LUEN THAI HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 311)

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2007

GROUP FINANCIAL HIGHLIGHTS

	For the year ended 31 December	
	2007	2006
	US$'000	*US$'000*
Revenue	**800,877**	661,836
Operating profit	**23,995**	13,533
Profit attributable to equity holders of the Company	**12,515**	2,509
Profit margin (ratio of profit attributable to equity holders of the Company to revenue)	**1.6%**	0.4%
Basic EPS (US cents)	**1.3**	0.3

The board of directors (the "Board") of Luen Thai Holdings Limited (the "Company") is pleased to announce the consolidated result of the Company and its subsidiaries (collectively, the "Group" or "Luen Thai") for the year ended 31 December 2007.

CONSOLIDATED INCOME STATEMENT

	Note	**2007**	2006
		US$'000	*US$'000*
Revenue	*3*	**800,877**	661,836
Cost of sales		**(645,982)**	(537,565)
Gross profit		**154,895**	124,271
Selling and distribution expenses		**(26,158)**	(19,168)
General and administrative expenses		**(104,742)**	(91,570)
Operating profit		**23,995**	13,533
Finance income	*6*	**3,601**	3,500
Finance costs	*6*	**(4,670)**	(6,608)
Share of profit of associated companies		**95**	54
Share of profit/(loss) of jointly controlled entities		**1,592**	(435)
Profit before income tax		**24,613**	10,044
Income tax expense	*7*	**(4,208)**	(5,000)
Profit for the year		**20,405**	5,044
Attributable to:			
Equity holders of the Company		**12,515**	2,509
Minority interest		**7,890**	2,535
		20,405	5,044
Earnings per share for profit attributable to the equity holders of the Company, expressed in US cents per share			
— Basic	*8*	**1.3**	0.3
— Diluted	*8*	**1.3**	0.3
Dividends	*9*	**3,762**	1,846

CONSOLIDATED BALANCE SHEET

	Note	**2007** **US$'000**	2006 US$'000
ASSETS			
Non-current assets			
Leasehold land and land use rights		**4,476**	4,286
Property, plant and equipment		**92,578**	90,643
Intangible assets		**65,004**	52,857
Interests in associated companies		**382**	287
Interests in jointly controlled entities		**6,745**	2,045
Deferred income tax assets		**759**	311
Other non-current assets		**4,295**	3,627
		174,239	154,056
Current assets			
Inventories		**65,245**	65,332
Trade and bills receivables	*10*	**100,065**	93,852
Financial assets at fair value through profit and loss		—	122
Amounts due from related companies		**3,175**	2,397
Amounts due from associated companies and jointly controlled entities		**5,127**	6,778
Deposits, prepayments and other receivables		**11,086**	15,600
Pledged bank deposits		**1,519**	681
Cash and bank deposits		**96,668**	107,076
		282,885	291,838
Total assets		**457,124**	445,894
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital		**9,925**	9,925
Other reserves	*12*	**108,052**	98,628
Retained earnings			
— Proposed final dividend		**1,727**	—
— Others		**100,582**	90,178
		220,286	198,731
Minority interest		**9,794**	15,502
Total equity		**230,080**	214,233

	Note	2007	2006
		US$'000	*US$'000*
LIABILITIES			
Non-current liabilities			
Borrowings		**33,750**	38,250
Retirement benefit obligations		**3,135**	2,295
Deferred income tax liabilities		**3,769**	3,849
Other long-term liabilities		**26,673**	22,073
		67,327	66,467
Current liabilities			
Trade and bills payables	*11*	**55,755**	43,906
Borrowings		**18,408**	31,184
Current income tax liabilities		**11,747**	12,489
Amounts due to related companies		**2,837**	1,499
Amounts due to associated companies and jointly controlled entities		**1,647**	84
Other payables and accruals		**69,323**	76,032
		159,717	165,194
Total liabilities		**227,044**	231,661
Total equity and liabilities		**457,124**	445,894
Net current assets		**123,168**	126,644
Total assets less current liabilities		**297,407**	280,700

1. GENERAL INFORMATION

Luen Thai Holdings Limited (the "Company") and its subsidiaries (together the "Group") are principally engaged in the manufacturing and trading of garment and textile products, apparel manufacturing and the provision of freight forwarding and logistic services.

