wong Wai Leung**
Managing Director *Executive Director*

Note: Mr. Alan Fung has been a responsible officer of Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities since 2003. Mr. Fung has more than 20 years of experience in corporate finance and investment banking and has participated in and completed various advisory transactions in respect of mergers and acquisitions, connected transactions and transactions subject to the compliance to the Takeovers Code of listed companies in Hong Kong. Mr. Wong Wai Leung has been a responsible officer of Type 1 (dealing in securities), Type 6 (advising on corporate finance) regulated activities since 2008 and Type 9 (asset management) regulated activities. Mr. Wong has more than 15 years of experience in corporate finance and investment banking and has participated in and completed various advisory transactions of listed companies in Hong Kong in respect of the Takeovers Code.

1. TERMS OF THE OFFER

Procedures for acceptance of the Offer

(a) To accept the Offer, you should complete and sign the accompanying Form of Acceptance in accordance with the instructions printed thereon, which instructions form part of the terms of the Offer.

(b) If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in your name, and you wish to accept the Offer, you must send the accompanying Form of Acceptance duly completed and signed together with the relevant Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar, Computershare Hong Kong Investor Services Limited of Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, by post or by hand, marked "**Luen Thai Offer**" on the envelope, as soon as possible and in any event so as to reach the Registrar no later than 4:00 p.m. (Hong Kong time) on Tuesday, 14 February 2017, being the First Closing Date, or such later time and/or date as the Offeror may determine and announce in compliance with the requirements of the Takeovers Code.

(c) If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Share(s) is/are in the name of a nominee company or a name other than your own, and you wish to accept the Offer whether in respect of all or part of your Shares, you must either:

(i) lodge the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) with the nominee company, or other nominee, with instructions authorising it to accept the Offer on your behalf and requesting it to deliver the accompanying Form of Acceptance duly completed together with the relevant Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) for the number of Shares in respect of which you intend to accept the Offer to the Registrar in an envelope marked "**Luen Thai Offer**"; or

(ii) arrange for the Shares to be registered in your name through the Registrar and send the accompanying Form of Acceptance duly completed and signed together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar in an envelope marked "**Luen Thai Offer**"; or

(iii) if your Shares have been lodged with your licensed securities dealer (or other registered dealer in securities or custodian bank) through CCASS, instruct your licensed securities dealer (or other registered dealer in securities or custodian bank) to authorise HKSCC Nominees Limited to accept the Offer on your behalf on or before the deadline set out by HKSCC Nominees Limited. In order to meet the deadline set out by HKSCC Nominees Limited, you should check with your licensed securities dealer (or other registered dealer in securities or custodian bank) on the time needed for the processing of your instruction, and submit your instruction to your licensed securities dealer (or other registered dealer in securities or custodian bank) as required by them; or

(iv) if your Shares have been lodged with your investor participant's account maintained with CCASS, authorise your instruction via the CCASS Phone System or CCASS Internet System on or before the deadline set out by HKSCC Nominees Limited.

(d) If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title in respect of your Shares is/are not readily available and/or is/are lost, as the case may be, and you wish to accept the Offer, the accompanying Form of Acceptance should nevertheless be completed, signed and delivered in an envelope marked "**Luen Thai Offer**" to the Registrar together with a letter stating that you have lost one or more of your Share certificate(s) and/or transfer receipts and/or other document(s) of title or that it/they is/are not readily available and a satisfactory indemnity required in respect thereof (if applicable). If you subsequently find such document(s) or if it/they subsequently become(s) available, the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title should be forwarded to the Registrar as soon as possible thereafter. If you have lost your Share certificate(s), you should also write to the Registrar for the form of the letter of indemnity which, when completed in accordance with the instructions given therein, should be returned to the Registrar. The Offeror shall have absolute discretion to decide whether any Shares in respect of which the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title is/are not readily available and/or is/are lost will be taken up by the Offeror.

(e) If you have lodged transfer(s) of any of your Shares for registration in your name and have not yet received your Share certificate(s) and you wish to accept the Offer, you should nevertheless complete and sign the accompanying Form of Acceptance and deliver it in an envelope marked "**Luen Thai Offer**" to the Registrar together with the transfer receipt(s) duly signed by you. Such action will be deemed to be an irrevocable instruction and authority to HSBC and/or the Offeror and/or any of their respective agent(s) to collect from the Company or the Registrar, on your behalf, the relevant Share certificate(s) when issued and to deliver such Share certificate(s) to the Registrar and to authorise and instruct the

Registrar to hold such Share certificate(s), subject to the terms and conditions of the Offer, as if it was/they were delivered to the Registrar with the accompanying Form of Acceptance.

(f) Acceptance of the Offer will be treated as valid only if the duly completed and signed Form of Acceptance is received by the Registrar no later than 4:00 p.m. (Hong Kong time) on Tuesday, 14 February 2017, being the First Closing Date, or such later time and/or date as the Offeror may determine and announce in compliance with the requirements of the Takeovers Code, and is:

(i) accompanied by the relevant Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and, if that/those Share certificate(s) is/are not in your name, such other documents (for example a duly stamped transfer of the relevant Share(s) in blank or in your favour executed by the registered holder) in order to establish your right to become the registered holder of the relevant Shares; or

(ii) from a registered Shareholder or his personal representative (but only up to the amount of the registered holding and only to the extent that the acceptance relates to Shares which are not taken into account under another sub-paragraph of this paragraph (f)); or

(iii) certified by the Registrar or the Stock Exchange.

If the Form of Acceptance is executed by a person other than the registered Shareholder, the Form of Acceptance must be accompanied by appropriate documentary evidence of authority (for example, a copy of the grant of probate or certified copy of a power of attorney) to the satisfaction of the Registrar.

(g) No acknowledgement of receipt for any Form(s) of Acceptance, Share certificate(s), transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.

(h) The address of the Registrar is Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.

2. ACCEPTANCE PERIOD AND REVISIONS

(a) The Offer is capable of acceptance on and from Tuesday, 24 January 2017 and will remain open for acceptance until and including Tuesday, 14 February 2017, being the First Closing Date, unless extended or revised in accordance with the Takeovers Code. The Offeror reserves the right to revise or extend the Offer in accordance with the Takeovers Code. Unless the Offer has previously been revised or extended with the consent of the Executive, to be valid, the duly completed Form of Acceptance must be received by the Registrar no later than 4:00 p.m. (Hong Kong time) on Tuesday, 14 February 2017.

(b) If the Offer is extended or revised, the announcement of such extension will state the next closing date or a statement that the Offer will open until further notice. In the latter case, at least 14 days' notice in writing must be given to Shareholders before the Offer is closed. If, during the course of the Offer, the Offeror revises the terms of the Offer, all Shareholders, whether or not they have already accepted the Offer, will be entitled to accept the revised Offer under the revised terms. The revised Offer must be kept open for at least 14 days following the date on which the revised offer document is posted and shall not be closed earlier than the First Closing Date.

(c) If the First Closing Date is extended, any reference in this Composite Document and in the Form of Acceptance to the "First Closing Date" shall, except where the context otherwise requires, be deemed to refer to the subsequent closing date.

(d) There is no obligation to extend the Offer if the Conditions are not satisfied by the First Closing Date or any subsequent closing date of the Offer.

3. SETTLEMENT OF THE OFFER

(a) Provided that a valid Form of Acceptance and relevant Share certificate(s) and/or transfer receipt(s) and/or any document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) are complete and in good order in all respects and have been received by the Registrar by not later than 4:00 p.m. on the First Closing Date being the latest time for acceptance of the Offer (or such later time and/or date as the Offeror may determine and announce with the consent of the Executive) and the Offer has become or been declared unconditional in all respects, a cheque for the amount due to the accepting Shareholder in respect of the Shares tendered by such Shareholder under the Offer, less seller's ad valorem stamp duty payable, will be despatched to the accepting Shareholder to the person and address specified on the Form of Acceptance by ordinary post at its own risk as soon as possible but in any event within seven Business Days following the later of the date on which the Offer becomes or is declared unconditional in all respects and the date on which all the relevant documents are received by the Registrar to render such acceptance under the Offer complete and valid.

(b) No fractions of a cent will be payable and the amount of the consideration payable to a Shareholder who accepts the Offer will be rounded down to the nearest cent.

(c) Cheque(s) not presented for payment within six months from the date of issue of the relevant cheques will not be honoured and be of no further effect, and in such circumstances cheque holders should contact the Offeror for payment.

(d) Settlement of the consideration to which an Shareholder is entitled under the Offer will be implemented in full accordance with the terms of the Offer without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Shareholder.

4. NOMINEE REGISTRATION

To ensure equality of treatment of all Shareholders, those Shareholders who hold Share(s) as nominees on behalf of more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. In order for beneficial owners of Share(s) whose investments are registered in the names of nominees (including those whose interests in Shares are held through CCASS) to accept the Offer, it is essential that they provide instructions of their intentions with regard to the Offer to their respective nominees.

5. ANNOUNCEMENTS

The Offeror and the Company will jointly publish an announcement to be posted on the Stock Exchange's website by 7:00 p.m. (Hong Kong time) on the First Closing Date stating whether the Offer has been revised or extended (in which case either the next closing date must be stated or a statement made that the Offer will remain open for acceptance for 14 days thereafter in accordance with the Takeovers Code), or has expired or has become or been declared unconditional (and, in such case, whether as to acceptances or in all respects). The results announcement shall state the total number of Shares and the rights over Shares:

(a) for which acceptances of the Offer have been received;

(b) held, controlled or directed by the Offeror or its concert parties before the Offer Period; and

(c) acquired or agreed to be acquired during the Offer Period by the Offeror or its concert parties.

The announcement shall also (i) specify the percentages of the issued share capital of the Company and the percentages of voting rights represented by these numbers of Shares; and (ii) include details of any relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) in the Company which the Offeror or its concert parties has borrowed or lent, save for any borrowed Shares which have been either on-lent or sold.

If the Offeror, its concert parties or its advisers make any statement about the level of acceptances or the number or percentage of accepting Shareholders during the Offer Period, then the Offeror must make an immediate announcement in compliance with Note 2 to Rule 19 of the Takeovers Code.

As required under the Takeovers Code and the Listing Rules, all announcements in relation to the Offer in respect of which the Executive and the Stock Exchange have confirmed that they have no further comments thereon must be published on the website of the Stock Exchange and made in accordance with the requirements of the Listing Rules.

6. RIGHT OF WITHDRAWAL

(a) Acceptance of the Offer tendered by the Shareholders shall be irrevocable and cannot be withdrawn, except in the circumstances set out in (b) below or in compliance with Rule 17 of the Takeovers Code which provides that an acceptor shall be entitled to withdraw his/her/its acceptance after 21 days from the First Closing Date if the Offer has not by then become unconditional as to acceptances.

(b) If the Offeror is unable to comply with the requirements set out in paragraph 5 of this Appendix I, under Rule 19.2 of the Takeovers Code, the Executive may require that the Shareholders who tendered acceptances of the Offer be granted a right of withdrawal on terms that are acceptable to the Executive until the requirements set out in that paragraph are met.

In such case, when the Shareholders withdraw their acceptance(s), the Offeror shall, as soon as possible but in any event within ten days thereof, return by ordinary post the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any indemnity or indemnities required in respect thereof) lodged with the Form of Acceptance to the relevant Shareholder(s).

Save as aforesaid, acceptances of the Offer shall be irrevocable and not capable of being withdrawn.

7. POSTING

All documents and remittances to be sent to Shareholders will be sent to them by ordinary post at their own risk. Such documents and remittances will be sent to the Shareholders' addresses as they appear in the register of members of the Company or, in the case of joint Shareholders, to the Shareholder whose name appears first in the register of members of the Company (or where applicable, the person and address specified in the Form of Acceptance). None of the Company, the Offeror, the Offeror Parent, HSBC, the Independent Financial Adviser and the Registrar or any of their respective directors or agents or any other person involved in the Offer will be responsible for any loss or delay in transmission or any other liability that may arise as a result thereof.

8. OVERSEAS SHAREHOLDERS

This Composite Document will not be filed under any laws or rules of any jurisdiction other than Hong Kong.

Based on the register of members of the Company as at the Latest Practicable Date, there were 3 overseas Shareholders holding 650,000 Shares, in aggregate, with registered addresses in the United States and the Philippines, which are jurisdictions outside Hong Kong. The shareholding of these overseas Shareholders represented approximately 0.06% of the total issued share capital of the Company as at the Latest Practicable Date. The Offer is in respect of a company incorporated in the Cayman Islands and listed in Hong Kong and therefore the making of the Offer to Shareholders who are citizens, residents or nationals of jurisdictions outside Hong Kong may be subject to the laws of the relevant jurisdictions.

Such Shareholders may be affected by the laws of the relevant jurisdictions and it is the responsibility of each such Shareholder who wishes to accept the Offer to satisfy himself/herself/itself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents, or filing and registration requirements, which may be required to comply with all necessary formalities or legal or regulatory requirements and the payment of any transfer or other taxes due from such Shareholder in such relevant jurisdictions.

Any acceptance of the Offer by a Shareholder will be deemed to constitute a representation and warranty from such Shareholder to the Offeror, the Company and their respective advisers that all applicable laws and requirements have been complied with by such Shareholder and that the Offer can be accepted by such Shareholder lawfully under the laws of the relevant jurisdiction. Shareholders should consult their professional advisers if in doubt.

Notice to U.S. holders of Shares

The Offer is being made for the securities of a company incorporated in the Cayman Islands with limited liability and is subject to Hong Kong disclosure requirements, which are different from those of the United States.

This Composite Document will not be filed under any laws or rules of any jurisdiction other than Hong Kong, which are different from those of the United States, and has not been submitted to, or reviewed by, the U.S. Securities and Exchange Commission or any U.S. state securities commission or other regulatory authority. Neither the SEC nor any U.S. state securities commission or other regulatory authority has approved or disapproved of the Offer or passed upon the fairness and merits of the Offer or upon the accuracy and adequacy of the information contained in this Composite Document. In addition, U.S. holders of the Shares should be aware that this Composite Document has been prepared in accordance with Hong Kong format and style, which differ from those of the United States. The Offer is being extended into the United States pursuant to the applicable U.S. tender offer rules or an available exemption therefrom and otherwise in accordance with the requirements under Hong Kong laws and regulations.

Accordingly, the Offer will be subject to disclosure and other procedural requirements, including with respect to withdrawal rights, offer timetable, settlement procedures and timing of payments that are different from those applicable under U.S. domestic tender offer procedures and law. The receipt of cash pursuant to the Offer by a U.S. holder of Shares may be a taxable transaction for U.S. federal income tax purposes and under applicable state and local, as well as foreign and other tax laws. Each holder of Shares is urged to consult his/her/its independent professional advisor immediately regarding the tax consequences of acceptance of the Offer.

The financial information included in this Composite Document has been prepared in accordance with Hong Kong Financial Reporting Standards and thus may not be comparable to financial information of U.S. companies or companies whose financial statements are prepared in accordance with generally accepted accounting principles in the United States.

U.S. holders of Shares may encounter difficulty enforcing their rights and any claims arising out of the U.S. federal securities laws, as each of the Offeror Parent, the Offeror and the Company is located in a country outside the United States and some or all of their respective officers and directors may be residents of a country other than the United States. U.S. holders of Shares may not be able to sue a non-U.S. company or its officers or directors in a non-U.S. court for violations of the U.S. securities laws. Further, U.S. holders of Shares may encounter difficulty compelling a non-U.S. company and its affiliates to subject themselves to a U.S. court's judgment.

In accordance with normal Hong Kong practice and pursuant to Rule 14e-5(b) of the U.S. Exchange Act, the Offeror hereby discloses that it or its affiliates, or its nominees, or their respective brokers (acting as agents) may from time to time make certain purchases of, or arrangements to purchase, Shares outside of the United States, other than pursuant to the Offer, before or during the period in which the Offer remains open for acceptance. In accordance with the Takeovers Code and Rule 14e-5(b) of the U.S. Exchange Act, HSBC and its affiliates may continue to act as exempt principal traders in the Shares on the Stock Exchange. These purchases may occur either in the open market at prevailing prices or in private transactions at negotiated prices, provided that (i) any such purchase or arrangement complies with applicable law and is made outside the United States and (ii) if applicable, the Offer Price is increased to match any consideration paid in any such purchase or arrangement. Any information about such purchases will be reported to the SFC and, to the extent made public by the SFC, will be available on the website of the SFC at http://www.sfc.hk/.

9. STAMP DUTY

Seller's ad valorem stamp duty at the rate of 0.1% of (i) the value of the consideration arising on acceptance of the Offer or (ii) if higher, the market value of the Offer Shares as determined by the Collector of Stamp Revenue under the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong) will be payable by the Shareholders who accept the Offer (rounded up to the nearest HK$1.00). The relevant amount of stamp duty payable by the Shareholders will be deducted from the consideration payable to the Shareholders under the Offer. The Offeror will bear its own portion of buyer's ad valorem stamp duty at the rate of 0.1% of the consideration payable in respect of acceptances of the Offer and will be responsible to account to the Stamp Office of Hong Kong for all the stamp duty payable for the sale and purchase of the Shares as regards which the Offer is accepted.

10. TAX IMPLICATIONS

Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Offer. It is emphasised that none of the Offeror, the Offeror Parent, the Company, HSBC, the Independent Financial Adviser and the Registrar or any of their respective directors, officers or associates or any other person involved in the Offer accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offer.

This Composite Document does not include any information in respect of overseas taxation. Shareholders who may be subject to overseas tax are recommended to consult their tax advisers regarding the implications in the relevant jurisdictions of owning and disposing of Shares.

11. GENERAL

(a) All communications, notices, Forms of Acceptance, Share certificates, transfer receipts, other documents of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and remittances to be delivered by or sent to or from the Shareholders will be delivered by or sent to or from them, or their designated agents, at their own risk, and neither the Company, the Offeror, the Offeror Parent, HSBC, the Independent Financial Adviser and the Registrar nor any of their respective directors or agents or any other person involved in the Offer will be responsible for any loss or delay in transmission or any other liability that may arise as a result thereof.

(b) The provisions set out in the accompanying Form of Acceptance form part of the terms of the Offer.

(c) The accidental omission to despatch this Composite Document and/or the Form of Acceptance or any of them to any person to whom the Offer is made will not invalidate the Offer in any way.

(d) The Offer is, and all acceptances will be, governed by and construed in accordance with the laws of Hong Kong. Execution of a Form of Acceptance by or on behalf of a Shareholder will constitute such Shareholder's agreement that the courts of Hong Kong shall have exclusive jurisdiction to settle any dispute which may arise in connection with the Offer.

(e) Due execution of the Form of Acceptance will constitute an authority to any director of the Offeror, HSBC or such person or persons as any of them may direct to complete and execute any document on behalf of the person accepting the Offer and to do any other act that may be necessary or expedient for the purposes of vesting in the Offeror or such person or persons as it may direct the Shares in respect of which such person has accepted the Offer.

(f) Acceptance of the Offer by any person will constitute a representation and warranty by such person to the Offeror that the Shares acquired under the Offer are sold free from all encumbrances and together with all rights and benefits attaching to them as at the Final Closing Date or subsequently becoming attached to them, including the right to any dividends, distributions and any return of capital, if any, declared, made or paid, or agreed to be made or paid thereon or in respect thereof on or after the Final Closing Date (excluding the Special Dividends).

(g) The settlement of the consideration to which any Shareholder is entitled under the Offer will be implemented in full in accordance with the terms of the Offer without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Shareholder.

(h) Any Shareholders accepting the Offer will be responsible for payment of any transfer or other taxes, duties and other required payments payable in each relevant jurisdiction due by such persons.

(i) Acceptance of the Offer by any nominee will be deemed to constitute a representation and warranty by such nominee to the Offeror that the number of Shares it has indicated in the Form of Acceptance is the aggregate number of Shares for which such nominee has received authorisations from the beneficial owners to accept the Offer on their behalf.

(j) In making their decision, the Shareholders must rely on their own examination of the Offeror, the Group and the terms of the Offer, including the merits and risks involved. The contents of this Composite Document, including any advice or recommendation contained herein together with the Form of Acceptance, shall not be construed as any legal or business advice on the part of the Offeror, the Offeror Parent, the Company, HSBC, the Registrar or their respective professional advisers. Shareholders should consult their own professional advisers for professional advice.

(k) This Composite Document and the Form of Acceptance have been prepared for the purposes of compliance with the legislative and regulatory requirements applicable in respect of the Offer in Hong Kong and the operating rules of the Stock Exchange.

(l) Unless otherwise expressly stated in this Composite Document and/or the Form of Acceptance, none of the terms of the Offer or any terms contained in this Composite Document will be enforceable, under the Contracts (Rights of Third Parties) Ordinance Cap. 623, by any person other than the Offeror and the accepting Shareholders.

(m) The English text of this Composite Document and the accompanying Form of Acceptance shall prevail over their respective Chinese texts for the purpose of interpretation.

12. INTERPRETATION

(a) A reference in this Composite Document to a Shareholder includes a reference to a person(s) who, by reason of an acquisition or transfer of Shares, is entitled to execute a Form of Acceptance and in the event of more than one person executing a Form of Acceptance, the provisions of this Composite Document apply to them jointly and severally.

(b) A reference in this Composite Document and the Form of Acceptance to the Offer shall include any extension and/or revision thereof.

(c) A reference in this Composite Document and the Form of Acceptance to the masculine gender includes the feminine and neuter genders, and a reference to the singular includes the plural, and vice versa.

A. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

Set out below is a summary of the financial information of the Group for the three years ended 31 December 2013, 31 December 2014 and 31 December 2015 and for the six months ended 30 June 2016, which is extracted from the audited consolidated financial statements of the Group as set forth in the annual reports of the Company for each of the year ended 31 December 2013, 31 December 2014 and 31 December 2015 and the unaudited consolidated financial statements of the Group as set forth in the interim report of the Group for the six months ended 30 June 2016.

	For the six months ended 30 June	**For the year ended 31 December**		
	2016	**2015**	**2014**	**2013**
	US$'000	*US$'000*	*US$'000*	*US$'000*
	(Unaudited)	(Audited)	(Audited)	(Audited)
Revenue	473,610	1,113,451	1,224,228	1,228,698
Operating profit before impairment loss on goodwill and write-off of customer relationships	13,667	16,871	39,572	51,474
Impairment loss on goodwill and write-off of customer relationships *(Note 1)*	—	—	(20,960)	—
Operating Profit	13,667	16,871	18,612	51,474
Finance income — net	238	919	1,576	1,755
Share of profit/(loss) of an associated company	12	6	28	(9)
Share of losses of joint ventures	(3,323)	(269)	(860)	(500)
Profit before income tax	10,594	17,527	19,356	52,720
Income tax expenses	(2,302)	(4,065)	(2,931)	(2,589)
Profit for the period/year	8,292	13,462	16,425	50,131
Profit for the period/year attributable to:				
Owners of the Company	8,362	12,769	21,574	48,221
Non-controlling interests	(70)	693	(5,149)	1,910
	8,292	13,462	16,425	50,131
Basic earnings per share *(US cents)*	0.81	1.2	2.1	4.7
Diluted earnings per share *(US cents)*	0.81	1.2	2.1	4.7
Interim dividend declared	5,015	2,203	4,922	5,439
Interim dividend per share *(US cents)*	0.485	0.213	0.476	0.526
Final dividend declared	—	1,624	6,536	9,028
Final dividend per share *(US cents)*	—	0.157	0.632	0.873

Note:

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

The consolidated financial statements of the Group for each of the year ended 31 December 2013, 2014 and 2015 were audited by PricewaterhouseCoopers, Certified Public Accountants, Hong Kong and did not contain any qualified opinion. Save for note 1 as disclosed above, the Group had no items which are exceptional because of size, nature or incidence for each of the three years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2016.

B. AUDITED CONSOLIDATED FINANCIAL STATEMENT OF THE GROUP

Set out below is reproduction of the text of the audited consolidated financial statements of the Group together with the accompanying notes contained in the annual report of the Group for the year ended 31 December 2015 (the "Annual Report"). Capitalized terms used in this section have the same meanings as those defined in the Annual Report.

CONSOLIDATED INCOME STATEMENT

		Year ended 31 December	
		2015	**2014**
	Note	*US$'000*	*US$'000*
Revenue	*5*	1,113,451	1,224,228
Cost of sales	*25*	(943,314)	(1,008,145)
Gross profit		170,137	216,083
Impairment loss on goodwill and write-off of customer relationships	*9*	—	(20,960)
Other income — rental income		1,207	1,240
Other losses — net	*24*	(5,571)	(2,828)
Selling and distribution expenses	*25*	(3,991)	(3,551)
General and administrative expenses	*25*	(144,911)	(171,372)
Operating profit		16,871	18,612
Finance income	*27*	3,056	4,678
Finance costs	*27*	(2,137)	(3,102)
Finance income — net	*27*	919	1,576
Share of profit of an associated company		6	28
Share of losses of joint ventures		(269)	(860)
Profit before income tax		17,527	19,356
Income tax expense	*28*	(4,065)	(2,931)
Profit for the year		13,462	16,425
Profit attributable to:			
Owners of the Company		12,769	21,574
Non-controlling interests		693	(5,149)
		13,462	16,425
Earnings per share attributable to owners of the Company for the year (expressed in US cents per share)			
Basic earnings per share	*29*	1.2	2.1
Diluted earnings per share	*29*	1.2	2.1

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended 31 December	
		2015	**2014**
	Note	*US$'000*	*US$'000*
Profit for the year		13,462	16,425
Other comprehensive income/(loss):			
Item that will not be reclassified subsequently to profit or loss:			
Actuarial gains/(losses) on retirement benefit obligations	*21*	684	(1,420)
Item that may be reclassified to profit or loss:			
Currency translation differences		(737)	(2,082)
Total comprehensive income for the year, net of income tax		13,409	12,923
Attributable to:			
Owners of the Company		12,715	18,077
Non-controlling interests		694	(5,154)
		13,409	12,923

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 December	
		2015	2014
	Note	*US$'000*	*US$'000*
ASSETS			
Non-current assets			
Land use rights	*6*	10,695	11,205
Property, plant and equipment	*7*	104,351	111,344
Investment properties	*8*	6,504	6,827
Intangible assets	*9*	47,513	50,110
Interest in an associated company	*11*	412	432
Interests in joint ventures	*12*	14,590	12,847
Amount due from a joint venture	*34*	7,747	7,601
Deferred income tax assets	*13*	938	1,130
Other non-current assets		6,681	6,785
Total non-current assets		199,431	208,281
Current assets			
Inventories	*14*	92,778	110,270
Trade and other receivables	*16*	207,436	229,323
Prepaid income tax		6,080	5,413
Derivative financial instruments	*23*	78	183
Cash and bank balances	*17*	178,275	217,547
Total current assets		484,647	562,736
Total assets		684,078	771,017
EQUITY			
Equity attributable to owners of the Company			
Share capital	*18*	10,341	10,341
Other reserves	*19*	131,867	135,752
Retained earnings		238,432	234,402
		380,640	380,495
Non-controlling interests	*10*	1,927	2,312
Total equity		382,567	382,807

		As at 31 December	
		2015	**2014**
	Note	*US$'000*	*US$'000*
LIABILITIES			
Non-current liabilities			
Borrowings	*20*	2,459	3,330
Other payables	*22*	1,593	—
Retirement benefit obligations	*21*	9,338	9,189
Deferred income tax liabilities	*13*	5,519	5,704
Total non-current liabilities		18,909	18,223
Current liabilities			
Trade and other payables	*22*	201,731	220,212
Borrowings	*20*	73,469	141,853
Derivative financial instruments	*23*	17	126
Current income tax liabilities		7,385	7,796
Total current liabilities		282,602	369,987
Total liabilities		301,511	388,210
Total equity and liabilities		684,078	771,017

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company						
	Share capital	Share premium *(Note 19)*	Other reserves *(Note 19)*	Retained earnings	Total	Non-controlling interests	Total equity
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Balance at 1 January 2014	10,341	124,039	15,210	226,778	376,368	8,986	385,354
Profit for the year	—	—	—	21,574	21,574	(5,149)	16,425
Other comprehensive loss:							
Currency translation differences	—	—	(2,082)	—	(2,082)	—	(2,082)
Actuarial losses on retirement benefit obligations *(Note 21)*	—	—	(1,415)	—	(1,415)	(5)	(1,420)
Total comprehensive (loss)/income	—	—	(3,497)	21,574	18,077	(5,154)	12,923
Total contributions by and distributions to owners of the Company, recognized directly in equity							
Dividends paid	—	—	—	(13,950)	(13,950)	(1,520)	(15,470)
Total transactions with owners, recognized directly in equity	—	—	—	(13,950)	(13,950)	(1,520)	(15,470)
Balance at 31 December 2014	10,341	124,039	11,713	234,402	380,495	2,312	382,807
Balance at 1 January 2015	10,341	124,039	11,713	234,402	380,495	2,312	382,807
Profit for the year	—	—	—	12,769	12,769	693	13,462
Other comprehensive (loss)/income:							
Currency translation differences	—	—	(731)	—	(731)	(6)	(737)
Actuarial gains on retirement benefit obligations *(Note 21)*	—	—	677	—	677	7	684
Total comprehensive (loss)/income	—	—	(54)	12,769	12,715	694	13,409
Total contributions by and distributions to owners of the Company, recognized directly in equity							
Acquisition of additional interests in a subsidiary *(Note 32)*	—	—	(3,831)	—	(3,831)	(1,079)	(4,910)
Dividends paid	—	—	—	(8,739)	(8,739)	—	(8,739)
Total transactions with owners, recognized directly in equity	—	—	(3,831)	(8,739)	(12,570)	(1,079)	(13,649)
Balance at 31 December 2015	10,341	124,039	7,828	238,432	380,640	1,927	382,567

CONSOLIDATED STATEMENT OF CASH FLOWS

		Year ended 31 December	
		2015	**2014**
	Note	*US$'000*	*US$'000*
Cash flows from operating activities			
Cash generated from operations	*31*	63,253	54,586
Interest paid		(2,137)	(3,102)
Income tax paid		(5,136)	(6,631)
Net cash generated from operating activities		55,980	44,853
Cash flows from investing activities			
Purchases of property, plant and equipment	*7*	(15,330)	(13,678)
Decrease in bank deposits maturing beyond 3 months		350	239
Proceeds from disposals of property, plant and equipment	*31*	800	1,525
Acquisition of additional interests in a subsidiary	*32*	(2,500)	—
Investment in a joint venture	*12*	(2,548)	(9,000)
Settlement of amount due from a joint venture		—	12,006
Interest received		1,134	2,013
Decrease in other non-current assets		104	600
Net cash used in investing activities		(17,990)	(6,295)
Cash flows from financing activities			
Net decrease in borrowings		(11,021)	(30,896)
Repayments of borrowings		(57,971)	(821)
Dividends paid to the Company's shareholders		(8,739)	(13,950)
Dividends paid to non-controlling shareholders of subsidiaries		—	(1,520)
Net cash used in financing activities		(77,731)	(47,187)
Net decrease in cash and bank balances and bank overdrafts		(39,741)	(8,629)
Cash and bank balances and bank overdrafts at beginning of the year		214,494	226,272
Exchange gains/(losses) on cash and bank balances and bank overdrafts		1,082	(3,149)
Cash and bank balances and bank overdrafts at end of the year	*17*	175,835	214,494

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

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

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

The Company has its primary listing on the Main Board of The Stock Exchange of Hong Kong Limited.

These consolidated financial statements are presented in United States dollars ("US$"), unless otherwise stated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

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

Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

The following Standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2015:

- Amendment to HKAS 19 on contributions from employees or third parties to defined benefit plans. The amendment distinguishes between contributions that are linked to service only in the period in which they arise and those linked to service in more than one period. The amendment allows contributions that are linked to service, and do not vary with the length of employee service, to be deducted from the cost of benefits earned in the period that the service is provided. Contributions that are linked to service, and vary according to the length of employee service, must be spread over the service period using the same attribution method that is applied to the benefits. The adoption of the amendment has no significant impact to the Group's results and financial position.

- Amendments from annual improvements to HKFRSs — 2010–2012 Cycle, on HKFRS 8, 'Operating segments', HKAS 16, 'Property, plant and equipment' and HKAS 38, 'Intangible assets' and HKAS 24, 'Related party disclosures'. The adoption of the improvements made in the 2010–2012 Cycle has no significant impact to the Group's results and financial position.

- Amendments from annual improvements to HKFRSs — 2011–2013 Cycle, on HKFRS 3, 'Business combinations', HKFRS 13, 'Fair value measurement' and HKAS 40, 'Investment property'. The adoption of the improvements made in the 2011–2013 Cycle has no significant impact to the Group's results and financial position.

(b) New Standards and interpretation not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2015 and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following:

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

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

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

- Amendments from annual improvements to HKFRSs — 2012–2014 Cycle, on HKFRS 5, 'Non-current assets held for sale and discontinued operations', HKFRS 7, 'Financial instruments: Disclosures', HKAS 19, 'Employee benefits' and HKAS 34, 'Interim financial reporting. The Group is yet to assess the full impact of the amendments and intends to adopt the amendments no later than the accounting period beginning on or after 1 January 2016.

- Amendments to HKAS 1 "Disclosure initiative" clarify guidance in HKAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies. Although the amendments do not require specific changes, they clarify a number of presentation issues and highlight that preparers are permitted to tailor the format and presentation of the financial statements to their circumstances and the needs of users. The key areas addressed by the changes are as follows:

  - *Materiality*: an entity should not aggregate or disaggregate information in a manner that obscures useful information. An entity need not provide disclosures if the information is not material;

  - *Disaggregation and subtotals*: the amendments clarify what additional subtotals are acceptable and how they should be presented;

  - *Notes*: an entity is not required to present the notes to the financial statements in a particular order, and management should tailor the structure of their notes to their circumstances and the needs of their users;

  - *Accounting policies*: how to identify a significant accounting policy that should be disclosed;

  - *Other comprehensive income from equity accounted investments*: other comprehensive income of associates and joint ventures should be separated into the share of items that will subsequently be reclassified to profit or loss and those that will not.

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

- HKFRS15 "Revenue from Contracts with Customers" establishes a comprehensive framework for determining when to recognize revenue and how much revenue to recognize through a 5-step approach: (1) Identify the contract(s) with customer; (2) Identify separate performance obligations in a contract (3) Determine the transaction price (4) Allocate transaction price to performance obligations and (5) recognize revenue when performance obligation is satisfied. The core principle is that a company should recognize revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an earnings processes to an 'asset-liability' approach based on transfer of control. HKFRS 15 provides specific guidance on capitalization of contract cost and licence arrangements. It also includes a cohesive set of disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. HKFRS 15 replaces the previous revenue standards: HKAS 18 Revenue and HKAS 11 Construction Contracts, and the related Interpretations on revenue recognition: HK(IFRIC) 13 Customer Loyalty Programmes, HK(IFRIC) 15 Agreements for the Construction of Real Estate, HK(IFRIC) 18 Transfers of Assets from Customers and SIC-31 Revenue- Barter Transactions Involving Advertising Services. The Group is yet to assess the full impact of the amendments and intends to adopt the amendments no later than the accounting period beginning on or after 1 January 2018.

- HKFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of HKFRS 9 was issued in July 2014. It replaces the guidance in HKAS 39 that relates to the classification and measurement of financial instruments. HKFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through OCI and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in HKAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. HKFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes.

- Contemporaneous documentation is still required but is different to that currently prepared under HKAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Group is yet to assess the full impact of the amendments and intends to adopt the amendments no later than the accounting period beginning on or after 1 January 2018.

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

(c) New Hong Kong Companies Ordinance (Cap.622)

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

2.2 Subsidiaries

2.2.1 Consolidation

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

Changes in ownership interests in subsidiaries without change of control

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

2.2.2 Separate financial statements

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

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

2.3 Joint arrangements

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

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

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

2.4 Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

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

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

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

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

2.5 Segment reporting

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

2.6 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

Foreign exchange gains and losses that relate to borrowings and cash and bank balances are presented in the consolidated income statement within 'finance income — net'. All other foreign exchange gains and losses are presented in the consolidated income statement within other losses — net.

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

(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 statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

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

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

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

2.7 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 their cost to their residual values over their estimated useful lives, where appropriate, as follows:

Buildings	20 years
Leasehold improvements	5–20 years or the remaining lease term, whichever is shorter
Plant and machinery	5–10 years
Furniture, fixtures and equipment	3–5 years
Motor vehicles	3–5 years

The assets' useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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

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

2.9 Investment properties

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

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

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

Land use rights	20–50 years
Buildings	20 years

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

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

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

2.10 Construction-in-progress

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

2.11 Intangible assets

(a) Goodwill

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

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

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

(b) Contractual customer relationships

Contractual customer relationships acquired in a business combination are recognized at fair value at the acquisition date. The contractual customer relationships 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 5 to 14 years.

2.12 Impairment of non-financial assets

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

2.13 Financial assets

2.13.1 Classification

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

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

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

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "trade and other receivables" and "cash and bank balances" in the consolidated statement of financial position (Notes 2.17 and 2.18).

2.13.2 Recognition and measurement

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

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

2.13.3 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

2.14 Impairment of financial assets — assets carried at amortized cost

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

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

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

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

2.15 Derivative financial instruments

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair values. Changes in the fair value of these derivative instruments are recognized immediately in the consolidated income statement within 'other losses — net'. The Group does not have any derivative that is designated as a hedging instrument.

2.16 Inventories

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

2.17 Trade and other receivables

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

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

2.18 Cash and bank balances

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

2.19 Share capital

Ordinary shares are classified as equity.

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

2.20 Trade and other payables

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

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

2.21 Financial liabilities

Financial guarantee contracts

A financial guarantee contract is a contract that requires the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument. Such financial guarantees are given to banks on behalf of subsidiaries to secure loans, overdrafts and other banking facilities. The

Group does not recognize liabilities for financial guarantee at inception, but perform a liability adequacy test at each reporting date by comparing its net liability regarding the financial guarantee with the amount that would be required if the financial guarantee would result in a present legal or constructive obligation. If the liability is less than its present legal or constructive obligation amount, the entire difference is recognized in the consolidated income statement immediately.

2.22 Borrowings

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

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

2.24 Current and deferred income tax

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

(a) Current income tax

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

(b) Deferred income tax

Inside basis differences

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

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

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference not recognized.

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

(c) Offsetting

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

2.25 Employee benefits

(a) Pension obligations

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

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

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

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

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

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

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

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

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

(b) Long service payments

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

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

(c) Termination benefits

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

(d) Profit-sharing and bonus plans

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

(e) Employee leave entitlements

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

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

2.26 Share-based payments

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

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

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing performance and service conditions. It recognizes the impact of the revision to original estimates, if any, in the consolidated income statement, with a corresponding adjustment to equity.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognizing the expense during the period between service commencement period and grant date.

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

2.27 Provisions

Provisions for legal claims are recognized when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

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

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

2.28 Contingent liabilities

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

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

2.29 Revenue recognition

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

(i) Sale of goods

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

(ii) Freight forwarding and logistics services income

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

(iii) Interest income

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

(iv) Management and commission income

Management and commission income is recognized when services are rendered.

(v) Rental income

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

2.30 Leases

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

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

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

2.31 Dividend distribution

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

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

Risk management is carried out by a central treasury department (Group Treasury) under policies approved by the Board of Directors. Group Treasury identifies, evaluates and hedge financial risks in close co-operation with the Group's operating units. The board provides guidance for overall risk management and specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

(a) Market risk

(i) Foreign exchange risk

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

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

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.

The HK$ is pegged to the US$ and thus foreign currency exposure is considered as minimal and is not hedged. At 31 December 2015, if the US$ had weakened/strengthened by 6% (2014: 5%) against the Euro with all other variables held constant, the post-tax profit for the year would have been US$92,000 (2014: US$175,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of Euro-denominated trade receivables, payables and cash and bank balances.

At 31 December 2015, if the US$ had weakened/strengthened by 3% (2014: 3%) against the RMB with all other variables held constant, the post-tax profit for the year would have been US$54,000 (2014: US$539,000) higher/lower, mainly as a result of foreign exchange losses/gains on translation of RMB-denominated trade receivables, payables, borrowings and cash and bank balances.

At 31 December 2015, if the US$ had weakened/strengthened by 4% (2014: 4%) against the Peso with all other variables held constant, the post-tax profit for the year would have been US$116,000 (2014: US$447,000) higher/lower, mainly as a result of foreign exchange losses/gains on translation of Peso-denominated trade payables and cash and bank balances.

(ii) Cash flow interest rate risk

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

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

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

At 31 December 2015, if interest rates on borrowings had been 50 basis points higher/lower (2014: 50 basis points) with all other variables held constant, post-tax profit for the year would have been US$357,000 (2014: US$677,000) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

(b) Credit risk

Credit risk of the Group mainly arises from deposits with banks and financial institutions, as well as credit exposures to customers such as trade receivables, amounts due from related companies, an associated company, and joint ventures and other receivables. The carrying amount of these balances in the consolidated statement of financial position 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 2015, the Group had a concentration of credit risk given that the top 5 customers account for 50% (2014: 42%) of the Group's total year end trade receivables balance. However, the Group concludes that the credit risk in relation to these customers is not significant because they have no history of default in recent years.

The Group performs periodic credit evaluations of its customers. For the trade and other receivables proved to be impaired, management has provided sufficient provision on those balances.

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

(c) Liquidity risk

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

Management monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities (Note 20) at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Surplus cash held by Group entities over and above balances required for working capital management is invested in interest-bearing bank accounts and bank deposits with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts.

The following tables analyses the Group's non-derivative financial liabilities and net-settled derivative financial liabilities into relevant maturity grouping based on the remaining period at the date of the consolidated statement of financial position 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 date of the consolidated statement of financial position) and the earliest date the Group can be required to pay.

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

	On demand	**Within 3 months**	**More than 3 months but less than 1 year**	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**Total undiscounted cash outflows**
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Group						
At 31 December 2015						
Long term bank borrowings subject to a repayment on demand clause	45,020	—	—	—	—	45,020
Other bank borrowings	27,605	255	764	289	2,439	31,352
Trade and other payables	—	150,049	6,441	—	—	156,490
Derivative financial instruments	—	—	17	—	—	17
	72,625	150,304	7,222	289	2,439	232,879

	On demand	Within 3 months	More than 3 months but less than 1 year	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total undiscounted cash outflows
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Group						
At 31 December 2014						
Bank overdrafts	263	—	—	—	—	263
Long term bank borrowings subject to a repayment on demand clause	57,903	—	—	—	—	57,903
Other bank borrowings	82,876	256	767	1,964	1,716	87,579
Finance lease liabilities	—	—	—	—	—	—
Trade and other payables	—	158,569	13,297	—	—	171,866
Derivative financial instruments	—	—	—	126	—	126
	141,042	158,825	14,064	2,090	1,716	317,737

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

	Maturity analysis — Bank borrowings subject to a repayment on demand clause based on scheduled repayments				
	Within 1 year	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total outflows
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
At 31 December 2015	37,378	6,625	31,961	—	75,964
At 31 December 2014	97,907	9,306	38,033	—	145,246

3.2 Capital risk management

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

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Group monitors capital by maintaining a net cash position throughout the year.