2. BASIS OF PREPARATION

The consolidated financial statements of Luen Thai Holdings Limited have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities 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 judgement in the process of applying the Group's accounting policies.

(a) Standards, amendments and interpretations that are effective in 2007

- HKFRS 7, 'Financial instruments: Disclosures', and the complementary amendment to HKAS 1, 'Presentation of financial statements — Capital disclosures', introduces new disclosures relating to financial instruments and does not have any impact on the classification and valuation of the Group's financial instruments, or the disclosures relating to taxation and trade and other payables;

- HK(IFRIC) — Int 8, Scope of HKFRS 2 (effective for annual periods beginning on or after 1 May 2006). HK(IFRIC) 8 requires consideration of transactions involving the issuance of equity instruments — where the identifiable consideration received is less than the fair value of the equity instruments issued — to establish whether or not they fall within the scope of HKFRS 2. This standard does not have any impact on the Group's financial statements; and

- HK(IFRIC) — Int 10, Interim Financial Reporting and Impairment (effective for annual periods beginning on or after 1 November 2006). HK(IFRIC) — Int 10 prohibits the impairment losses recognized in an interim period on goodwill, investments in equity instruments and investments in financial assets carried at cost to be reversed at a subsequent balance sheet date. This standard does not have any impact on the Group's financial statements.

(b) Standards and interpretations effective in 2007 but not relevant for the Group's operations

The following standards and interpretations are mandatory for accounting periods beginning on or after 1 January 2007 but are not relevant to or have no significant impact on the Group's operations:

- HK(IFRIC) — Int 7 'Applying the restatement approach under HKAS 29, Financial reporting in hyper-inflationary economies'; and

- HK(IFRIC) — Int 9 'Re-assessment of embedded derivatives'.

(c) Standards, amendments and interpretations that are not yet effective and have not been early adopted by the Group

The following standards, amendments and interpretations have been published but are not effective for 2007 and have not been early adopted:

- HKAS 1 (Revised), "Presentation of Financial Statements" (effective from 1 January 2009). HKAS 1 (Revised) requires all owner changes in equity to be presented in a statement of changes in equity. All comprehensive income is presented in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). It requires presenting a statement of financial position as at the beginning of the earliest comparative period in a complete set of financial statements when there are retrospective adjustments or reclassification adjustments. However, it does not change the recognition, measurement or disclosure of specific transactions and other events required by other HKFRSs. The Group will apply HKAS 1 (Revised) from 1 January 2009.

- HKAS 23 (Amendment), 'Borrowing costs' (effective from 1 January 2009). The amendment requires an entity to capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The Group will apply HKAS 23 (Amended) from 1 January 2009.

- HKFRS 8, 'Operating segments' (effective from 1 January 2009). HKFRS 8 replaces HKAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The Group will apply HKFRS 8 from 1 January 2009. The expected impact is still being assessed in detail by management, but it appears likely that the number of reportable segments, as well as the manner in which the segments are reported, will change in a manner that is consistent with the internal reporting provided to the chief operating decision-maker. As goodwill is allocated to groups of cash-generating units based on segment level, the change will also require management to reallocate goodwill to the newly identified operating segments. Management does not anticipate that this will result in any material impairment to the goodwill balance.

- HK(IFRIC) — Int 11, 'HKFRS 2 — Group and treasury share transactions'. HK(IFRIC) — Int 11 provides guidance on whether share-based transactions involving treasury shares or involving Group entities (for example, options over a parent's shares) should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and group companies. This interpretation does not have an impact on the Group's financial statements.

- HK(IFRIC) — Int 14, 'HKAS 19 — The limit on a defined benefit asset, minimum funding requirements and their interaction' (effective from 1 January 2008). HK(IFRIC) — Int 14 provides guidance on assessing the limit in HKAS 19 on the amount of the surplus that can be recognized as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. The Group will apply HK(IFRIC) — Int 14 from 1 January 2008, but it is not expected to have any significant impact on the Group's financial statements.