3.3 Fair value estimation

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

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

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

	Level 1	Level 2	Level 3	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*
At 31 December 2015				
Assets				
— Derivative financial instruments *(Note i)*	—	78	—	78
Liabilities				
— Derivative financial instruments *(Note i)*	—	(17)	—	(17)
At 31 December 2014				
Assets				
— Derivative financial instruments *(Note i)*	—	183	—	183
Liabilities				
— Derivative financial instruments *(Note i)*	—	(126)	—	(126)

Notes:

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

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

(ii) There were no transfers between level 1 and level 2 during the year.

3.4 Offsetting financial assets and financial liabilities

No financial assets and financial liabilities were subject to offsetting, enforceable master netting arrangements and similar agreements as at 31 December 2015 and 2014.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

4.1 Critical accounting estimates and assumptions

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

(a) Income taxes

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

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

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

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

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

During the year ended 31 December 2014, an amount totaling US$2,628,000 and US$8,250,000 were recognized in relation to the write-off of customer relationship of the Group's accessories-footwear business and life-style apparel business, respectively. No write-off has been recognized in the year ended 31 December 2015 (Note 9).

(d) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment. For the purposes of impairment reviews, the recoverable amount of goodwill is determined based on fair value less costs of disposal calculations. The fair value less costs of disposal calculations primarily use cash flow forecast based on financial budgets and forecasts covering a period of 5 years approved by management and estimated terminal value at the end of the budget period.

There are a number of assumptions and estimates involved in the preparation of cash flow forecast for the period covered by the approved budgets. Key assumptions include the growth rates and discount rates to reflect the risks involved. Management prepares the financial budgets and forecasts reflecting actual and prior year performance and market development expectations. Judgment is required to determine key assumptions adopted in the cash flow forecast and changes to key assumptions could affect these cash flow forecast and therefore the results of the impairment reviews.

During the year ended 31 December 2014, an impairment loss of US$1,506,000 and US$8,576,000 arose in the accessories-footwear CGU and life-style apparel CGU, respectively, resulting in the carrying amount of the CGU being written down to its recoverable amount. No impairment loss has been recognized for the year ended 31 December 2015 (Note 9).

(e) Net realizable value of inventories

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

(f) Impairment of trade, bills and other receivables

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

(g) Pension benefits

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

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension obligation.

Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in Note 21.

4.2 Critical judgements in applying the Group's accounting policies

Investment in Duc Hanh Garment Joint Stock Company ("DHG")

The Group holds more than 50% of the voting rights of one of its joint arrangements. The Group has joint control over this arrangement as under the contractual agreements, unanimous arrangement is required from all parties to the agreements for key operational and financial activities.

The joint arrangement is structured as a joint stock company and provides the Group and the parties to the agreements with rights to the net assets of DHG. Therefore, this arrangement is classified as a joint venture (Note 12).

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 and accessories, and income from the provision of freight forwarding and logistics services.

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

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

The segment information provided to the executive directors for the reportable segments for the year ended 31 December 2015 and 2014 is as follows:

	Casual and fashion apparel	Life-style apparel	Sweaters	Accessories	Freight forwarding/ logistics services	Real estate	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
For the year ended 31 December 2015							
Total segment revenue	924,634	58,535	107,222	389,729	21,910	—	1,502,030
Inter-segment revenue	(308,354)	(2,587)	(653)	(76,352)	(633)	—	(388,579)
Revenue (from external customers)	616,280	55,948	106,569	313,377	21,277	—	1,113,451
Segment profit for the year	267	1,267	3,665	15,555	3,008	1,323	25,085
Profit for the year includes:							
Depreciation and amortization	(12,327)	(220)	(2,204)	(4,762)	(913)	—	(20,426)
Provision for inventory obsolescence	(500)	—	—	(1,169)	—	—	(1,669)
(Provision for)/reversal of impairment of trade and bills receivable	(237)	260	73	(311)	(201)	—	(416)
Reversal of provision for material claims	—	2,961	—	—	—	—	2,961
Share of profit of an associated company	—	—	—	—	6	—	6
Share of (losses)/profits of joint ventures	(1,691)	—	—	—	—	1,422	(269)
Income tax expense	(1,618)	(285)	(1,231)	(615)	(316)	—	(4,065)

	Casual and fashion apparel *US$'000*	Life-style apparel *US$'000*	Sweaters *US$'000*	Accessories *US$'000*	Freight forwarding/ logistics services *US$'000*	Real estate *US$'000*	Total *US$'000*
For the year ended 31 December 2014							
Total segment revenue	1,013,349	91,086	112,980	379,662	21,212	—	1,618,289
Inter-segment revenue	(306,074)	(1,183)	(15,943)	(70,341)	(520)	—	(394,061)
Revenue (from external customers)	707,275	89,903	97,037	309,321	20,692	—	1,224,228
Segment profit/(loss) for the year	27,816	(20,688)	3,086	12,340	2,317	1,684	26,555
Profit/(loss) for the year includes:							
Depreciation and amortization	(14,742)	(1,553)	(2,194)	(5,486)	(963)	—	(24,938)
Reversal of provision/ (provision) for inventory obsolescence	(1,964)	—	—	194	—	—	(1,770)
Provision for impairment of trade and bills receivable	(393)	(1,567)	(46)	(235)	(134)	—	(2,375)
Provision for material claims	—	(2,992)	—	—	—	—	(2,992)
Impairment of goodwill and write-off of customer relationships	—	(16,826)	—	(4,134)	—	—	(20,960)
Share of profit of an associated company	—	—	—	—	28	—	28
Share of losses of joint ventures	(833)	—	—	—	—	(27)	(860)
Income tax (expense)/credit	(2,424)	1,434	(1,421)	(295)	(225)	—	(2,931)

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 management is measured in a manner consistent with that in the consolidated income statement. Management assesses the performance of the operating segments based on a measure of profit before corporate expenses for the year.

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

	2015 *US$'000*	2014 *US$'000*
Segment profit for the year	25,085	26,555
Corporate expenses *(Note)*	(11,623)	(10,130)
Profit for the year	13,462	16,425

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

	2015	2014
	US$'000	*US$'000*
Analysis of revenue by category		
Sales of garment, textile products and accessories	1,088,046	1,195,034
Freight forwarding and logistics service fee	19,499	20,692
Others	5,906	8,502
Total revenue	1,113,451	1,224,228

The Group's revenue is mainly derived from customers located in the U.S., Europe, Japan, Canada and the PRC, while the Group's business activities are conducted predominantly in Hong Kong, Macao, the PRC, the Philippines, Vietnam, Cambodia and the U.S..

	2015	2014
	US$'000	*US$'000*
Analysis of revenue by geographical location		
United States	581,092	621,592
Europe	248,787	271,861
PRC (including Hong Kong and Macao)	85,163	109,333
Japan	78,508	86,135
Canada	24,627	34,703
Others	95,274	100,604
	1,113,451	1,224,228

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

Revenue of approximately US$177,770,000 (2014: US$162,844,000), US132,353,000 (2014: US$135,613,000) and US$115,626,000 (2014: US$134,124,000) are derived from three (2014: three) single external customers whose sales account for more than 10% of the total year revenue. These revenues are attributable to the segments of casual and fashion apparel and accessories.

6 LAND USE RIGHTS

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

	2015	2014
	US$'000	*US$'000*
At 1 January	11,205	11,809
Transfer to investment properties *(Note 8)*	—	(164)
Amortization of land use rights *(Note 25)*	(315)	(326)
Exchange differences	(195)	(114)
At 31 December	10,695	11,205

As at 31 December 2015, 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$1,027,000 (2014: US$1,079,000). Based on the Group's experience and after seeking legal consultation, the directors are of the view that such problem is unlikely to have a material effect on the carrying amounts of the land use rights and the property located on this land.

7 PROPERTY, PLANT AND EQUIPMENT

	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 2015							
Opening net book amount	56,729	15,543	29,944	6,809	1,271	1,048	111,344
Additions	739	676	7,135	2,376	402	4,002	15,330
Transfer to investment properties *(Note 8)*	(717)	—	—	—	—	—	(717)
Disposals	(21)	(83)	(525)	(263)	(3)	—	(895)
Transfer from construction-in-progress	662	750	1,287	386	15	(3,100)	—
Depreciation *(Note 25)*	(4,986)	(2,042)	(6,824)	(2,439)	(422)	—	(16,713)
Exchange differences	(1,536)	(463)	(1,425)	(247)	(33)	(294)	(3,998)
Closing net book amount	50,870	14,381	29,592	6,622	1,230	1,656	104,351
At 31 December 2015							
Cost	97,702	45,505	104,866	56,753	5,675	1,656	312,157
Accumulated depreciation and impairment	(46,832)	(31,124)	(75,274)	(50,131)	(4,445)	—	(207,806)
Net book amount	50,870	14,381	29,592	6,622	1,230	1,656	104,351

	Land and buildings US$'000	Leasehold improvements US$'000	Plant and machinery US$'000	Furniture, fixtures and equipment US$'000	Motor vehicles US$'000	Construction-in-progress US$'000	Total US$'000
Year ended 31 December 2014							
Opening net book amount	69,388	15,683	32,530	7,451	1,411	1,350	127,813
Additions	926	1,786	5,181	2,230	486	3,069	13,678
Transfer to investment properties *(Note 8)*	(7,604)	—	—	—	—	—	(7,604)
Disposals/write-off	—	(35)	(1,258)	—	(210)	—	(1,503)
Transfer from construction-in-progress	252	755	1,420	882	35	(3,344)	—
Depreciation *(Note 25)*	(5,165)	(2,558)	(7,634)	(3,791)	(439)	—	(19,587)
Exchange differences	(1,068)	(88)	(295)	37	(12)	(27)	(1,453)
Closing net book amount	56,729	15,543	29,944	6,809	1,271	1,048	111,344
At 31 December 2014							
Cost	100,408	45,670	105,200	56,384	5,544	1,048	314,254
Accumulated depreciation and impairment	(43,679)	(30,127)	(75,256)	(49,575)	(4,273)	—	(202,910)
Net book amount	56,729	15,543	29,944	6,809	1,271	1,048	111,344

Notes:

(i) Depreciation expense of US$9,575,000 (2014: US$10,468,000) has been charged to the cost of sales, and US$7,138,000 (2014: US$9,119,000) has been charged to general and administrative expenses.

(ii) As at 31 December 2015, the Group has not yet obtained the building certificate for a building located in the PRC with a carrying amount of US$4,537,000 (2014: US$5,278,000). Please refer to Note 6 for details.

(iii) The construction-in-progress as at year end mainly represented factories and office buildings under construction in Guam, Saipan and the Philippines. Upon completion, the accumulated cost under construction-in-progress will be transferred to other categories of property, plant and equipment.

(iv) Bank borrowings are secured on machinery with a carrying amount of US$1,565,000 (2014: US$1,860,000) (Note 20).

8 INVESTMENT PROPERTIES

	2015	**2014**
	US$'000	*US$'000*
As at 1 January	6,827	—
Transfer in *(Note a)*	717	7,768
Depreciation and amortization *(Note 25)*	(801)	(758)
Exchange differences	(239)	(183)
As at 31 December	6,504	6,827

Notes:

(a) Certain properties were transferred from property, plant and equipment to investment properties during the year ended 31 December 2015, with a total net book value of US$717,000 (2014: US$7,768,000) (Notes 6 and 7).

(b) The fair value of the investment properties at 31 December 2015 amounted to US$30,559,000 (2014: US$22,322,000). The estimate has been determined by the directors of the Company with reference to the current prices in an active market for properties of similar natures. Investment properties comprise factory premises located in the PRC.

(c) Rental income recognized in the consolidated income statement for the year ended 31 December 2015 amounted to US$1,207,000 (2014: US$1,240,000).

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

9 INTANGIBLE ASSETS

	Goodwill *US$'000*	Customer relationships *US$'000*	Total *US$'000*
Year ended 31 December 2015			
Opening net book amount	35,968	14,142	50,110
Amortization *(Note 25)*	—	(2,597)	(2,597)
Closing net book amount	35,968	11,545	47,513
At 31 December 2015			
Cost	54,888	47,892	102,780
Accumulated amortization and provision for impairment loss	(18,920)	(36,347)	(55,267)
Net book value	35,968	11,545	47,513
Year ended 31 December 2014			
Opening net book amount	46,050	29,287	75,337
Amortization *(Note 25)*	—	(4,267)	(4,267)
Provision for impairment loss *(Note (i))*	(10,082)	—	(10,082)
Write-off *(Note (i))*	—	(10,878)	(10,878)
Closing net book amount	35,968	14,142	50,110
At 31 December 2014			
Cost	54,888	47,892	102,780
Accumulated amortization and provision for impairment loss	(18,920)	(22,872)	(41,792)
Write-off	—	(10,878)	(10,878)
Net book value	35,968	14,142	50,110

Notes:

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

(ii) Amortization of customer relationships of US$2,597,000 (2014: US$4,267,000) is included in general and administrative expenses.

Impairment tests for goodwill

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

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

2015	**Opening** *US$'000*	**Provision for impairment loss** *US$'000*	**Closing** *US$'000*
Sweaters	18,271	—	18,271
Life-style apparel	11,177	—	11,177
Casual and fashion apparel	6,520	—	6,520
	35,968	—	35,968

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

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

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

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

	2015				2014			
	Sweaters	Life-style apparel	Casual and fashion apparel	Accessories — footwear	Sweaters	Life-style apparel	Casual and fashion apparel	Accessories — footwear
Average revenue growth *(Note i)*	2.8%	8.3%	3.1%	8.0%	4.0%	1.0%	6.1%	1.3%
Average gross profit margin	20.5%	16.2%	13.8%	9.5%	20.0%	16.7%	13.5%	9.4%
Terminal growth rate *(Note ii)*	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Discount rate *(Note iii)*	14.0%	14.1%	13.0%	14.0%	14.0%	14.0%	13.0%	13.0%
Recoverable amount *(US$'000)*	N/A	N/A	N/A	N/A	N/A	20,996	N/A	8,244

Notes:

(i) Average revenue growth rate covers the five-year forecast period. It is based on the past performance and management's expectations on market development.

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

(iii) Post-tax discount rate applied to the post-tax cash flow forecast.

These assumptions and parameters have been used for the analysis of each CGU within the operating segment. Management determined the financial forecast based on past performance and its expectations for the market development. The discount rates used are post-tax and reflect specific risks relating to the relevant segments.

In sweaters CGU, the recoverable amount calculated based on fair value less cost of disposal exceeded the carrying amount by US$4,737,000. A fall in annual sales volume growth rate to -4.3%, a gross margin of 19.8%, a fall in long-term growth rate to 0.9% or a rise in discount rate to 15.4%, all changes taken in isolation, would remove the remaining headroom.

In life-style apparel CGU, the recoverable amount calculated based on fair value less cost of disposal exceeded the carrying amount by US$3,431,000. A fall in annual sales volume growth rate to 7.4%, a gross margin of 15.5%, a fall in long-term growth rate to 0.2% or a rise in discount rate to 15.9%, all changes taken in isolation, would remove the remaining headroom.

In casual and fashion apparel CGU, the recoverable amount calculated based on fair value less cost of disposal exceeded the carrying amount by US$51,237,000. A fall in annual sales volume growth rate to -13.2%, a gross margin of 13.1%, a fall in long-term growth rate to -0.7% or a rise in discount rate to 15.5%, all changes taken in isolation, would remove the remaining headroom.

In accessories-footwear CGU, the recoverable amount calculated based on fair value less cost of disposal exceeded the carrying amount by US$6,252,000. An fall in annual sales volume growth rate to 2.8%, a gross margin of 8.0%, a fall in long-term growth rate to -134.4% or a rise in discount rate to 33.0%, all changes taken in isolation, would remove the remaining headroom.

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

10 SUBSIDIARIES

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

Particulars of the principal subsidiaries as at 31 December 2015 are shown as follows:

Name	Place of incorporation/ establishment	Principal activities and place of operations	Particulars of issued share capital/registered capital	Proportion of ordinary shares held by parent (%)	Proportion of ordinary shares held by the Group (%)	Proportion of ordinary shares held by non-controlling interest (%)
Bright Sky Pte Ltd	Cambodia	Contractor manufacturing of garments in Cambodia	1,000 ordinary shares of US$1,000 each	—	100%	—
CTSI Logistics, Inc.	United States	Provision of freight forwarding and logistics services in the United States	10,000 ordinary shares with total paid-in capital of US$100,000	—	100%	—
CTSI Logistics Limited	Hong Kong	Provision of freight forwarding and logistics services in Hong Kong	100,000 ordinary shares of HK$10 each	—	100%	—
CTSI Logistics Phils., Inc.	Philippines	Provision of freight forwarding and logistics services in the Philippines	100,000 ordinary shares of Philippine Peso 100 each	—	100%	—
Desk Top Bags Philippines, Inc.	Philippines	Manufacturing of bags in the Philippines	210,000 ordinary share of Philippine Peso 100 each	—	100%	—
Dluxe Bags Philippines, Inc.	Philippines	Provision of subcontracting services in the Philippines	50,000,000 ordinary share of Philippine Peso 100 each	—	100%	—
東莞聯泰製衣有限公司+	PRC	Garment manufacturing in the PRC	Registered and total paid-in capital of HK$264,850,000	—	100%	—
東莞天河針織有限公司+	PRC	Garment manufacturing in the PRC	Registered and total paid-in capital of HK$26,771,800	—	100%	—
東莞通威服裝有限公司+	PRC	Trading and manufacturing of garment products in the PRC	Registered and total paid-in capital of US$2,500,000	—	100%	—
東莞星浩手袋有限公司+	PRC	Manufacturing of bags in the PRC	Registered capital of HK$94,200,000 and total paid-in capital of HK$78,200,000	—	100%	—
東莞星駿手袋有限公司+	PRC	Manufacturing of bags in the PRC	Registered capital of HK$10,014,600 and total paid-in capital of HK$9,930,300	—	100%	—
Fortune Investment Overseas Limited	BVI	Investment holding in Hong Kong	1 ordinary share of US$1 each	—	100%	—
Golden Dragon Apparel, Inc.	Philippines	Garment manufacturing in the Philippines	62,000 ordinary shares of Philippine Peso 100 each	—	100%	—
廣州市捷進製衣廠有限公司+	PRC	Garment manufacturing in the PRC	Registered and total paid-in capital of US$7,200,000	—	100%	—
聯泰(泉州)輕工有限公司+	PRC	Footwear manufacturing in the PRC	Registered and total paid-in capital of US$3,200,000	—	100%	—
Luen Thai Footwear Macao Commercial Offshore Co. Limited	Macao	Trading company in Macao	100,000 ordinary share of Macao Pataca ("MOP") 1 each	—	100%	—
L & T International Group Phils., Inc.	Philippines	Garment manufacturing in the Philippines	20,000 ordinary shares of Philippine Peso 100 each	—	100%	—
Luen Thai International Group Limited	Hong Kong	Sourcing, manufacturing and trading of textile and garment products in Hong Kong	2 ordinary shares of HK$1 each	—	100%	—
Luen Thai Macao Commercial Offshore Company Limited	Macao	Sourcing, manufacturing and trading of textile and garment products in Macao	25,000 ordinary shares of MOP1 each	—	100%	—
Luen Thai Overseas Limited	Bahamas	Investment holding in Hong Kong	16,685,806 ordinary shares of US$1 each	100%	100%	—

Name	Place of incorporation/ establishment	Principal activities and place of operations	Particulars of issued share capital/registered capital	Proportion of ordinary shares held by parent (%)	Proportion of ordinary shares held by the Group (%)	Proportion of ordinary shares held by non-controlling interest (%)
Ocean Sky Apparel (VN) Limited	Vietnam	Processing and exporting garment products in Vietnam	Registered capital of US$6,000,000 with total paid-in capital of US$1,800,000	—	100%	—
Ocean Sky Global Singapore (S) Pte Ltd	Singapore	Garment trading and sourcing overseas in Singapore	Registered and total paid-in capital of US$21,223,245	—	100%	—
On Time International Limited	BVI	Investment holding in Hong Kong	500 ordinary shares of US$1 each	—	100%	—
Philippine Luen Thai Holdings Corporation	Philippines	Investment holding in the Philippines	260,000 ordinary shares of Philippine Peso 100 each	—	100%	—
Suntex Pte Ltd	Cambodia	Contract manufacturing of garments in Cambodia	1,200,000 ordinary shares of US$1 each	—	100%	—
TellaS Ltd.	United States	Import and distribution of garments in the United States	100 ordinary shares with total paid-in capital of US$100,000	—	100%	—
Tien-Hu Trading (Hong Kong) Limited	Hong Kong	Trading of garment products in Hong Kong	1,000,000 ordinary shares of HK$1 each	—	95%	5%
Tien-Hu Knitting Factory (Hong Kong) Limited	Hong Kong	Trading of garment products in Hong Kong	1,000,000 ordinary shares of HK$1 each	—	95%	5%
TMS Fashion (H.K) Limited	Hong Kong	Garment trading and investment holding in Hong Kong	3,000,000 shares of HK$1 each	—	100%	—
TMS International Limited	Hong Kong	Garment trading in Hong Kong	2,000 ordinary shares of HK$500 each	—	100%	—
Wonderful Choice Limited	BVI	Footwear trading in the PRC	1 ordinary share of US$1 each	—	100%	—
Yuen Thai Philippines, Inc	Philippines	Garment manufacturing in the Philippines	1,000,000 shares of Philippine Peso 1 each	—	100%	—

\+ The subsidiaries are established as wholly foreign-owned enterprises in the PRC

Material non-controlling interests

At 31 December 2015, the total non-controlling interests are US$1,927,000. The significant decrease in non-controlling interest was due to acquisition of additional interests in a subsidiary, On Time International Limited ("On Time") on 15 June 2015 (Note 32) and On Time became a wholly-owned subsidiary of the Group since then.

11 INTEREST IN AN ASSOCIATED COMPANY

	2015	2014
	US$'000	*US$'000*
Share of net assets	412	432

Particulars of the principal associated company as at 31 December 2015 are as follows.

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

There is no contingent liability in relation to the Group's interest in an associated company.

12 INTERESTS IN JOINT VENTURES

The movements of interests in joint ventures are provided as follows:

	2015	2014
	US$'000	*US$'000*
Beginning of the year	12,847	6,011
Addition *(Note)*	2,548	9,000
Elimination of intercompany transactions	(607)	(842)
Share of post-tax losses of joint ventures	(269)	(860)
Exchange difference	71	(462)
End of the year	14,590	12,847

Note:

On 10 February 2015, the Group entered into a subscription agreement with Duc Hanh Garment Joint Stock Company ("DHG"), pursuant to which DHG had allotted and issued and the Group had subscribed for 3,122,450 common shares for a consideration of Vietnam Dong ("VND") 54,229 million (equivalent to approximately US$2.5 million). DHG is incorporated under the laws of Vietnam and principally engaged in the manufacturing of garments and accessories. The transaction was completed on 16 June 2015. Upon completion, the Group held 51% of the total issued capital of DHG.

On 18 February 2014, the Group entered into a subscription agreement with Thien Nam Sunrise Textile Joint Stock Company ("Thien Nam Sunrise"), pursuant to which Thien Nam Sunrise has allotted and issued and the Group had subscribed for 18.9 million shares for a consideration of VND189,000 million (equivalent to approximately US$9 million). Thien Nam Sunrise is principally engaged in fabric manufacturing in Vietnam. This transaction was completed on 23 April 2014. Upon completion, the Group held 33.34% of the total issued capital of Thien Nam Sunrise.

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

(a) Share of net assets

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

Particulars of the principal joint ventures as at 31 December 2015 are shown as follows:

Name	Place of incorporation	Principal activities and place of operations	Particulars of issued share capital	% of ownership interests	Measurement method
Thien Nam Sunrise Textile Joint Stock Company	Vietnam	Manufacturing of fabrics	56.7 million ordinary shares of VND10,000 each	33.33%	Equity
Chang Jia International Limited	BVI	Real estate in the PRC	100 ordinary shares of US$1 each	24.00%	Equity
Hong Kong Guangthai International Company Limited	Hong Kong	Investment holding in the PRC	2 ordinary shares of HK$1 each	50.00%	Equity
Duc Hanh Garment Joint Stock Company	Vietnam	Manufacturing of garments and accessories	6,122,450 ordinary shares of VND10,000 each	51.00%	Equity

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

Name	Cash and bank balances *US$'000*	Other current assets *US$'000*	Non-current assets *US$'000*	Current liabilities *US$'000*	Non-current liabilities *US$'000*	Net assets/ (liabilities) *US$'000*	Capital commitments *US$'000*
Statement of financial position as at 31 December 2015							
Thien Nam Sunrise Textile Joint Stock Company	213	6,901	58,219	(14,756)	(33,756)	16,821	1,552
Chang Jia International Limited	6,745	292,888	27,186	(228,581)	(46,200)	52,038	66,343
Hong Kong Guangthai International Company Limited	1,772	13,965	6,842	(18,241)	(10,232)	(5,894)	—
Duc Hanh Garment Joint Stock Company	128	6,678	3,492	(7,791)	(103)	2,404	—
Statement of financial position as at 31 December 2014							
Thien Nam Sunrise Textile Joint Stock Company	437	10,555	32,835	(9,977)	(9,895)	23,955	4,369
Chang Jia International Limited	9,351	284,384	5,918	(211,505)	(40,005)	48,143	62,376
Hong Kong Guangthai International Company Limited	1,759	11,990	5,202	(15,191)	(10,233)	(6,473)	—

Name	Revenue US$'000	Depreciation and amortization US$'000	Interest income US$'000	Interest expense US$'000	(Loss)/ profit before income tax US$'000	Income tax expense US$'000	(Loss)/profit and comprehensive (loss)/income for the year US$'000
Statement of comprehensive income for the year ended 31 December 2015							
Thien Nam Sunrise Textile Joint Stock Company	12,491	(228)	273	(304)	(4,725)	—	(4,725)
Chang Jia International Limited	107,301	(42)	145	(982)	10,871	(4,771)	6,100
Hong Kong Guangthai International Company Limited	13,405	(418)	4	—	301	(38)	263
Duc Hanh Garment Joint Stock Company	6,983	(346)	58	(270)	(489)	—	(489)
Statement of comprehensive income for the year ended 31 December 2014							
Thien Nam Sunrise Textile Joint Stock Company	4,961	(1,371)	2	(97)	(2,302)	—	(2,302)
Chang Jia International Limited	106,118	(43)	81	(1,986)	3,603	(3,715)	(112)
Hong Kong Guangthai International Company Limited	7,765	(270)	3	—	291	(72)	219

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

	2015 *US$'000*	**2014** *US$'000*
Opening net assets at 1 January	40,034	17,286
Profits/(losses) for the year	1,293	(2,398)
Addition of a joint venture	4,996	27,000
Elimination of inter-company transactions	(2,529)	(3,175)
Exchange difference	(154)	1,321
Closing net assets at 31 December	43,640	40,034
Interests in joint ventures	14,590	12,847

(b) Capital commitments and contingent liabilities

As at 31 December 2015 and 2014, the Group's share of capital commitments of joint venture is as follows:

	2015 *US$'000*	**2014** *US$'000*
Contracted but not incurred	16,440	16,427

There is no contingent liability in relation to the Group's interests in joint ventures.

13 DEFERRED INCOME TAX

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

	2015 *US$'000*	2014 *US$'000*
Deferred income tax assets:		
— Deferred income tax assets to be recovered within 12 months	(938)	(1,130)
Deferred income tax liabilities:		
— Deferred income tax liabilities to be settled within 12 months	203	1,786
— Deferred income tax liabilities to be settled after more than 12 months	5,316	3,918
Deferred income tax liabilities — net	4,581	4,574

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

	2015 *US$'000*	2014 *US$'000*
At 1 January	4,574	6,575
Charged/(credited to) consolidated income statement *(Note 28)*	7	(2,001)
At 31 December	4,581	4,574

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

Deferred income tax liabilities	**Accelerated tax depreciation** *US$'000*	**Intangible assets** *US$'000*	**Others** *US$'000*	**Total** *US$'000*
At 1 January 2014	2,057	3,890	1,547	7,494
Credited to consolidated income statement	(209)	(1,506)	(71)	(1,786)
At 31 December 2014	1,848	2,384	1,476	5,708
Credited to consolidated income statement	(83)	(106)	—	(189)
At 31 December 2015	1,765	2,278	1,476	5,519

Deferred income tax assets	Provision US$'000	Others US$'000	Total US$'000
At 1 January 2014	(553)	(366)	(919)
(Credited)/charged to consolidated income statement	(216)	1	(215)
At 31 December 2014	(769)	(365)	(1,134)
Charged to consolidated income statement	48	148	196
At 31 December 2015	(721)	(217)	(938)

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$4,648,000 (2014: US$2,312,000) in respect of losses amounting to US$22,804,000 (2014: US$12,609,000) that can be carried forward against future taxable income. These tax losses have expiry dates from 2016 to 2021.

Deferred income tax liabilities of US$9,729,000 (2014: US$8,015,000) 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$66,733,000 at 31 December 2015 (2014: US$62,664,000).

14 INVENTORIES

	2015 US$'000	2014 US$'000
Raw materials	38,120	48,731
Work in progress	39,365	45,313
Finished goods	15,293	16,226
	92,778	110,270

The cost of inventories recognized as expense and included in cost of sales amounted to US$719,650,000 (2014: US$796,626,000), which included provision for inventories obsolescence of US$1,669,000 (2014: US$1,770,000).

As at 31 December 2015, inventories amounting to US$27,605,000 (2014: US$40,876,000) were held under trust receipt bank loan arrangement (Note 20).

15 FINANCIAL INSTRUMENTS BY CATEGORY

	Assets at fair value through profit and loss *US$'000*	Loans and receivables *US$'000*	Total *US$'000*
31 December 2015			
Assets as per consolidated statement of financial position			
Trade and other receivables excluding prepayments	—	202,507	202,507
Cash and bank balances	—	178,275	178,275
Derivative financial instruments	78	—	78
Total	78	380,782	380,860
31 December 2014			
Assets as per consolidated statement of financial position			
Trade and other receivables excluding prepayments	—	220,183	220,183
Cash and bank balances	—	217,547	217,547
Derivative financial instruments	183	—	183
Total	183	437,730	437,913

	Liabilities at fair value through profit and loss *US$'000*	Other financial liabilities at amortized cost *US$'000*	Total *US$'000*
31 December 2015			
Liabilities as per consolidated statement of financial position			
Borrowings	—	75,928	75,928
Derivative financial instruments	17	—	17
Trade and other payables excluding non-financial liabilities	—	156,490	156,490
Total	17	232,418	232,435
31 December 2014			
Liabilities as per consolidated statement of financial position			
Borrowings	—	145,183	145,183
Derivative financial instruments	126	—	126
Trade and other payables excluding non-financial liabilities	—	171,866	171,866
Total	126	317,049	317,175

16 TRADE AND OTHER RECEIVABLES

	2015	2014
	US$'000	*US$'000*
Trade and bills receivable — net *(Note a)*	162,004	178,813
Deposits, prepayments and other receivables	19,103	26,164
Amounts due from related parties *(Note 34)*	26,329	24,346
	207,436	229,323

(a) Trade and bills receivable — net

	2015	2014
	US$'000	*US$'000*
Trade and bills receivable	164,257	181,360
Less: provision for impairment	(2,253)	(2,547)
Trade and bills receivable — net	162,004	178,813

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

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

	2015	2014
	US$'000	*US$'000*
Current	121,427	146,092
1 to 30 days	24,945	20,829
31 to 60 days	8,304	6,746
61 to 90 days	1,634	1,479
91 to 120 days	889	1,589
Over 120 days	4,805	2,078
Amounts past due but not impaired	40,577	32,721
	162,004	178,813

The impairment provision was approximately US$2,253,000 as at 31 December 2015 (2014: US$2,547,000). The provision made during the year has been included in general and administrative expenses in the consolidated income statement.

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

	2015	2014
	US$'000	*US$'000*
At 1 January	2,547	1,295
Provision for impairment of trade and bills receivable *(Note 25)*	416	2,375
Utilization of provision	(710)	(1,123)
At 31 December	2,253	2,547

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

	2015	2014
	US$'000	*US$'000*
US$	151,390	165,120
Euro	679	1,160
RMB	5,634	8,866
Peso	3,454	3,440
Other currencies	847	227
	162,004	178,813

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

17 CASH AND BANK BALANCES

	2015	2014
	US$'000	*US$'000*
Cash at bank and on hand	153,392	140,882
Short-term bank deposits	22,443	73,875
Bank deposits with a maturity period of over 3 months	2,440	2,790
Cash and bank balances	178,275	217,547
Less: bank overdrafts *(Note 20)*	—	(263)
Less: bank deposits with a maturity period of over 3 months	(2,440)	(2,790)
Cash and bank balances and bank overdraft in the consolidated cash flow statement	175,835	214,494

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

	2015	2014
	US$'000	*US$'000*
US$	129,204	121,256
HK$	8,408	10,478
Euro	1,416	3,356
RMB	33,631	63,313
Peso	3,671	17,172
Other currencies	1,945	1,972
	178,275	217,547

The effective interest rate on short-term bank deposits was 1.53% (2014: 2.15%) per annum; these deposits have an average maturity period of 102 days (2014: 84 days).

Significant restrictions

At 31 December 2015, the Group's cash and cash equivalents and short-term bank deposits included balances of US$31,149,000 (2014: US$34,791,000), which were deposited with banks in the PRC and Vietnam. The remittance of such balances out of the PRC and Vietnam is subject to the rules and regulations of foreign exchanges control promulgated by corresponding governments.

18 SHARE CAPITAL

	Number of shares	Nominal value
		US$'000
Authorized — ordinary shares of US$0.01 each		
At 31 December 2014 and 2015	1,500,000,000	15,000
Issued and fully paid — ordinary shares of US$0.01 each		
At 1 January 2014	1,034,112,666	10,341
At 31 December 2014 and 2015	1,034,112,666	10,341

Share option

On 26 May 2014, a share option scheme (the "Option Scheme") of the Company was approved and adopted pursuant to an ordinary resolution. The terms of the Option Scheme is effective for a period of 10 years and will expire on 25 May 2024.

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

The total number of shares in respect of which options may be granted under the Option 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 may be exercised at any time within the relevant exercise period. The Group has no legal or constructive obligation to repurchase or settle the options in cash. The exercise price is determined by the highest of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares.

As at 31 December 2014 and 2015, there is no outstanding share option under the Option Schemes. No share options have been granted or vested during the year ended 31 December 2015.

19 OTHER RESERVES

	Share premium	Capital reserve (Note i)	Other capital reserves (Note ii)	Employment benefits reserve	Exchange reserve	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
At 1 January 2014	124,039	11,722	(4,799)	698	7,589	139,249
Currency translation differences	—	—	—	—	(2,082)	(2,082)
Actuarial losses on retirement benefit obligations *(Note 21)*	—	—	—	(1,415)	—	(1,415)
At 31 December 2014	124,039	11,722	(4,799)	(717)	5,507	135,752
At 1 January 2015	124,039	11,722	(4,799)	(717)	5,507	135,752
Currency translation differences	—	—	—	—	(731)	(731)
Acquisition of additional interests in a subsidiary *(Note 32)*	—	(3,831)	—	—	—	(3,831)
Actuarial gains on retirement benefit obligations *(Note 21)*	—	—	—	677	—	677
At 31 December 2015	124,039	7,891	(4,799)	(40)	4,776	131,867

Notes

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

(ii) Other capital reserves primarily represent (i) the initial recognition of the financial liabilities in relation to the put options granted to the minority shareholders and the subsequent derecognition of such financial liabilities upon the put options are exercised, expired or terminated; and (ii) the difference between the amount by which the non-controlling interests are acquired and the fair value of the consideration paid.

20 BORROWINGS

	2015	2014
	US$'000	*US$'000*
Non-current		
Bank borrowings	2,459	3,330
	2,459	3,330
Current		
Bank overdrafts *(Note 17)*	—	263
Trust receipt bank loans	27,605	40,876
Portion of bank borrowings due for repayment within 1 year	9,267	55,695
Portion of bank borrowings due for repayment after 1 year which contain a repayment on demand clause	36,597	45,019
	73,469	141,853
Total borrowings	75,928	145,183
Non-current borrowings		
— Secured	2,459	1,165
— Non-secured	—	2,165
Current borrowings		
— Secured	28,304	35,179
— Non-secured	45,165	106,674
	75,928	145,183

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

As at 31 December 2015 and 2014, the Group's borrowings were repayable as follows:

	Bank overdrafts		Trust receipt bank loans		Bank borrowings		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Within 1 year	—	263	27,605	40,876	9,267	55,695	36,872	96,834
Bank borrowings due for repayment after 1 year:								
After 1 year but within 2 years	—	—	—	—	6,033	10,211	6,033	10,211
After 2 years but within 5 years	—	—	—	—	33,023	38,138	33,023	38,138
	—	—	—	—	39,056	48,349	39,056	48,349
	—	263	27,605	40,876	48,323	104,044	75,928	145,183
Representing:								
Maturity within 5 years	—	263	27,605	40,876	48,323	104,044	75,928	145,183

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

	2015	2014
	US$'000	*US$'000*
HK$	1,026	5,120
US$	74,902	138,665
RMB	—	1,398
	75,928	145,183

The effective interest rates at the date of the consolidated statement of financial position are as follows:

	As at 31 December 2015			As at 31 December 2014		
	US$	*HK$*	*RMB*	*US$*	*HK$*	*RMB*
Bank loans	2.26%	2.23%	—	1.86%	2.22%	6.72%
Trust receipt bank loans	1.59%	1.31%	—	1.11%	1.31%	—
Bank overdrafts	—	—	—	—	5.25%	—

As at 31 December 2015, the Group had aggregate banking facilities of approximately US$387,236,000 (2014: US$460,050,000) for overdrafts, loans, trade financing and bank guarantees. Unused facilities as at the same date amounted to approximately US$291,504,000 (2014: US$295,623,000). These facilities are secured/ guaranteed by:

(i) Floating charges over the Group's inventories amounting to US$27,605,000 (2014: US$40,876,000) held under trust receipt bank loan arrangements (Note 14); and

(ii) Security over the Group's machinery with a carrying amount of US$1,565,000 (2014:US$1,860,000) (Note 7); and

(iii) A corporate guarantee provided by the Company (Note 34).

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

21 RETIREMENT BENEFIT OBLIGATIONS

	2015	2014
	US$'000	*US$'000*
Consolidated statement of financial position obligations for:		
Defined benefit plans *(Note b)*	8,856	8,790
Provision for long service payments *(Note c)*	482	399
	9,338	9,189
Consolidated income statement charges included in operating profit for *(Note 26(a))*:		
Defined contribution plans *(Note a)*	5,354	8,905
Defined benefit plans *(Note b)*	1,568	1,522
Provision for long service payments *(Note c)*	26	32
	6,948	10,459
Remeasurements for:		
Defined benefit plans *(Note b)*	(672)	1,487
Provision for long service payments *(Note c)*	(12)	(67)
	(684)	1,420

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

(a) Defined contribution plans

During the year, the Group maintained various defined contribution retirement schemes for its employees, which are managed by independent trustees. Employees' and employer's contributions are based on various percentages of employees' gross salaries and length of service. The total contributions to the defined contribution retirement schemes were approximately US$5,354,000 (2014: US$8,905,000) for the year ended 31 December 2015 (Note 26(a)).

(b) Defined benefit plans

The assets of the defined benefit plans are held independently of the Group's assets in separate trustee administered funds. The Group's major plans are valued by qualified actuaries annually using the projected unit credit method. The amounts recognized in the consolidated statement of financial position are determined as follows:

	2015	2014
	US$'000	*US$'000*
Present value of unfunded obligations	4,930	4,929
Present value of funded obligations	4,275	4,209
Fair value of plan assets	(349)	(348)
Liabilities in the consolidated statement of financial position	8,856	8,790

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

	2015	2014
	US$'000	*US$'000*
At 1 January	9,138	6,695
Current service cost	1,109	1,120
Interest cost	473	420
Total — included in employee benefit expenses	1,582	1,540
Remeasurements:		
— (Gain)/loss from change in financial assumptions	(507)	1,667
— Loss/(gain) from change in demographic assumptions	4	(162)
— Experience gain	(167)	(11)
	(670)	1,494
Contribution paid	(242)	(580)
Exchange difference	(603)	(11)
At 31 December	9,205	9,138

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

	2015	2014
	US$'000	*US$'000*
At 1 January	(348)	(334)
Interest income — included in employee benefit expenses	(14)	(18)
Remeasurements:		
— Loss on plan assets, excluding amounts included in interest income	(2)	(7)
Contribution paid	15	11
At 31 December	(349)	(348)

There were no plan amendments and curtailments during the year.

The principal actuarial assumptions used are as follows:

	2015	2014
Discount rate	5.00%–8.90%	4.56%–7.80%
Future salary increase rate	3.00%–17.00%	3.00%–17.00%

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

	Impact on defined benefit plan					
	2015			2014		
	Change in assumption	**Increase in assumption**	**Decrease in assumption**	**Change in assumption**	**Increase in assumption**	**Decrease in assumption**
Discount rate	1.0%	Decrease by US$1,479,000	Increase by US$1,811,000	1.0%	Decrease by US$1,478,000	Increase by US$1,823,000
Future salary increase rate	1.0%	Increase by US$1,772,000	Decrease by US$1,467,000	1.0%	Increase by US$1,779,000	Decrease by US$1,463,000

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

(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 statement of financial position are as follows:

	2015	**2014**
	US$'000	*US$'000*
Present value of unfunded obligations	482	399

As at 31 December 2015 and 2014, there are no funded obligations and plan assets.

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

	2015 *US$'000*	2014 *US$'000*
At 1 January	399	488
Current service cost	21	26
Interest cost	5	6
Total — included in employee benefit expenses (Note 26(a))	26	32
Re-measurements:		
— Gain from change in financial assumptions	(12)	(67)
Mandatory Provident Fund refund received	69	—
Contribution paid	—	(54)
At 31 December	482	399

The principal actuarial assumptions used are as follows:

	2015	2014
Discount rate	1.10%	1.40%
Future salary increase rate	2.50%	3.00%

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

	Impact on long service payments					
	2015			2014		
	Change in assumption	**Increase in assumption**	**Decrease in assumption**	**Change in assumption**	**Increase in assumption**	**Decrease in assumption**
Discount rate	1.0%	Decrease by US$19,000	Increase by US$20,000	1.0%	Decrease by US$20,000	Increase by US$20,000
Future salary increase rate	1.0%	Increase by US$11,000	Decrease by US$10,000	1.0%	Increase by US$10,000	Decrease by US$10,000

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

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

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

(i) Changes in discount rate

A decrease in discount rate will increase plan liabilities.

(ii) Inflation risk

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

(iii) Life expectancy

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

Expected contributions to defined benefit plans and provision for long service payment for the year ending 31 December 2016 are US$1,133,000 (2015:US$1,120,000).

The weighted average duration of the defined benefit obligations is 23.7 years (2014: 24.9 years).

An expected maturity analysis of undiscounted pension is as follows:

	2015	**2014**
	US$'000	*US$'000*
Retirement benefits		
— No later than 1 year	295	393
— Later than 1 year and no later than 5 years	1,322	1,407
— Later than 5 years	115,964	113,078
	117,581	114,878

22 TRADE AND OTHER PAYABLES

	2015	**2014**
	US$'000	*US$'000*
Trade and bills payable *(Note a)*	94,046	103,907
Other payables and accruals	103,919	113,519
Amounts due to related parties *(Note 34)*	5,359	2,786
	203,324	220,212
Less: Non-current *(Note 32)*	(1,593)	—
Trade and other payables, current	201,731	220,212

(a) Trade and bills payable

As at 31 December 2015 and 2014, the ageing analysis of the trade and bills payable based on invoice date is as follows:

	2015	**2014**
	US$'000	*US$'000*
0 to 30 days	77,666	94,357
31 to 60 days	6,590	6,737
61 to 90 days	2,374	2,199
Over 90 days	7,416	614
	94,046	103,907

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

	2015	**2014**
	US$'000	*US$'000*
US$	66,519	75,156
HK$	10,746	12,691
Euro	22	235
RMB	12,151	11,638
Peso	4,603	4,038
Other currencies	5	149
	94,046	103,907

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

23 DERIVATIVE FINANCIAL INSTRUMENTS

	2015	**2014**
	US$'000	*US$'000*
Forward foreign exchange contracts *(Note i)*	78	183
Interest rate swaps *(Note ii)*	(17)	(126)
	61	57

Notes:

(i) The notional principal amounts of the outstanding forward foreign exchange contracts as at 31 December 2015 were approximately US$6,451,000 (2014: US$6,383,000).

(ii) The notional principal amount of the outstanding interest rate swap contract as at 31 December 2015 was approximately US$2,250,000 (2014: US$6,750,000). Maturity of the interest rate swap matches with the maturity of the underlying fixed rate borrowings. The swap pre-determined the interest rate at 2.6% (2014: 2.6%) per annum.

24 OTHER LOSSES — NET

	2015	2014
	US$'000	*US$'000*
Fair value gains on derivative financial instruments		
— net gains on forward foreign exchange contracts	78	575
— net gains on interest rate swaps	11	—
Net losses on forward foreign exchange contracts	—	(29)
Net foreign exchange losses	(5,660)	(3,374)
	(5,571)	(2,828)

25 EXPENSES BY NATURE

	2015	2014
	US$'000	*US$'000*
Raw materials and consumables used	710,316	783,864
Changes in inventories of finished goods and work in progress	7,665	10,992
Employee benefit expenses *(Note 26(a))*	263,319	253,247
Losses/(gains) on disposals of property, plant and equipment — net	95	(134)
Auditors' remuneration		
— Audit services	882	1,347
— Non-audit services	204	347
Amortization of land use rights *(Note 6)*	315	326
Amortization of intangible assets *(Note 9)*	2,597	4,267
Depreciation of property, plant and equipment *(Note 7)*	16,713	19,587
Depreciation of investment properties *(Note 8)*	801	758
Provision for impairment of trade and bills receivable *(Note 16(a))*	416	2,375
(Reversal of)/provision for material claims	(2,961)	2,992
Provision for inventory obsolescence *(Note 14)*	1,669	1,770
Operating leases		
— Office premises and warehouses	10,211	9,767
— Plant and machinery	584	559
Transportation expenses	6,292	6,955
Communication, supplies and utilities	28,616	30,618
Other expenses	44,482	53,431
	1,092,216	1,183,068
Cost of sales	943,314	1,008,145
Selling and distribution expenses	3,991	3,551
General and administrative expenses	144,911	171,372
	1,092,216	1,183,068

26 EMPLOYEE BENEFIT EXPENSES

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

	2015	2014
	US$'000	*US$'000*
Wages, salaries and allowances	252,827	241,561
Termination benefits	3,544	1,227
Pension costs		
— Defined contribution plans *(Note 21(a))*	5,354	8,905
— Defined benefit plans *(Note 21(b))*	1,568	1,522
Long service payments *(Note 21(c))*	26	32
	263,319	253,247

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included three (2014: three) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2014: two) individuals during the year are as follows:

	2015	2014
	US$'000	*US$'000*
Basic salaries, other allowances and benefits in kind	575	683
Discretionary bonuses	1,094	576
Pension scheme contributions	15	21
Others	53	338
	1,737	1,618

The emoluments of the remaining two (2014: two) highest paid individuals fell within the following bands:

	Number of individuals	
	2015	2014
Emolument bands		
US$774,194 to US$838,709 (equivalent to HK$6,000,001 to HK$6,500,000)	1	1
US$838,710 to US$903,226 (equivalent to HK$6,500,001 to HK$7,000,000)	—	1
US$903,227 to US$967,742 (equivalent to HK$7,000,001 to HK$7,500,000)	1	—
	2	2

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

27 FINANCE INCOME — NET

	2015 *US$'000*	2014 *US$'000*
Interest expense on bank loans and overdrafts	(2,137)	(3,102)
Finance costs	(2,137)	(3,102)
Interest income from bank deposits	1,134	2,013
Effective interest income from amount due from a joint venture	1,922	2,665
Finance income	3,056	4,678
Finance income — net	919	1,576

28 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2014: 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.

	2015 *US$'000*	2014 *US$'000*
Current income tax	4,117	4,735
(Over)/under-provision in prior years	(59)	197
Deferred income tax *(Note 13)*	7	(2,001)
Income tax expense	4,065	2,931

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:

	2015 *US$'000*	2014 *US$'000*
Profit before income tax	17,527	19,356
Tax calculated at domestic tax rates applicable to profits in the respective countries	(2,367)	(3,643)
Income not subject to tax	(2,007)	(2,203)
Expenses not deductible for tax purposes	6,023	7,294
Utilization of previously unrecognized tax losses	(412)	(167)
Tax losses for which no deferred income tax asset was recognized	2,336	1,787
Tax effect of deductible/(taxable) temporary difference not recognized — net	166	(350)
Tax effect of share of results of an associated company and joint ventures	385	16
(Over)/under-provision in prior years	(59)	197
Income tax expense	4,065	2,931

Notes:

(i) The Inland Revenue Department ("IRD") has been reviewing the eligibility of a Hong Kong incorporated subsidiary's 50% or 100% offshore profits claim for previous years as well as reviewing the business and operations of a Macao incorporated subsidiary on the basis of where its operations were carried out.

In respect of the Hong Kong incorporated subsidiary, the IRD tentatively disallowed the 50% or 100% offshore profits claim for the previous years and issued notices of additional assessments/ assessments for the years of assessment 2000/01 to 2012/13 on the basis of no 50: 50 apportionment for 2000/01 to 2011/12 and no 100% offshore profit for 2012/13 with the amount of US$3,812,000.

In respect of the Macao incorporated subsidiary, the IRD has issued estimated assessments for the years of assessment 2005/06 to 2008/09 based on this subsidiary's profit before taxation with the amount of US$3,902,000.

These subsidiaries have lodged objection against the above assessments by the statutory deadlines and, pending settlement of the objections, they have paid a total sum of US$5,721,000 in the form of tax reserve certificates in respect of the tax in dispute as mentioned above and the amount paid was included in prepayments in the consolidated statement of financial position as at 31 December 2015.

Management have thoroughly revisited the situations and concluded that there are grounds for the Hong Kong incorporated subsidiary to sustain its 50% or 100% offshore tax filing position and for the Macao incorporated subsidiary to argue its entire profits are not subject to Hong Kong profits tax based on their business operations. In fact, any additional taxation claims in relation to periods prior to June 2004 will be indemnified and reimbursed entirely by certain shareholders of the Company in accordance with the deeds 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.

(ii) During the year, an overseas tax authority performed a comprehensive assessment on an overseas incorporated subsidiary's tax position for the years ended 31 December 2011 and 2012 and issued a tax assessment to demand an additional tax payment of US$3,585,000. This subsidiary has lodged an objection letter to this overseas tax authority. Management believe that it has grounds to defend its tax position since there are various interpretations of tax rules in that country and this tax authority did not provide a clear calculation basis for the additional tax payment. As a result, no additional tax provision was made as at 31 December 2015.

Moreover, pursuant to the deeds of undertaking dated 11 March 2013 in connection with the acquisition of this subsidiary's parent company in 2013 (the "Acquisition"), any additional taxation resulting from the subsidiary in relation to periods prior to the Acquisition will be indemnified and reimbursed entirely by its former shareholders.

29 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.

	2015	**2014**
	US$'000	*US$'000*
Profit attributable to owners of the Company	12,769	21,574
Weighted average number of ordinary shares in issue (thousands)	1,034,113	1,034,113
Basic earnings per share (US cents per share)	1.2	2.1

(b) Diluted

Diluted earnings per share for the year ended 31 December 2015 and 2014 is the same as the basic earnings per share as there were no potential dilutive ordinary shares outstanding during the years.

30 DIVIDENDS

	2015	**2014**
	US$'000	*US$'000*
Interim dividend paid of US 0.213 cents or equivalent to HK 1.65 cents (2014: US 0.476 cents) per ordinary share	2,203	4,922
Proposed final dividend of US 0.157 cents or equivalent to HK 1.22 cents (2014: US 0.632 cents) per ordinary share	1,624	6,536
	3,827	11,458

At a meeting held on 24 March 2016, the directors recommended the payment of a final dividend of US$0.157 cent per ordinary share, totaling US$1,624,000. Such dividend is to be approved by the shareholders at the annual general meeting of the Company on 24 March 2016. This proposed dividend is not reflected as dividends payable in these financial statements, but will be reflected as an appropriation of retained earnings for the year ended 31 December 2015.

31 CASH GENERATED FROM OPERATIONS

	2015 *US$'000*	2014 *US$'000*
Profit before income tax	17,527	19,356
Adjustments for:		
Share of losses of joint ventures	269	860
Share of profit of an associated company	(6)	(28)
Finance expense *(Note 27)*	2,137	3,102
Finance income *(Note 27)*	(3,056)	(4,678)
Impairment loss on goodwill *(Note 9)*	—	20,960
Fair value gains on derivative financial instruments *(Note 24)*	(89)	(575)
Amortization of intangible assets *(Note 9)*	2,597	4,267
Amortization of land use rights *(Note 6)*	315	326
Depreciation of property, plant and equipment *(Note 7)*	16,713	19,587
Depreciation of investment properties *(Note 8)*	801	758
Losses/(gains) on disposals of property, plant and equipment — net	95	(134)
Impairment/write off of property, plant and equipment *(Note 7)*	—	112
Operating profit before working capital changes	37,303	63,913
Changes in working capital (excluding the effects of currency translation on consolidation):		
Inventories	17,492	2,763
Trade and other receivables	26,082	(6,228)
Trade and other payables	(18,542)	(6,641)
Derivative financial instruments	85	(141)
Retirement benefit obligations	833	920
Cash generated from operations	63,253	54,586

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

	2015 *US$'000*	2014 *US$'000*
Net book amount *(Note 7)*	895	1,391
(Losses)/gains on disposals of property, plant and equipment — net	(95)	134
Proceeds from disposals of property, plant and equipment	800	1,525

32 TRANSACTION WITH NON-CONTROLLING INTERESTS

Acquisition of additional interests in a subsidiary — On Time

On 15 June 2015, the Group acquired the remaining 40% of the issued shares of On Time International Limited and its subsidiaries (together, "On Time") for a consideration of US$5,000,000. On Time became wholly-owned subsidiaries of the Group after the transaction. The undiscounted amounts of future payments as shown in the table below are based on the scheduled repayment dates set out in the sales and purchase agreement.

	US$'000
Consideration paid on 15 June 2015	2,500
Consideration payable on	
15 June 2016	833
15 June 2017	833
15 June 2018	834
Total cash consideration as at the date of acquisition	5,000

Upon the date of acquisition, the Group derecognized the non-controlling interests of On Time amounting to US$1,079,000 and the difference between the consideration of US$4,910,000 (after the discounting effect) and the carrying amount of the non-controlling interests of US$3,831,000 was recorded in the equity attributable to the owners of the Company.

The total consideration payable has been presented on the consolidated statement of financial position as follows:

	As at 31 December 2015 *US$'000*
Total consideration payable	
Current	817
Non-current *(Note 22)*	1,593
	2,410

33 COMMITMENTS

(a) Capital commitments

As at 31 December 2015 and 2014, capital expenditure contracted for but not yet incurred is as follows:

	2015 *US$'000*	**2014** *US$'000*
Property, plant and equipment	—	264

(b) Operating lease commitments — as lessee

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

	2015	2014
	US$'000	*US$'000*
Land and buildings		
— No later than 1 year	5,697	4,405
— Later than 1 year and no later than 5 years	13,585	11,967
— Later than 5 years	11,589	2,336
	30,871	18,708
Property, plant and equipment		
— No later than 1 year	101	107
— Later than 1 year and no later than 5 years	46	75
	147	182

(c) Operating lease commitments — as lessor

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

	2015	2014
	US$'000	*US$'000*
Land and buildings		
— No later than 1 year	1,374	1,278
— Later than 1 year and no later than 5 years	4,573	5,440
— Later than 5 years	937	1,289
	6,884	8,007

The Company has no other material commitments as at 31 December 2015 and 2014.

34 RELATED-PARTY TRANSACTIONS

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

(a) Transactions with related parties

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

(i) Provisions of goods and services

	2015 *US$'000*	2014 *US$'000*
Management fee income from related companies	178	127
Commission income from related companies	723	625
Freight forwarding and logistics service income from related companies	747	846
Rental income from related companies	504	504
Service income from		
— related companies	407	440
— joint ventures	130	137
	537	577
Recharge of material costs and other expenses to		
— related companies	1,108	1,689
— joint ventures	6,506	789
	7,614	2,478
Sales of apparels, textile products and accessories to a related company	2,919	93

(ii) Purchases of goods and services

	2015	2014
	US$'000	*US$'000*
Rental expenses for occupying office premises, warehouses and staff quarters charged by related companies	1,532	1,460
Professional and technological support service fees to related companies	2,719	2,258
Subcontracting fee charged by joint ventures	658	2,605
Recharge of material costs and other expenses by		
— related companies	723	847
— joint ventures	413	17
	1,136	864
Purchase of materials from		
— related companies	35	29
— joint ventures	6,049	2,974
	6,084	3,003
Other services fee charged by joint ventures	1,158	—
Medical benefits & other employee related expenses charged by related companies	348	231

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

(b) Year-end balances arising from sales/purchases of goods/services — current portion

	2015	2014
	US$'000	*US$'000*
Amounts due from related parties *(Note 16)*		
— Joint ventures	24,328	21,221
— Related companies	2,001	3,125
Amounts due to related parties *(Note 22)*		
— Joint ventures	3,235	56
— Related companies	2,124	2,730

The amounts due from joint ventures and related parties arise mainly from non-trade transactions. They are unsecured, interest-free and repayable on demand, except for an amount due from a joint venture of US$15,562,000 (2014: US$19,967,000) which is interest-bearing.

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

The amounts due to related parties are unsecured, interest-free and repayable on demand. The carrying amounts of these balances approximate their fair values and are denominated in US$.

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

	2015	2014
	US$'000	*US$'000*
Loan to a joint venture:		
At 1 January	7,601	13,655
Effective interest income	466	2,436
Reclassification to current-portion	—	(9,130)
Exchange (loss)/gain	(320)	640
At 31 December	7,747	7,601

Amount due from a joint venture is unsecured, non-interest bearing and not repayable within the next twelve months.

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

(d) Key management compensation

	2015	2014
	US$'000	*US$'000*
Basic salaries and allowance	5,336	4,652
Bonus	4,344	4,672
Pension scheme contributions	43	40
	9,723	9,364

(e) Banking facilities

As at 31 December 2015, certain banking facilities of the Group to the extent of US$476,107,000 (2014: US$533,208,000) were supported by corporate guarantees given by the Company.

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

35 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

		2015	2014
		US$'000	*US$'000*
ASSETS			
Non-current asset			
Investments in subsidiaries		208,176	208,176
Current assets			
Amounts due from subsidiaries		3,000	7,000
Deposits, prepayments and other current assets		31	31
Cash and bank balances		2,702	1,725
Total current assets		5,733	8,756
Total assets		213,909	216,932
EQUITY			
Equity attributable to owners of the Company			
Share capital		10,341	10,341
Other reserves	*(a)*	195,603	195,603
Retained earnings	*(a)*	6,260	10,108
Total equity		212,204	216,052
LIABILITY			
Current liability			
Other payables and accruals		1,705	880
Total liabilities		1,705	880
Total equity and liabilities		213,909	216,932

(a) Reserve movement of the Company

	Retained earnings	Other reserves	Total
	US$'000	*US$'000*	*US$'000*
At 1 January 2014	13,149	195,603	208,752
Profit for the year	10,909	—	10,909
Dividends paid relating to 2013	(13,950)	—	(13,950)
At 31 December 2014	10,108	195,603	205,711
At 1 January 2015	10,108	195,603	205,711
Profit for the year	4,891	—	4,891
Dividends paid relating to 2014	(8,739)	—	(8,739)
At 31 December 2015	6,260	195,603	201,863

36 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and senior management's emoluments

The remuneration of every director for the year ended 31 December 2015 is set out below:

Name of director	Fees	Salary	Discretionary bonuses	Other benefits *(Note i)*	Employer's contribution to pension scheme	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Executive directors						
Dr. Tan Siu Lin *(Chairman)*	—	113	—	—	—	113
Dr. Tan Henry *(Chief Executive Officer)*	—	466	372	—	2	840
Mr. Tan Cho Lung, Raymond	—	339	520	—	2	861
Ms. Mok Siu Wan, Anne	19	470	705	—	2	1,196
Non-executive directors						
Mr. Tan Willie	19	—	—	163	—	182
Mr. Lu Chin Chu	19	—	—	—	—	19
Independent non-executive directors						
Mr. Chan Henry	19	—	—	—	—	19
Mr. Cheung Siu Kee	19	—	—	—	—	19
Mr. Seing Nea Yie	19	—	—	—	—	19

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

Name of director	Fees	Salary	Discretionary bonuses	Other benefits *(Note i)*	Employer's contribution to pension scheme	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Executive directors						
Dr. Tan Siu Lin *(Chairman)*	—	113	—	—	—	113
Dr. Tan Henry *(Chief Executive Officer)*	—	466	762	—	2	1,230
Mr. Tan Cho Lung, Raymond	—	339	802	36	2	1,179
Ms. Mok Siu Wan, Anne	19	470	741	—	2	1,232
Non-executive directors						
Mr. Tan Willie	19	—	—	163	—	182
Mr. Lu Chin Chu	19	—	—	—	—	19
Independent non-executive directors						
Mr. Chan Henry	19	—	—	—	—	19
Mr. Cheung Siu Kee	19	—	—	—	—	19
Mr. Seing Nea Yie	19	—	—	—	—	19

Note:

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

During the year ended 31 December 2015, none of the directors of the Company waived any emoluments paid or payable by the Group companies during the year (2014: Nil) and there was no amounts paid or payable by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office (2014: Nil).

(b) Directors' retirement benefits and termination benefits

None of the directors received or will receive any retirement benefits or termination benefits during the financial year (2014: Nil).

(c) Consideration provided to third parties for making available directors' services

During the year ended 31 December 2015, the Company did not pay consideration to any third parties for making available directors' services (2014: Nil).

(d) Information about loans, quasi-loans and other dealings in favor of directors, controlled bodies corporate by and controlled entities with such directors

As at 31 December 2015, there are no loans, quasi-loans and other dealing arrangements in favor of directors, controlled bodies corporate by and controlled entities with such directors (2014: Nil).

(e) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the financial year (2014: Nil).

C. UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENT OF THE GROUP

Set out below is reproduction of the text of the unaudited condensed consolidated financial statements of the Group together with the accompanying notes contained in the interim report of the Group for the six months ended 30 June 2016 (the "Interim Report"). Capitalized terms used in this section have the same meanings as those defined in the Interim Report.

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30 June	
		2016	**2015**
	Note	*US$'000*	*US$'000*
		(Unaudited)	(Unaudited)
			(Restated)
			Note 26
Revenue	*6*	473,610	521,424
Cost of sales		(392,748)	(443,143)
Gross profit		80,862	78,281
Other (losses)/gains, net	*17*	(970)	147
Other income — rental income		673	621
Selling and distribution expenses		(2,489)	(1,703)
General and administrative expenses		(64,409)	(67,785)
Operating profit	*18*	13,667	9,561
Finance income	*19*	1,288	1,590
Finance costs	*19*	(1,050)	(1,138)
Finance income, net	*19*	238	452
Share of gain/(loss) of an associated company		12	(7)
Share of losses of joint ventures		(3,323)	(1,043)
Profit before income tax		10,594	8,963
Income tax expense	*20*	(2,302)	(1,204)
Profit for the period		8,292	7,759
Profit attributable to:			
Owners of the Company		8,362	7,358
Non-controlling interests		(70)	401
		8,292	7,759
Earnings per share attributable to owners of the Company, expressed in US cents per share			
— Basic and diluted	*21*	0.81	0.71

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2016	**2015**
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Profit for the period	8,292	7,759
Other comprehensive income		
Item that may be reclassified to profit or loss:		
Currency translation differences	(1,131)	478
Total comprehensive income for the period	7,161	8,237
Total comprehensive income for the period attributable to:		
— Owners of the Company	7,242	7,842
— Non-controlling interests	(81)	395
	7,161	8,237

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 30 June 2016 US$'000 (Unaudited)	As at 31 December 2015 US$'000 (Audited)
ASSETS			
Non-current assets			
Land use rights	8	10,439	10,695
Property, plant and equipment	8	100,123	104,351
Investment properties	8	5,976	6,504
Intangible assets	8	46,215	47,513
Interest in an associated company		424	412
Interests in joint ventures	13	10,962	14,590
Amount due from a joint venture	24(c)	7,810	7,747
Deferred income tax assets		954	938
Other non-current assets		6,010	6,681
Prepayment for acquisition of interest in a joint venture	13	3,600	—
Total non-current assets		192,513	199,431
Current assets			
Inventories	9	96,288	92,778
Trade and other receivables	10	220,332	207,436
Prepaid income tax		7,320	6,080
Derivative financial instruments		122	78
Cash and bank balances		166,542	178,275
Total current assets		490,604	484,647
Total assets		683,117	684,078

	Note	As at 30 June 2016 US$'000 (Unaudited)	As at 31 December 2015 US$'000 (Audited)
EQUITY			
Equity attributable to owners of the Company			
Share capital	11	10,341	10,341
Other reserves	12	130,747	131,867
Retained earnings		245,170	238,432
		386,258	380,640
Non-controlling interests		1,846	1,927
Total equity		388,104	382,567
LIABILITIES			
Non-current liabilities			
Borrowings	15	2,385	2,459
Other payables	16	804	1,593
Retirement benefit obligations		10,204	9,338
Deferred income tax liabilities		5,483	5,519
Total non-current liabilities		18,876	18,909
Current liabilities			
Trade and other payables	16	194,646	201,731
Borrowings	15	72,289	73,469
Derivative financial instruments		—	17
Current income tax liabilities		9,202	7,385
Total current liabilities		276,137	282,602
Total liabilities		295,013	301,511
Total equity and liabilities		683,117	684,078

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited						
	Attributable to owners of the Company						
	Share capital	Share premium	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Balance at 1 January 2016	10,341	124,039	7,828	238,432	380,640	1,927	382,567
Profit for the period	—	—	—	8,362	8,362	(70)	8,292
Other comprehensive income:							
Currency translation differences	—	—	(1,120)	—	(1,120)	(11)	(1,131)
Total comprehensive income for the period ended 30 June 2016	—	—	(1,120)	8,362	7,242	(81)	7,161
Total transactions with owners of the Company, recognized directly within equity							
Dividends paid	—	—	—	(1,624)	(1,624)	—	(1,624)
Total transactions with owners of the Company	—	—	—	(1,624)	(1,624)	—	(1,624)
Balance at 30 June 2016	10,341	124,039	6,708	245,170	386,258	1,846	388,104
Balance at 1 January 2015	10,341	124,039	11,713	234,402	380,495	2,312	382,807
Profit for the period	—	—	—	7,358	7,358	401	7,759
Other comprehensive income:							
Currency translation differences	—	—	484	—	484	(6)	478
Total comprehensive income for the period ended 30 June 2015	—	—	484	7,358	7,842	395	8,237
Total transactions with owners of the Company, recognized directly within equity							
Acquisition of additional interest in a subsidiary *(Note 14)*	—	—	(3,831)	—	(3,831)	(1,079)	(4,910)
Dividends paid	—	—	—	(6,536)	(6,536)	—	(6,536)
Total transactions with owners of the Company	—	—	(3,831)	(6,536)	(10,367)	(1,079)	(11,446)
Balance at 30 June 2015	10,341	124,039	8,366	235,224	377,970	1,628	379,598

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Six months ended 30 June 2016 US$'000 (Unaudited)	Six months ended 30 June 2015 US$'000 (Unaudited)
Cash flows from operating activities			
Cash generated from operations		2,206	8,320
Interest paid	*19*	(1,050)	(1,138)
Income tax paid		(1,777)	(3,726)
Net cash (used in)/generated from operating activities		(621)	3,456
Cash flows from investing activities			
Purchases of property, plant and equipment	*8*	(5,945)	(6,423)
Decrease in bank deposits maturing beyond 3 months		2,440	2,790
Proceeds from disposals of property, plant and equipment		680	336
Acquisition of additional interest in a subsidiary	*14*	(833)	(2,500)
Investment in a joint venture	*13*	—	(2,548)
Prepayment for the acquisition of additional interest in joint venture	*13*	(3,600)	—
Interest received	*19*	420	649
Decrease/(increase) in other non-current assets		671	(393)
Net cash used in investing activities		(6,167)	(8,089)
Net cash used before financing activities		(6,788)	(4,633)
Cash flows from financing activities			
Net decrease in borrowing		(1,254)	(52,896)
Dividends paid to the Company's shareholders		(1,624)	(6,536)
Net cash used in financing activities		(2,878)	(59,432)
Net decrease in cash and cash equivalents		(9,666)	(64,065)
Cash and cash equivalents at beginning of the period		175,835	214,494
Effect of foreign exchange rate change		373	144
Cash and cash equivalents at end of the period		166,542	150,573

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 GENERAL INFORMATION

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

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

The Company has its primary listing on the Main Board of the Stock Exchange of Hong Kong Limited.

This condensed consolidated interim financial information is presented in United States dollars ("US$"), unless otherwise stated. This condensed consolidated interim financial information has been approved for issue by the Board of Directors on 29 August 2016.

This condensed consolidated interim financial information has been reviewed, not audited.

2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2016 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim financial reporting". The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2015, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

In the current year, management has revisited the Group's operating activities and merged casual and fashion apparel and life-style apparel as one business segment of the Group's principal activities. Management believes that the change in presentation will result in a more appropriate presentation of the financial information of the Group. The change in presentation has been accounted for retrospectively and segment information in prior period has been restated.

3 ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2015, as described in those annual statements.

New and amended standards relevant to and adopted by the Group

The following new and amended standards have been adopted by the Group for the first time for the financial period beginning on or after 1 January 2016:

- HKFRS 14 "Regulatory Deferral Accounts"
- Amendment to HKFRS 11 "Accounting for acquisitions of interests in joint operations"
- Amendments to HKAS 16 and HKAS 38 "Clarification of acceptable methods of depreciation and amortization"

- Amendments to HKAS 16 and HKAS 41 "Agriculture: bearer plants"
- Amendment to HKAS 27 "Equity method in separate financial statements"
- Annual improvements 2012–2014 cycle
- Amendments to HKFRS 10, HKFRS 12 and HKAS 28 "Investment entities: applying the consolidation exception"
- Amendments to HKAS 1 "Disclosure initiative"

The adoption of the above new or amended standards or interpretations did not have a material impact on the Group's condensed consolidated interim financial information.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

There are no other new or amended standards or interpretations that are effective for the first time for this interim period and are relevant to the Group.

The Group has not adopted any new or amended standards or interpretations that are not yet effective for this interim period.

4 ESTIMATES

The preparation of this condensed consolidated interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2015.

5 FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2015.

There have been no changes in the risk management policies since year end.

5.2 Fair value estimation

The table below analyzes the Group's financial assets/(liabilities) that are carried at fair value, by valuation method, as at 30 June 2016 and 31 December 2015. The different levels 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)

	Level 1	Level 2	Level 3	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*
As at 30 June 2016				
Assets				
Derivative financial instruments	—	122	—	122
Liabilities				
Derivative financial instruments	—	—	—	—

	Level 1	Level 2	Level 3	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*
As at 31 December 2015				
Assets				
Derivative financial instruments	—	78	—	78
Liabilities				
Derivative financial instruments	—	(17)	—	(17)

There were no changes in valuation techniques during the period.

5.3 Valuation technique used to derive Level 2 fair values

Level 2 trading and hedging derivatives comprise forward foreign exchange contracts and interest rate swaps. Forward foreign exchange contracts have been fair valued using forward exchange rates that are quoted in an active market. Interest rate swaps are fair valued using forward interest rates extracted from observable yield curves. The effects of discounting are generally insignificant for Level 2 derivatives.

5.4 Fair value of financial assets and liabilities measured at amortized cost

The fair values of the trade and other receivables, cash and bank balances, borrowings, and trade and other payables as at 30 June 2016 approximate their carrying amounts.

5.5 Liquidity risk

Compared to year end, there have been no material changes to the policies and practices for the Group's liquidity and funding risks management as described in the annual financial statements for the year ended 31 December 2015.

6 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 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 Group's chief operating decision maker. The Executive Directors have determined the operating segments based on the information 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, sweaters, accessories, freight forwarding and logistics services and real estate development.

In the current period, management revisited the Group's operating activities and decided to merge casual and fashion apparel and life-style apparel as one business segment of the Group's principal activities. The Group is organized on a worldwide basis into five main business segments:

(1) Casual and fashion apparel

(2) Sweaters

(3) Accessories

(4) Freight forwarding/logistics services

(5) Real estate

The segment information provided to the Executive Directors for the reportable segments for the six months ended 30 June 2016 and 2015 is as follows:

	Casual and fashion apparel	Sweaters	Accessories	Freight forwarding/ logistics services	Real estate	Total Group
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Six months ended 30 June 2016						
Total segment revenue	299,336	29,220	153,023	11,161	—	492,740
Inter-segment revenue	—	—	(18,907)	(223)	—	(19,130)
Revenue (from external customers)	299,336	29,220	134,116	10,938	—	473,610
Segment profit/(loss) for the period	9,510	(2,046)	6,156	1,899	(2,118)	13,401
Profit/(loss) for the period includes:						
Depreciation and amortization *(Note 8)*	(5,831)	(1,010)	(2,529)	(375)	—	(9,745)
Share of gain of an associated company	—	—	—	12	—	12
Share of losses of joint ventures	(1,371)	—	—	—	(1,952)	(3,323)
Income tax expense *(Note 20)*	(1,777)	(34)	(180)	(311)	—	(2,302)

	Casual and fashion apparel US$'000 (Unaudited) (Restated)	Sweaters US$'000 (Unaudited) (Restated)	Accessories US$'000 (Unaudited) (Restated)	Freight forwarding/ logistics services US$'000 (Unaudited) (Restated)	Real estate US$'000 (Unaudited) (Restated)	Total Group US$'000 (Unaudited) (Restated)
Six months ended 30 June 2015						
Total segment revenue	344,679	32,855	133,479	11,384	—	522,397
Inter-segment revenue	—	(600)	—	(373)	—	(973)
Revenue (from external customers)	344,679	32,255	133,479	11,011	—	521,424
Segment profit/(loss) for the period	7,504	(1,778)	5,806	1,485	592	13,609
Profit/(loss) for the period includes:						
Reversal of provision for claims on materials	2,641	—	—	—	—	2,641
Depreciation and amortization *(Note 8)*	(6,576)	(1,138)	(2,337)	(456)	—	(10,507)
Share of loss of an associated company	—	—	—	(7)	—	(7)
Share of losses of joint ventures	(614)	—	—	—	(429)	(1,043)
Income tax expense *(Note 20)*	(785)	(269)	(5)	(145)	—	(1,204)

Revenues between segments are carried out in accordance with the terms mutually agreed between the respective parties and are equivalent to those that prevail in arm's length transactions. The revenue from external parties is derived from numerous external customers and the revenue reported to management is measured in a manner consistent with that in the condensed consolidated income statement. Management assesses the performance of the operating segments based on a measure of profit before corporate expenses for the period.

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

	Six months ended 30 June 2016 US$'000 (Unaudited)	2015 US$'000 (Unaudited)
Segment profit for the period	13,401	13,609
Unallocated corporate expenses *(Note)*	(5,109)	(5,850)
Profit for the period	8,292	7,759

Note:

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

	Six months ended 30 June	
	2016	**2015**
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
		(Restated)
Analysis of revenue by category		
Sales of garment, textile products and accessories	455,315	508,219
Freight forwarding and logistics service fee	10,938	11,011
Other service revenue	7,357	2,194
Total revenue	473,610	521,424

7 SEASONALITY OF OPERATIONS

The sales for sweaters are subject to seasonal fluctuations, with peak demand in the second half of the year which is due to seasonal weather conditions. During the year ended 31 December 2015, 30% of revenues accumulated in the first half of the year (2014: 30%), with 70% accumulating in the second half of the year (2014: 70%).

8 LEASEHOLD LAND AND LAND USE RIGHTS, PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTIES AND INTANGIBLE ASSETS

	Intangible assets						
	Goodwill	**Customer relationship**	**Total intangible assets**	**Investment properties**	**Property, plant and equipment**	**Land use rights**	**Total**
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Six months ended 30 June 2016							
Opening net book amount as at 1 January 2016	35,968	11,545	47,513	6,504	104,351	10,695	169,063
Additions	—	—	—	—	5,945	—	5,945
Disposals and write-off	—	—	—	—	(1,037)	—	(1,037)
Depreciation and amortization	—	(1,298)	(1,298)	(379)	(7,907)	(161)	(9,745)
Exchange differences	—	—	—	(149)	(1,229)	(95)	(1,473)
Closing net book amount as at 30 June 2016	35,968	10,247	46,215	5,976	100,123	10,439	162,753

	Intangible assets						
	Goodwill	Customer relationship	Total intangible assets	Investment properties	Property, plant and equipment	Leasehold land and land use rights	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Six months ended 30 June 2015							
Opening net book amount as at 1 January 2015	35,968	14,142	50,110	6,827	111,344	11,205	179,486
Additions	—	—	—	—	6,423	—	6,423
Disposals and write-off	—	—	—	—	(1,260)	—	(1,260)
Depreciation and amortization	—	(1,298)	(1,298)	(320)	(8,725)	(164)	(10,507)
Exchange differences	—	—	—	10	309	9	328
Closing net book amount as at 30 June 2015	35,968	12,844	48,812	6,517	108,091	11,050	174,470

9 INVENTORIES

	As at 30 June 2016	As at 31 December 2015
	US$'000	*US$'000*
	(Unaudited)	(Audited)
Raw materials	33,570	38,120
Work in progress	53,359	39,365
Finished goods	9,359	15,293
	96,288	92,778

10 TRADE AND OTHER RECEIVABLES

	As at 30 June 2016	As at 31 December 2015
	US$'000	*US$'000*
	(Unaudited)	(Audited)
Trade and bills receivable, net	165,565	162,004
Deposits, prepayments and other receivables	24,033	19,103
Amounts due from related companies *(Note 24(c))*	3,305	2,001
Amounts due from joint ventures *(Note 24(c))*	27,429	24,328
	220,332	207,436

	As at 30 June 2016 US$'000 (Unaudited)	As at 31 December 2015 US$'000 (Audited)
Trade and bills receivable	166,101	164,257
Less: provision for impairment of trade and bills receivable	(536)	(2,253)
Trade and bills receivable, net	165,565	162,004

The Group normally grants credit terms to its customers up to 120 days. The ageing analysis by due date of trade and bill receivables net of provision for impairment is as follows:

	As at 30 June 2016 US$'000 (Unaudited)	As at 31 December 2015 US$'000 (Audited)
Current	135,859	121,427
1 to 30 days	15,521	24,945
31 to 60 days	7,984	8,304
61 to 90 days	1,517	1,634
91 to 120 days	100	889
Over 120 days	4,584	4,805
Amounts past due but not impaired	29,706	40,577
	165,565	162,004

The impairment provision was approximately US$536,000 as at 30 June 2016 (31 December 2015: US$2,253,000). The provision made during the period has been included in general and administrative expenses in the condensed consolidated income statement.

Except for an amount due from a joint venture of US$16,104,000 (31 December 2015: US$15,562,000) which is non-trade in nature and interest-bearing (note 24(c)), amounts due from related parties and joint ventures are unsecured, interest-free, repayable on demand and of trade in nature. They are neither past due nor impaired and have no past default history.

11 SHARE CAPITAL

	Number of shares '000 (Unaudited)	Nominal value US$'000 (Unaudited)
Issued and fully paid — ordinary shares of US$0.01 each		
As at 31 December 2015 and 30 June 2016	1,034,113	10,341

Share option

Compared to year end, there has been no change in the status of the Group's share option scheme. As at 30 June 2016 and 31 December 2015, there is no outstanding share option under the share option scheme. No share options have been granted or vested during the period ended 30 June 2016.

12 OTHER RESERVES

	Share premium	Capital reserve (Note (i))	Other capital reserves (Note (ii))	Employment benefit reserve	Exchange reserve	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
As at 1 January 2016	124,039	7,891	(4,799)	(40)	4,776	131,867
Currency translation differences	—	—	—	—	(1,120)	(1,120)
As at 30 June 2016	124,039	7,891	(4,799)	(40)	3,656	130,747
As at 1 January 2015	124,039	11,722	(4,799)	(717)	5,507	135,752
Acquisition of additional interest in a subsidiary *(Note 14)*	—	—	(3,831)	—	—	(3,831)
Currency translation differences	—	—	—	—	484	484
As at 30 June 2015	124,039	11,722	(8,630)	(717)	5,991	132,405

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 (i) the initial recognition of the financial liabilities in relation to the put options granted to the minority shareholders and the subsequent derecognition of such financial liabilities upon the put options are exercised, expired or terminated; and (ii) the difference between the amount by which the non-controlling interests are acquired and the fair value of the consideration paid.

13 INTERESTS IN JOINT VENTURES

	Six months ended 30 June 2016	2015
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Beginning of the period	14,590	12,847
Addition	—	2,548
Elimination of intercompany transactions	(274)	(297)
Share of post-tax losses of joint ventures	(3,323)	(1,043)
Share of exchange reserve	(31)	32
End of the period	10,962	14,087

Note:

On 24 May 2016, the Group entered into an agreement to acquire additional 16.66% equity interest of Thien Nam Sunrise Textile Joint Stock Company ("TNS"), a joint venture of the Group which is incorporated in Vietnam, for a consideration of US$4,500,000. The transaction has not been completed as at 30 June 2016 and the Group has paid US$3,600,000 as prepayment for the acquisition. Upon completion, the Group will have 50% of equity interest in TNS.

14 TRANSACTION WITH NON-CONTROLLING INTERESTS

Acquisition of additional interest in a subsidiary — On Time

On 15 June 2015, The Group acquired the remaining 40% of the issued shares of On Time International Limited and its subsidiaries (together, the "On Time") for a consideration of US$5,000,000. On Time after the transaction became a wholly-owned subsidiaries of the Group. The undiscounted amounts of future payments as shown in the table below are based on the scheduled repayment dates set out in the sales and purchase agreement:

	US$'000 (Unaudited)
Consideration paid on 15 June 2015	2,500
Consideration payable on	
15 June 2016	833
15 June 2017	833
15 June 2018	834
Total cash consideration as at the date of acquisition	5,000

Upon the date of acquisition, the Group derecognized the non-controlling interests of On Time amounting to US$1,079,000 and the difference between the consideration of US$4,910,000 (after the discounting effect) and the carrying amount of the non-controlling interests of US$3,831,000 was recorded in the equity attributable to the owners of the Company.

The total consideration payable has been presented on the consolidated statement of financial position as follows:

	As at 30 June 2016 *US$'000* (Unaudited)	**As at 31 December 2015** *US$'000* (Audited)
Total consideration payable		
Current	819	817
Non-current *(Note 16)*	804	1,593
	1,623	2,410

15 BORROWINGS

	As at 30 June 2016 *US$'000* (Unaudited)	As at 31 December 2015 *US$'000* (Audited)
Non-current		
Bank borrowings	2,385	2,459
	2,385	2,459
Current		
Trust receipt bank loans	32,109	27,605
Portion of bank borrowings due for repayment within one year	6,573	9,267
Portion of bank borrowings due for repayment after one year which contain a repayment on demand clause	33,607	36,597
	72,289	73,469
Total borrowings	74,674	75,928

16 TRADE AND OTHER PAYABLES

	As at 30 June 2016 *US$'000* (Unaudited)	As at 31 December 2015 *US$'000* (Audited)
Trade and bills payable	85,400	94,046
Other payables and accruals	103,836	103,919
Amounts due to related companies *(Note 24(c))*	1,038	2,124
Amounts due to joint ventures *(Note 24(c))*	5,176	3,235
	195,450	203,324
Less: non-current *(Note 14)*	(804)	(1,593)
Trade and other payables, current	194,646	201,731

As at 30 June 2016 and 31 December 2015, the ageing analysis of the trade and bills payable based on the invoice date is as follows:

	As at 30 June 2016	As at 31 December 2015
	US$'000	*US$'000*
	(Unaudited)	(Audited)
0 to 30 days	77,457	77,666
31 to 60 days	1,856	6,590
61 to 90 days	1,675	2,374
Over 90 days	4,412	7,416
	85,400	94,046

17 OTHER (LOSSES)/GAINS, NET

	Six months ended 30 June	
	2016	**2015**
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Net unrealized gains on forward foreign exchange contracts	122	11
Net realized gains on forward foreign exchange contracts	64	471
Net foreign exchange losses	(1,156)	(335)
	(970)	147

18 OPERATING PROFIT

The following items have been charged/(credited) to the operating profit during the period:

	Six months ended 30 June	
	2016	**2015**
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Amortization of leasehold land and land use rights *(Note 8)*	161	164
Amortization of intangible assets *(Note 8)*	1,298	1,298
Depreciation of property, plant and equipment *(Note 8)*	7,907	8,725
Depreciation of Investment properties *(Note 8)*	379	320
Loss on disposals of property, plant and equipment	357	924
(Reversal of)/provision for impairment of receivables	(28)	84
Provision for inventory obsolescence	217	465
Reversal of provision for claims on materials	—	(2,641)

19 FINANCE INCOME, NET

	Six months ended 30 June 2016	2015
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Interest expense on bank loans and overdrafts	(1,050)	(1,138)
Finance costs	(1,050)	(1,138)
Interest income from bank deposits	420	649
Effective interest income from amount due from a joint venture	868	941
Finance income	1,288	1,590
Finance income, net	238	452

20 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profit for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

	Six months ended 30 June 2016	2015
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Current income tax	2,354	1,334
Deferred income tax credit	(52)	(130)
	2,302	1,204

Notes:

(i) The Inland Revenue Department ("IRD") has been reviewing the eligibility of a Hong Kong incorporated subsidiary's 50% or 100% offshore profits claim for previous years as well as reviewing the business and operations of a Macao incorporated subsidiary on the basis of where its operations were carried out.

In respect of the Hong Kong incorporated subsidiary, the IRD tentatively disallowed the 50% or 100% offshore profits claim for the previous years and issued notices of additional assessments/assessments for the years of assessment 2000/01 to 2012/13 on the basis of no 50:50 apportionment for 2000/01 to 2011/12 and no 100% offshore profit for 2012/13 with the amount of US$3,812,000.

In respect of the Macao incorporated subsidiary, the IRD has issued estimated assessments for the years of assessment 2005/06 to 2008/09 based on this subsidiary's profit before taxation with the amount of US$3,902,000.

These subsidiaries have lodged objection against the above assessments by the statutory deadlines and, pending settlement of the objections, they have paid a total sum of US$7,088,000 (31 December 2015: US$5,721,000) in the form of tax reserve certificates in respect of the tax in dispute as mentioned above and the amount paid was included in prepayments in the condensed consolidated statement of financial position as at 30 June 2016.

Management has thoroughly revisited the situations and concluded that there are grounds for the Hong Kong incorporated subsidiary to sustain its 50% or 100% offshore tax filing position and for the Macao incorporated subsidiary to argue its entire profits are not subject to Hong Kong profits tax based on their business operations. Management considers adequate provision has been made as at 30 June 2016. In fact, any additional taxation claims in relation to periods prior to June 2004 will be indemnified and reimbursed entirely by certain shareholders of the Company in accordance with the deeds 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.

(ii) In prior year, an overseas tax authority performed a comprehensive assessment on an overseas incorporated subsidiary's tax position for the years ended 31 December 2011 and 2012 and issued a tax assessment to demand an additional tax payment of US$3,585,000. This subsidiary has lodged an objection letter to this overseas tax authority. Management believes that it has grounds to defend its tax position since there are various interpretations of tax rules in that country and this tax authority did not provide a clear calculation basis for the additional tax payment. As a result, no additional tax provision was made as at 30 June 2016 (31 December 2015: Nil).

Moreover, pursuant to the deeds of undertaking dated 11 March 2013 in connection with the acquisition of this subsidiary's parent company in 2013 (the "Acquisition"), any additional taxation resulting from the subsidiary in relation to periods prior to the Acquisition will be indemnified and reimbursed entirely by its former shareholders.

(iii) During the period, a PRC tax authority performed a transfer pricing audit on a PRC incorporated subsidiary's tax position for the years ended 31 December 2006 to 2014 and issued an initial tax assessment proposal with an additional tax payment and interest on the additional tax of US$2,153,000. The subsidiary has lodged an objection letter to the PRC tax authority. Management believes that it has grounds to defend its tax position and negotiate with the PRC tax authority as the proposal is not regarded as a final tax assessment. Management considers the provision is adequate as at 30 June 2016.

21 EARNINGS PER SHARE

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 period.

(a) Basic

	Six months ended 30 June	
	2016	**2015**
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Profit attributable to owners of the Company	8,362	7,358
Weighted average number of ordinary shares in issue *(thousands)*	1,034,113	1,034,113
Basic earnings per share *(US cent per share)*	0.81	0.71

(b) Diluted

Diluted earnings per share for the six months ended 30 June 2016 and 2015 is the same as the basic earnings per share as there were no potential dilutive ordinary shares outstanding during the periods.

22 DIVIDENDS

	Six months ended 30 June 2016 *US$'000* (Unaudited)	2015 *US$'000* (Unaudited)
Interim dividend — US0.485 cent or equivalent to HK3.76 cents (2015: US0.213 cent) per ordinary share	5,015	2,203

The interim dividend of US0.485 cent per share (2015: US0.213 cent per share) was declared by the Board of Directors on 29 August 2016. This condensed consolidated interim financial information does not reflect this dividend payable.

23 COMMITMENTS

(a) Operating lease commitments — Group as lessee

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

	As at 30 June 2016 *US$'000* (Unaudited)	As at 31 December 2015 *US$'000* (Audited)
Land and buildings		
— Not later than 1 year	7,483	5,697
— Later than 1 year and no later than 5 years	14,152	13,585
— Later than 5 years	9,920	11,589
	31,555	30,871
Property, plant and equipment		
— Not later than 1 year	45	101
— Later than 1 year and no later than 5 years	76	46
— Later than 5 years	6	—
	127	147

(b) Operating lease commitments — Group as lessor

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

	As at 30 June 2016 US$'000 (Unaudited)	As at 31 December 2015 US$'000 (Audited)
Land and buildings		
— Not later than 1 year	1,359	1,374
— Later than 1 year and no later than 5 years	3,981	4,573
— Later than 5 years	770	937
	6,110	6,884

(c) Capital commitments

As at 1 January and 30 June 2016, the Group has no material capital commitments.

24 RELATED-PARTY TRANSACTIONS

(a) Significant transactions with related parties

Capital Glory Limited, a company incorporated in the British Virgin Islands, owns 59.4% interest in the Company's equity. The Directors regard the ultimate holding company of the Company to be Helmsley Enterprises Limited, a company incorporated in Bahamas. The ultimate controlling party of the Group is Dr. Tan Henry and his close family members.

During the period, other than the transactions and balances with related parties as disclosed in respective notes in this condensed consolidated interim financial information, the Group had the following transactions with related companies, an associated company and joint ventures. Related companies are companies which are beneficially owned, or controlled, by Dr. Tan Siu Lin, Dr. Tan Henry and Mr. Tan Cho Lung, Raymond, Executive Directors of the Company, individually, jointly or collectively, or together with their close family members (collectively referred to as the "Tan's Family").

(i) Provision of goods and services

	Six months ended 30 June 2016 US$'000 (Unaudited)	2015 US$'000 (Unaudited)
Commission income from a joint venture	—	2,080
Service income from joint ventures	82	65
Recharge of material costs and other expenses to		
— related companies	594	733
— joint ventures	777	1,554
	1,371	2,287

(ii) Purchases of goods and services

	Six months ended 30 June	
	2016	**2015**
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Professional and technological support service fees to related companies	1,036	1,357
Subcontracting fee charged by joint ventures	4,193	3,111
Recharge of material costs and other expenses from		
— related companies	353	308
— joint ventures	2,867	4,757
	3,220	5,065

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

(b) Key management compensation

	Six months ended 30 June	
	2016	**2015**
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Salaries and allowances	3,490	4,292
Others	192	353
	3,682	4,645

(c) Amounts due from/(to) related companies, an associated company and joint ventures

As at 30 June 2016, the outstanding balances with the related companies and an associated company are unsecured, non-interest bearing and repayable on demand.

As at 30 June 2016, the amounts due from joint ventures of US$35,239,000 (31 December 2015: US$32,075,000) are unsecured, non-interest bearing and repayable on demand, except that an amount due from a joint venture of US$16,104,000 (31 December 2015: US$15,562,000) (note 10) is interest bearing. The non-current balance of US$7,810,000 (31 December 2015: US$7,747,000) is unsecured, non-interest bearing and repayable after twelve months.

The credit quality of these receivable 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.

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

25 CONTINGENT LIABILITIES AND LITIGATION

As at 1 January and 30 June 2016, the Group had no material contingent liabilities.

26 COMPARATIVE FIGURES

Certain comparative figures related to rental income of US$621,000 have been reclassified from revenue to other income to conform to the current period's presentation since the rental income is not derived from the Group's principal activities. There was no impact on profit for the period and earnings per share for the period ended 30 June 2016 and 2015. Condensed consolidated statement of financial position was not affected by this reclassification and no condensed consolidated statement of financial position as at 1 January 2015 was presented.

D. INDEBTEDNESS

Borrowings

As at the close of business on 31 October 2016, being the latest practicable date for the purpose of this indebtedness statement, the Group had outstanding borrowings of US$70 million, comprising long-term bank loans of US$37 million, current portion of long-term bank loans of US$3 million, bank overdrafts of US$1 million, and trust receipt bank loans of US$29 million. The bank borrowings of the Group were secured by the Group's machineries of US$3 million, certain of the Group's real estate with carrying amount of US$5 million and the corporate guarantee provided by Luen Thai Holdings Limited.

Contingent liabilities

a) At the close of business on 31 October 2016, in respect of a Hong Kong subsidiary of the Group, the Hong Kong Inland Revenue Department (the "IRD") tentatively disallowed the 50% or 100% offshore profits claim for the previous years and issued notices of additional assessments/assessments for the years of assessment 2000/01 to 2012/13 on the basis of no 50: 50 apportionment for 2000/01 to 2011/12 and no 100% offshore profit for 2012/13 with the amount of US$3,812,000. 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.

b) At the close of business on 31 October 2016, a Macao subsidiary of the Group has received notices of additional assessments/assessments from the IRD for the years of assessment 2005/06 to 2008/09, demanding for tax totalling US$3,902,000 in respect of certain income, which the directors have regarded as being not subject to Hong Kong Profits Tax. The directors have thoroughly revisited the situations and have concluded that the subsidiary company has grounds to defend that the relevant profits are not subject to Hong Kong Profits Tax. In these circumstances, the directors have filed objections to these additional assessments/assessments and consider that sufficient tax provision has been made in the financial statements.

c) At the close of business on 31 October 2016, an overseas incorporated subsidiary of the Group has received a notice of additional assessment from an overseas tax authority for the years ended 31 December 2011 and 2012, demanding for tax totalling US$3,585,000 after a comprehensive assessment on the subsidiary company was performed. The directors have thoroughly revisited the situations and have concluded that the subsidiary company has grounds to defend as there are various interpretations of tax rules in that country and this tax authority did not provide a clear calculation basis for the additional tax payment. In these circumstances, the directors have filed an objection to these additional assessments and consider that sufficient tax provision has been made in the financial statements.

d) At the close of business on 31 October 2016, a subsidiary of the Group has received a notice of additional assessment from a PRC tax authority for the years ended 31 December 2006 to 2014, demanding for tax totalling US$2,153,000 after a transfer pricing audit was performed. The directors have thoroughly revisited the situations and have concluded that the subsidiary company has grounds to defend as the amount demanded by the PRC tax authority is subject to negotiation and not regarded as a final tax assessment. In these circumstances, the directors have filed an objection to these additional assessments and consider that sufficient tax provision has been made in the financial statements.

Save as aforesaid, and apart from intra-group liabilities, none of the companies in the Group had any material debt securities, borrowings or indebtedness in the nature of borrowing including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits or other similar indebtedness, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities at the close of business on 31 October 2016.

The Directors confirm that there are no material changes in the indebtedness or contingent liabilities of the Group since 31 October 2016.

E. MATERIAL CHANGE

The Directors confirm that, there has been no material change in the financial or trading position or outlook of the Group since 31 December 2015, being the date to which the latest published audited consolidated financial statements of the Group were made, up to and including the Latest Practicable Date. The Directors have taken into account the following factors, when reviewing if there has been any material change to the financial performance and position of the Group which took place on or before the Latest Practicable Date:

1. the Group's announcement dated 3 January 2017 in respect of the disposal of certain business and properties which has been completed on 31 December 2016. As disclosed in the circular dated 14 December 2016, the Directors estimated that the Group would record a gain from disposal of approximately US$14.0 million; and

2. the Group has recorded an increase in the working capital commitment as of 30 November 2016 as compared to the working capital commitment as at 31 December 2015.

1. RESPONSIBILITY STATEMENT

This Composite Document includes particulars given in compliance with the Listing Rules and the Takeovers Code for the purpose of giving information with regard to the Company and the Offeror.

As at the date of this Composite Document, the executive Directors of the Company are Dr. Tan Siu Lin, Dr. Henry Tan, Mr. Tan Cho Lung, Raymond, Ms. Mok Siu Wan, Anne; the non-executive Directors of the Company are Mr. Tan Willie and Mr. Lu Chin Chu; and the independent non-executive Directors of the Company are Mr. Chan Henry, Mr. Cheung Siu Kee and Mr. Seing Nea Yie.

The issue of this Composite Document has been approved by the Directors of the Company, who jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than any information relating to the Offeror and other members of the Offeror Group and any parties acting in concert with any of them) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than those expressed by the Offeror and other members of the Offeror Group and any parties acting in concert with any of them) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document the omission of which would make any statements in this Composite Document misleading.

As at the date of this Composite Document, the directors of the Offeror are Wang Guoming and Wang Liping and the directors of the Offeror Parent are Tong Jisheng, Shen Qing, Ma Yunya, Zhu Yong, Wu Guangyu, Liu Xiaoyun and Xu Wei. The issue of this Composite Document has been approved by the directors of the Offeror and by the directors of the Offeror Parent, who jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than any information relating to the Company or any of its associates or any parties acting in concert with any of them) and confirms, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than those expressed by the Company or any of its associates or any parties acting in concert with any of them) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document the omission of which would make any statements in this Composite Document misleading.

2. MARKET PRICES

The table below shows the closing prices of the Shares quoted on the Stock Exchange on (i) the last day on which trading took place in each of the calendar months during the Relevant Period; (ii) the Last Trading Day; and (iii) the Latest Practicable Date.

Date	Closing price per Share *HK$*
2016	
29 April	1.28
31 May	1.14
30 June	1.12
29 July	1.21
31 August	1.26
30 September	1.60
25 October, being the Last Trading Day	1.85
31 October	3.19
30 November	3.20
30 December	3.27
2017	
20 January, being the Latest Practicable Date	2.56

During the Relevant Period:

(i) the highest closing price of the Shares as quoted on the Stock Exchange was HK$3.29 per Share on 3 January 2017; and

(ii) the lowest closing price of the Shares as quoted on the Stock Exchange was HK$1.05 per Share on 22 June 2016.

The closing prices in this section (other than that of the Latest Practicable Date) are before the adjustment made by the Stock Exchange to historical closing prices on its website before the first day of trading in the Shares on an ex-dividend basis in respect of the Disposal Special Dividend. Such adjustment was not applied by the Stock Exchange to the closing price on the Latest Practicable Date as that was a closing price after such first day of trading.

3. SHARE CAPITAL OF THE COMPANY

As at the Latest Practicable Date, the authorised share capital and the issued share capital of the Company were as follows:

Authorised:	*US$*
1,500,000,000 Shares	15,000,000
Issued and fully paid:	
1,034,112,666 Shares	10,341,126.66

All existing issued Shares rank equally in all respects, including in particular as to dividend, voting rights and capital.

The Company has not issued any Share since 31 December 2015 (being the date to which the latest published audited financial statements of the Group were made up) and up to and including the Latest Practicable Date.

As at the Latest Practicable Date, the Company had no outstanding options, derivatives, warrants or conversion rights affecting the Shares.

4. DISCLOSURE OF INTERESTS

(i) Interests of Directors in the Company and its associated corporations

As at the Latest Practicable Date, the interests or short positions of the Directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("**Model Code**") contained in the Listing Rules, to be notified to the Company and Stock Exchange, were as follows:

Long positions:

Name of Director	Capacity	Number of ordinary shares	Approximate percentage shareholding in the Company *(Note 6)*
Tan Siu Lin	Trustee *(Note 1)*	6,500,000	0.63%
	Interest of controlled corporation *(Note 1)*	26,300,000	2.54%
Tan Henry	Interest of controlled corporation *(Note 2)*	689,600,000	66.69%
Tan Willie	Beneficial owner *(Notes 3)*	1,000,000	0.10%
Tan Cho Lung, Raymond	Beneficial owner *(Notes 4)*	2,903,000	0.28%
Mok Siu Wan, Anne	Beneficial owner *(Notes 5)*	2,000,000	0.19%

Notes:

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

2. Mr. Tan is the beneficial owner of 2,750 issued shares (representing 55% interests) in Helmsley Enterprises Limited ("**Helmsley**"), a company incorporated in the Commonwealth of the Bahamas. Mr. Tan is also the settler of a trust which indirectly holds 750 issued shares (representing 15% interests) in Helmsley. Helmsley wholly owns Capital Glory Limited and indirectly owns Hanium Industries Limited ("**Hanium**"), which own 614,250,000 Shares and 60,750,000 Shares respectively.

   Mr. Tan also has a controlling interest in Double Joy Investments Limited, a company incorporated in the BVI, which directly owns 14,600,000 Shares.

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

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

5. Ms. Mok Siu Wan, Anne owns 2,000,000 Shares through the exercise of share options granted by the Company on 21 April 2008 and none of the 2,000,000 shares was disposed of up to the date of this Composite Document.

6. The percentage has been compiled based on the total number of shares of the Company in issue (i.e. 1,034,112,666) as at the Latest Practicable Date.

Long positions in the shares of associated corporations of the Company (as defined in the SFO)

Name of Director	**Name of associated corporation**	**Capacity**	**Number of ordinary shares**	**Approximate percentage of attributable interest in corporation**
Tan Henry	Helmsley *(Note 1)*	Beneficial owner	2,750	55%
		Trustee *(Note 4)*	750	15%
	Capital Glory Limited *(Note 2)*	Interest of controlled corporation *(Note 4)*	1	100%
	Justintime Development Limited *(Note 5)*	Beneficial owner *(Note 4)*	1	100%
	Tripletrio International Limited *(Note 3)*	Interest of controlled corporation *(Note 4)*	42,500	100%

Name of Director	Name of associated corporation	Capacity	Number of ordinary shares	Approximate percentage of attributable interest in corporation
	Newtex International Limited *(Note 3)*	Interest of controlled corporation *(Note 4)*	2	100%
	Torpedo Management Limited *(Note 3)*	Interest of controlled corporation *(Note 4)*	1	100%
	Integrated Solutions Technology Inc. (a Cayman Islands corporation) *(Note 3)*	Interest of controlled corporation *(Note 4)*	1	100%
	Eldex Del Golfo, SA de CV *(Note 3)*	Interest of controlled corporation *(Note 4)*	11,819	100%
	Servicios Textiles Mexicanos, SA *(Note 3)*	Interest of controlled corporation *(Note 4)*	50	100%
	Hanium *(Note 3)*	Interest of controlled corporation *(Note 4)*	1	100%
	Integrated Solutions Technology Inc. (a HK corporation) *(Note 3)*	Interest of controlled corporation *(Note 4)*	2	100%
	Integrated Solutions Technology Inc. (a BVI corporation) *(Note 3)*	Interest of controlled corporation *(Note 4)*	1	100%
	Integrated Solutions Technology Inc. (a Philippines corporation) *(Note 3)*	Interest of controlled corporation *(Note 4)*	1	100%

Notes:

1. Helmsley is the holding company of Capital Glory Limited, which is, in turn, the holding company of the Company. Helmsley is therefore an associated corporation of the Company as defined under Part XV of the SFO.

2. Capital Glory Limited is the holding company of the Company. It is therefore an associated corporation of the Company.

3. This is a subsidiary of Helmsley. It is therefore an associated corporation of the Company.

4. Mr. Tan Henry directly holds 3,500 issued shares (or 70% interest) in Helmsley, of which he beneficially owns 2,750 issued shares (or 55% interest) and holds 750 issued shares (or 15% interest) as trustee. He is therefore deemed under Part XV of the SFO to be interested in the interests of Helmsley and its subsidiaries.

5. Mr. Tan Henry beneficially owns Justintime Development Limited. Justintime Development Limited is therefore an associated corporation of the Company as defined under Part XV of the SFO.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and the chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code, to be notified to the Company and Stock Exchange.

(ii) Interests of substantial shareholders

As at the Latest Practicable Date, the register of substantial shareholders maintained pursuant to Section 336 of the SFO showed that other than the interests disclosed in "Interests of Directors in the Company and its associated corporations", the following shareholders had notified the Company of their relevant interests in the shares of the Company.

Name	**Capacity**	**Number of ordinary shares**	**Approximate percentage of shareholding** *(Note 6)*
Hanium *(Notes 1 & 2)*	Beneficial owner	60,750,000	5.87%
Torpedo Management Limited *(Notes 1 & 2)*	Interest of controlled corporation	60,750,000	5.87%

Name	Capacity	Number of ordinary shares	Approximate percentage of shareholding *(Note 6)*
Capital Glory Limited *(Note 3)*	Beneficial owner	614,250,000	59.40%
Helmsley *(Notes 1, 2 & 3)*	Interest of controlled corporation	675,000,000	65.27%
Pou Chen Corporation *(Note 4)*	Interest of controlled corporation	100,746,666	9.74%
Wealthplus Holdings Limited *(Note 4)*	Interest of controlled corporation	100,746,666	9.74%
Yue Yuen Industrial (Holdings) Limited *(Note 4)*	Interest of controlled corporation	100,746,666	9.74%
Pou Hing Industrial Co. Ltd. *(Note 4)*	Interest of controlled corporation	100,746,666	9.74%
Great Pacific Investments Limited *(Note 4)*	Beneficial owner	100,746,666	9.74%
Offeror *(Note 5)*	Beneficial owner	520,849,598	50.37%
Offeror Parent *(Note 5)*	Interest of controlled corporation	520,849,598	50.37%

Notes:

1. 60,750,000 Shares are registered in the name of Hanium. Hanium is wholly owned by Torpedo Management Limited ("**Torpedo**"), a company incorporated in BVI with limited liability, which in turn is wholly owned by Helmsley. Helmsley is therefore deemed to be interested in the interests of Hanium held in the Company.

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

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

4. Based on the information recorded in the register required to be kept under section 336 of the SFO, Great Pacific Investments Limited directly holds 100,746,666 shares of the Company. Great Pacific Investments Limited is 100% directly owned by Pou Hing Industrial Co. Ltd. In turn, Pou Hing Industrial Co. Ltd. is 100% directly owned by Yue Yuen Industrial (Holdings) Limited. Wealthplus Holdings Limited directly holds 46.89% interests in Yue Yuen Industrial (Holdings) Limited. In turn, Wealthplus Holdings Limited is 100% directly owned by Pou Chen Corporation.

5. On 26 October 2016, the Offeror, the Offeror Parent and the Selling Shareholders entered into the Irrevocable Undertaking, pursuant to which the Offeror will acquire 520,849,598 shares in the Company, representing about 50.37% of the issued share capital of the Company, from the Selling Shareholders upon their acceptance of the Offer in respect of the IU Shares.

6. The percentage has been compiled based on the total number of shares of the Company in issue (i.e. 1,034,112,666) as at the Latest Practicable Date.

Save as disclosed above, so far as is known to the Directors, as at the Latest Practicable Date, there are no other person (not being a Director or chief executive of the Company) who has interests or a short position in the shares or 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, or will be interested in 10% or more of the nominal values of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group.

5. DIRECTORS' INTERESTS IN CONTRACTS, ASSETS AND COMPETING BUSINESSES

As at the Latest Practicable Date, so far as the Directors are aware:

(1) None of the Directors or any of their respective associates had a controlling interest in a business which causes or may cause any significant direct or indirect competition with the business of the Group or any significant conflicts with the interests of the Group;

(2) Other than the Existing CCT, the Disposal Agreement and the Possible CCT as defined and described in the Circular, there are no contracts or arrangements subsisting as at the Latest Practicable Date in which a Director is materially interested or which is significant in relation to any business of the Group; and

(3) As at the Latest Practicable Date, no Director has any interest, direct or indirect, in any assets which have been, since 31 December 2015, acquired or disposed of by or leased to any member of the Group or proposed to be acquired or disposed of by or leased to any member of the Group.

6. DISCLOSURE OF INTERESTS IN SHARES AND COMMITMENTS WITH RESPECT TO THE OFFER

The Offeror

(a) As at the Latest Practicable Date, the Offeror did not own any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares.

(b) As at the Latest Practicable Date, none of the directors of the Offeror was interested in any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares.

(c) As at the Latest Practicable Date, none of the concert parties of the Offeror owned or controlled any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares.

(d) As at the Latest Practicable Date, other than the shareholdings of the Selling Parties in the Company which are subject to the Irrevocable Undertaking, no person who owned or controlled any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares had, prior to the Despatch Date, irrevocably committed themselves to accept or reject the Offer.

(e) As at the Latest Practicable Date, other than the shareholdings of the Selling Parties in the Company which are subject to the Irrevocable Undertaking, no person with whom the Offeror or any of its concert parties had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code owned or controlled any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares.

(f) As at the Latest Practicable Date, none of the Offeror or its concert parties had borrowed or lent any Shares or any convertible securities, warrants, options or derivatives or any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in respect of any Shares, save for any borrowed Shares which had been either on-lent or sold.

(g) As at the Latest Practicable Date, none of the Offeror, its directors, parties acting in concert with the Offeror, persons who had prior to the Despatch Date irrevocably committed themselves to accept or reject the Offer, and persons with whom the Offeror or any of its concert parties had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code, had dealt for value in the Shares, outstanding options, derivatives, warrants or other securities convertible into Shares during the Relevant Period.

The Company

(a) As at the Latest Practicable Date, the Company did not own any shares of the Offeror or any convertible securities, warrants, options or derivatives in respect of any shares of the Offeror.

(b) As at the Latest Practicable Date, save as disclosed in the paragraph headed "Disclosure of Interest" above, none of the Directors were interested in any Shares or of any convertible securities, warrants, options or derivatives in respect of any shares of the Company.

(c) As at the Latest Practicable Date, none of the Directors were interested within the meaning of Part XV of the SFO in any shares of the Offeror or any convertible securities, warrants, options or derivatives in respect of any shares of the Offeror.

(d) As at the Latest Practicable Date, none of the subsidiaries of the Company, the pension fund of the Company or of its subsidiaries, or the adviser of the Company as specified in class (2) of the definition of "associates" under the Takeovers Code owned or controlled any Shares or of any convertible securities, warrants, options or derivatives in respect of any shares of the Company.

(e) As at the Latest Practicable Date, other than the Selling Parties pursuant to the Irrevocable Undertaking, no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of "associate" under the Takeovers Code, and none of such persons had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares of the Company during the Relevant Period.

(f) As at the Latest Practicable Date, none of the Shares or any convertible securities, warrants, options or derivatives in respect of any Shares of the Company were managed on a discretionary basis by fund managers connected with the Company, and none of them had dealt for value in Shares or any convertible securities, warrants, options or derivatives in respect of any Shares of the Company during the Relevant Period.

(g) As at the Latest Practicable Date, save as disclosed in the paragraph headed "Disclosure of Interest" above, none of the Directors held any beneficial shareholdings in the Company which would otherwise entitle them to accept or reject the Offer.

(h) As at the Latest Practicable Date, none of the Company or the Directors had borrowed or lent any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares of the Company.

(i) Pursuant to the Irrevocable Undertaking, Mr. Tan has undertaken to the Offeror and the Offeror Parent to procure that each of the Selling Shareholders will accept the Offer in respect of the IU shares. The Directors who hold their Shares through the Selling Shareholders have irrevocably undertaken to accept the Offer in accordance with the terms of the Irrevocable Undertaking and the remaining Director who holds Shares does not intend to accept the Offer as at the Latest Practicable Date.

7. OTHER ARRANGEMENTS RELATING TO THE OFFER

(a) As at the Latest Practicable Date, save for the Irrevocable Undertaking, there was no arrangement (whether by way of option, indemnity or otherwise) of any kind referred to in Note 8 to Rule 22 of the Takeovers Code in relation to the Shares of the Offeror or the Company;

(b) As at the Latest Practicable Date, no benefit (other than statutory compensation) was or would be given to any Directors as compensation for loss of office or otherwise in connection with the Offer;

(c) As at the Latest Practicable Date, there was no agreement or arrangement to which the Offeror was a party which related to the circumstances in which it may or may not invoke or seek to invoke a Pre-Condition or a Condition except that under the terms of the HSBC Facility the Offeror has undertaken to HSBC as lender to take or not to take certain action which may require it to invoke or not to invoke a Pre-Condition or Condition and in particular, the Offeror must not:

i. declare the Offer unconditional as to acceptances until valid acceptances have been received (and not withdrawn) in respect of more than 50 per cent. of the Shares;

ii. waive or amend (and use reasonable endeavours to ensure that there is no waiver of or amendment to) or declare, accept or treat as satisfied any Pre-Condition or Condition where such waiver, amendment, declaration, acceptance or treatment would be materially prejudicial to the interests of HSBC as lender unless (A) HSBC as lender has given its prior written consent; or (B) it is required by law or regulation (including the Takeovers Code), the Executive, the Stock Exchange or an order of the court;

iii. agree to any arrangements with any governmental, regulatory or similar authority in order to satisfy any term or condition of the Offer which would be materially prejudicial to the interests of HSBC as lender unless (A) HSBC as lender has given its prior written consent; or (B) it is required by law or regulation (including the Takeovers Code), the Executive, the Stock Exchange or an order of the court; and

iv. waive or treat as fulfilled any Pre-Condition or Condition (and must declare the Offer lapsed or withdrawn at the earliest opportunity) where (A) an event has occurred that would entitle the Offeror to treat the Offer as having lapsed or to withdraw the Offer, (B) HSBC as lender has informed the Offeror that in its opinion the event could reasonably be expected to have a material adverse effect on the Offeror, its ability to perform its obligations under the HSBC Facility or the validity or enforceability of the HSBC Facility and its related documents, and (C) the Executive has confirmed that it will not object to the lapse or withdrawal of the Offer as a result of the non-satisfaction of the relevant condition;

(d) save for the Irrevocable Undertaking, there is no agreement, arrangement or understanding (including any compensation arrangement) between the Offeror or any of its concert parties, on the one hand, and any Directors, recent directors of the Company, Shareholders or recent shareholders of the Company, on the other hand, having any connection with or dependence upon the Offer.

8. ARRANGEMENTS AFFECTING THE DIRECTORS

(a) As at the Latest Practicable Date, no benefit (other than statutory compensation) had been or would be given to any Directors as compensation for loss of office or otherwise in connection with the Offer;

(b) As at the Latest Practicable Date, other than the Irrevocable Undertaking, there was no agreement or arrangement between any Director and any other person which was conditional on or dependent upon the outcome of the Offer or otherwise connected with the Offer; and

(c) As at the Latest Practicable Date, other than the Irrevocable Undertaking, there was no material contract entered into by the Offeror in which any Director has a material personal interest.

9. DIRECTORS' SERVICE CONTRACTS

Except for Ms. Mok Siu Wan, Anne who has re-entered into a director's service contract with the Company for a fixed period of three years commencing from 1 January 2016, each of the executive Directors has renewed his service agreement with the Company for a fixed period of three years commencing from 27 June 2016 (the "**Existing Executive Directors Service Contract(s)**"), subject to the retirement and re-appointment provisions in the articles of association of the Company, unless terminated by either the Company or the Director giving three months' notice in writing to the other party. Under the director's service contract of Mr. Tan Willie dated 26 May 2015, he will serve as an non-executive Director of the Company (the "**Existing Non-executive Director Service Contract**", together with Existing Executive Directors Service Contract(s), the "**Existing Service Contract**").

Pursuant to the letter of re-appointment dated 29 August 2016, Mr. Lu Chin Chu was re-appointed as a non-executive Director of the Company for a fixed period of three years starting from 17 September 2016. Mr. Lu is entitled to an annual director fee of HK$150,000 (the "**Existing Non-executive Director Appointment Letter**").

Pursuant to the letter of re-appointment from the Company to each of Mr. Seing Nea Yie, Mr. Cheung Siu Kee and Mr. Henry Chan dated 24 March 2016 (the "**Existing INED Appointment Letter**", together with the Existing Non-executive Director Appointment Letter, the "**Existing Appointment Letter**"), 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 2016.

Save for the Existing Service Contracts, as at the Latest Practicable Date, none of the Directors had any service contract with the Company or any of its subsidiaries or associated companies in force which (a) (including both continuous and fixed term contracts) had been entered into or amended within six months preceding the date of the Joint Announcement; or (b) is a continuous contract with a notice period of 12 months or more; or (c) is a fixed term contract with more than 12 months to run irrespective of the notice period:

Name of Director	Monthly salary under the earlier expired contract prior to the Existing Service Contract (the "Expired Service Contract")	Monthly salary under the Existing Service Contract	Other benefits under both of the Expired Service Contract and the Existing Service Contract
TAN Siu Lin	HK$67,500	HK$67,500	13th month salary and Discretionary bonus
TAN Henry	HK$277,808	HK$277,808	13th month salary and Discretionary bonus
TAN Cho Lung, Raymond	HK$202,096	HK$202,096	13th month salary and Discretionary bonus
MOK Siu Wan, Anne	See Note (1)	See Note (1)	N/A
TAN Willie	See Note (2)	See Note (2)	N/A

	Annual fee under the earlier expired appointment letter prior to the Existing Appointment Letter (the "Expired Appointment Letter")	Annual fee under the Existing Appointment Letter	Other benefits under both of the Expired Service Contract and the Existing Service Contract
LU Chin Chu	HK$150,000	HK$150,000	N/A
SEING Nea Yie	HK$150,000	HK$150,000	N/A
CHEUNG Siu Kee	HK$150,000	HK$150,000	N/A
CHAN Henry	HK$150,000	HK$150,000	N/A

Note:

(1) Under the director's service contract of Ms. Mok Siu Wan, Anne with the Company, she is entitled to receive a director's fee of HK$150,000 per annum, payable annually in one lump sum. Ms. Mok Siu Wan, Anne has also entered into an employment contract dated 1 January 2010 with Luen Thai International Group Limited, a wholly owned subsidiary of the Company, pursuant to which she was appointed as the President and Chief Merchandising Officer of Luen Thai International Group Limited. Under the said employment contract as supplemented by a letter of salary increment dated 29 February 2012, Ms. Mok Siu Wan, Anne is entitled to receive a monthly salary of HK$280,000.

(2) Under the director's service contract of Mr. Tan Willie dated 26 May 2015, he will serve as an non-executive Director of the Company for a fixed period of three years commencing from the same date with an annual emolument and annual director's fee of US$162,500 and HK$150,000 respectively.

Save for the interest in monthly salary or annual fee of each Director as disclosed above, there was no material change to the material terms of the Existing Service Contracts or Existing Appointment Letters as compared with the Expired Service Contracts or Expired Appointment Letters.

None of the Directors will be or has been given any benefits (save for any statutory compensation required under appropriate laws) as compensation for loss of office or otherwise in connection with the Offer.

Save as disclosed above and as at the Latest Practicable Date:

(a) none of the Directors has entered into any service contract/appointment letter or has an unexpired service contract/appointment letter with any member of the Group which is not determinable by such member of the Group within one year without payment of compensation (other than statutory compensation);

(b) other than the Tan's Family (as defined in Appendix II of this Composite Document) interest in the related party transactions as disclosed in note 34 of the audited financial statements of the Group for the two financial years ended 31 December 2015 and the related party transactions as disclosed in note 24 of the unaudited financial statements for the two interim periods ended 30 June 2016, no contracts of significance in relation to the Group's business to which the Company or its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted; and

(c) there was no material contract to which the Offeror is a party in which any Director has a material personal interest.

10. MATERIAL CONTRACTS

As at the Latest Practicable Date, the following material contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of the Group within the two years immediately preceding the Latest Practicable Date:

(a) a sale and purchase agreement dated 15 June 2015 and entered into between Mr. Frank Fleischer and Fortune Investment Overseas Limited ("**FIO**"), a wholly owned subsidiary of the Company, in relation to the acquisition of the remaining 40% of the issued share capital of On Time International Limited by the FIO at a consideration of US$5 million, further details are set out in the announcement of the Company dated 15 June 2015;

(b) a loan agreement dated 30 November 2015 and entered into between an indirect subsidiary of the Company (the "**Subsidiary**") and Chang Jia International Limited ("**Chang Jia**"), pursuant to which the Subsidiary has agreed to make a loan in the amount of principal sum of RMB100,000,000 to Chang Jia. Further details are set out in the announcement of the Company dated 30 November 2015;

(c) a share purchase agreement dated 24 May 2016 ("**SPA**") and entered into between the Sunny Force Limited ("**Sunny Force**"), a wholly owned subsidiary of the Company, Smart Shirts Limited ("**Smart Shirts**"), Thien Nam Investment and Development Joint Stock Company ("**Thien Nam**") and Ms. Tran Yen Linh ("**Ms. Linh**"). Pursuant to the SPA, Sunny Force acquired approximately 16.66% equity interest in Thien Nam Sunrise Textile Joint Stock Company for the cash consideration of the VND equivalent of US$4,500,000 based on the exchange rate (average of buy and sell rates) between USD and VND issued by the Vietcombank on the date of the SPA. Further details are set out in the announcement of the Company dated 24 May 2016; and

(d) the Disposal Agreement.

11. MATERIAL LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance known to the Directors to be pending or threatened against any member of the Group.

12. EXPERTS AND CONSENT

The following are the qualifications of the experts who have been named in this Composite Document and/or given opinion or advice which is contained in this Composite Document:

Name	Qualification
HSBC	a registered institution under the SFO, registered to carry on Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO and a licensed bank under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)
Octal Capital Limited	a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

HSBC has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion of the text of its letter and references to its name in the form and context in which they are included.

Octal Capital Limited, the Independent Financial Adviser, has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion of the text of its letter, report, recommendation, opinion and/or references to its name in the form and context in which they are included.

13. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial position or trading position of the Group since 31 December 2015 (being the date to which the latest published audited financial statements of the Group was made up). For further details, please see section headed "E. MATERIAL CHANGE" in Appendix II to this Composite Document.

14. MISCELLANEOUS

(a) The registered address of the Offeror is Unit F, 17/F, CNT Tower, 338 Hennessy Road, Wanchai, Hong Kong.

(b) The Offeror is an indirect wholly-owned subsidiary of the Offeror Parent, who is the principal party acting in concert with the Offeror under the Takeovers Code.

(c) The directors of Offeror Parent are Tong Jisheng, Shen Qing, Ma Yunya, Zhu Yong, Wu Guangyu, Liu Xiaoyun and Xu Wei.

(d) The registered office of Offeror Parent is at No. 1488, Hongqiao Road, Changning District, Shanghai 200336, PRC.

(e) The financial adviser to the Offeror and the Offeror Parent in respect of the Offer is HSBC whose registered office is at 1 Queen's Road Central, Hong Kong.

(f) As at the Latest Practicable Date, the Offeror had no agreement, arrangement or understanding to transfer, charge or pledge any of the Shares acquired under the Offer.

(g) There is a possibility that the public will hold less than 25% of the Shares upon completion of the Offer depending on the level of acceptances under the Offer. If that happens, the Offeror will, after the end of the Offer Period, take appropriate steps to ensure that not less than 25% of the Shares will be held by the public in compliance with the Listing Rules. Such steps may involve the Offeror's sale of some of the Shares acquired pursuant to the Offer. If the Offeror decides to restore the public float by selling some of its Shares, it intends (subject to compliance with the applicable requirements under the Takeovers Code, the Listing Rules and other applicable laws and regulations) to identify potential independent third party investors (being potential investors who are considered to be members of the public for the purposes of the public float requirements under the Listing Rules) for such sale after the end of the Offer Period with a view to restoring the public float of the Company to 25% in compliance with the Listing Rules upon completion of such sale. In the event that the Offeror decides to restore the public float by selling some of its Shares, subject to market conditions at the relevant time and agreement with the relevant independent third party investors, the Offeror intends to enter into definitive agreements in relation to such sale as soon as reasonably practicable after the end of the Offer Period.

(h) The registered head office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

(i) The company secretary of the Company is Mr. Chiu Chi Cheung, Associate Member of The Hong Kong Institute of Certified Public Accountants.

(j) The Company's principal place of business in Hong Kong is on 5th Floor, Nanyang Plaza, 57 Hung To Road, Kwun Tong, Kowloon, Hong Kong.

(k) The Company's share registrar and transfer office in Hong Kong is Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.

(l) The Company's principal share registrar and transfer office is Codan Trust Company (Cayman) Limited at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

(m) In case of inconsistency, the English text of this Composite Document and the Form of Acceptance shall prevail over the Chinese text.

15. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection (i) on the website of the SFC at http://www.sfc.hk; (ii) on the website of the Company at www.luenthai.com; and (iii) (during normal business hours from 9:00 a.m. to 5:00 p.m. (except Saturdays, Sundays and gazetted public holidays in Hong Kong)) (Hong Kong time) at the principal place of business of the Company in Hong Kong at 5/F, Nanyang Plaza, 57 Hung To Road, Kwun Tong, Kowloon, Hong Kong, from the date of this Composite Document onwards so long as the Offer remains open for acceptance:

(a) the memorandum and articles of association of the Company;

(b) the memorandum and articles of association of the Offeror, together with the certificate of incorporation dated 29 June 1993, the certificate of incorporation on change of name dated 1 February 1999 and the certificate of change of name dated 12 April 2012;

(c) the annual reports of the Company for each of the years ended 31 December 2015, 31 December 2014 and 31 December 2013;

(d) the interim report of the Company for the six months ended 30 June 2016;

(e) the letter from HSBC dated 24 January 2017, the text of which is set out on pages 11 to 24 of this Composite Document;

(f) the letter from the Board dated 24 January 2017 to the Disinterested Shareholders, the text of which is set out on pages 25 to 29 of this Composite Document;

(g) the letter from the Code Independent Board Committee dated 24 January 2017 to the Disinterested Shareholders, the text of which is set out on pages 30 to 31 of this Composite Document;

(h) the letter from the Independent Financial Adviser dated 24 January 2017 to the Code Independent Board Committee, the text of which is set out on pages 32 to 50 of this Composite Document;

(i) the written consents referred to in paragraph 12 of this Appendix III;

(j) the Irrevocable Undertaking;

(k) the facility agreement dated 14 October 2016 entered into between HSBC as lender and Offeror as borrower in relation to the HSBC Facility; and

(l) the material contracts referred to under the section headed "Material Contracts" in this Appendix III.