- HKAS 27 (Revised) "Consolidated and Separate Financial Statements" (effective from annual period beginning on or after 1 July 2009). The amendment requires non-controlling interests (i.e. minority interests) to be presented in the consolidated statement of financial position within equity, separately from the equity of the owners of the parent. Total comprehensive income must be attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Changes in a parent's ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity. When control of a subsidiary is lost, the assets and liabilities and related equity components of the former subsidiary are derecognized. Any gain or loss is recognized in profit or loss. Any investment retained in the former subsidiary is measured at its fair value at the date when control is lost. The Group will apply HKAS 27 (Revised) from 1 January 2010.

- HKFRS 3 (Revised) "Business Combination" (effective for business combinations with acquisition date on or after the beginning of the first annual reporting period beginning on or after 1 July 2009). The amendment may bring more transactions into acquisition accounting as combinations by contract alone and combinations of mutual entities are brought into the scope of the standard and the definition of a business has been amended slightly. It now states that the elements are 'capable of being conducted' rather than 'are conducted and managed'. It requires considerations (including contingent consideration), each identifiable asset and liability to be measured at its acquisition-date fair value, except leases and insurance contracts, reacquired right, indemnification assets as well as some assets and liabilities required to be measured in accordance with other HKFRSs. They are income taxes, employee benefits, share-based payment and non current assets held for sale and discontinued operations. Any non-controlling interest in an acquiree is measured either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets. The Group will apply HKFRS 3 (Revised) from 1 January 2010; and

- HKFRS 2 Amendment "Share-based Payment Vesting Conditions and Cancellations" (effective from 1 January 2009). The amendment clarifies the definition of "vesting conditions" and specifies the accounting treatment of "cancellations" by the counterparty to a share-based payment arrangement. Vesting conditions are service conditions (which require a counterparty to complete a specified period of service) and performance conditions (which require a specified period of service and specified performance targets to be met) only. All "non-vesting conditions" and vesting conditions that are market conditions shall be taken into account when estimating the fair value of the equity instruments granted. All cancellations are accounted for as an acceleration of vesting and the amount that would otherwise have been recognized over the remainder of the vesting period is recognized immediately. The Group will apply HKFRS 2 Amendment from 1 January 2009, but it is not expected to have any significant impact on the Group's financial statements.

(d) The following interpretations have not yet been effective and not relevant for the Group operations:

- HK(IFRIC) — Int 12, 'Service concession arrangements' (effective from 1 January 2008). HK(IFRIC) — Int 12 applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services. HK(IFRIC) — Int 12 is not relevant to the Group's operations because none of the Group's companies provide for public sector services; and

- HK(IFRIC) — Int 13, 'Customer loyalty programmes' (effective from 1 July 2008). HK(IFRIC) — Int 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. HK(IFRIC) — Int 13 is not relevant to the Group's operations because none of the Group's companies operate any loyalty programmes.

3. REVENUE

	2007	2006
	US$'000	*US$'000*
Sales of garment and textile products	**777,227**	644,416
Freight forwarding and logistics service fee	**17,261**	13,791
Management income from related companies and a jointly controlled entity	**410**	427
Rental income from a related company	**210**	198
Commission income from		
— a related company	**1,728**	1,749
— third parties	**646**	89
Sales of quota	**767**	—
Others	**2,628**	1,166
Turnover	**800,877**	661,836

4. SEGMENT INFORMATION

Primary reporting format– business segments

The segment results for the year ended 31 December 2007 are as follows:

	Garment/ textile products	**Freight forwarding/ logistics services**	**Others**	**Group**
	US$'000	***US$'000***	***US$'000***	***US$'000***
Segment revenues				
Total segment revenue	**777,227**	**20,668**	**6,389**	**804,284**
Inter-segment revenue	**—**	**(3,407)**	**—**	**(3,407)**
Turnover	**777,227**	**17,261**	**6,389**	**800,877**
Segment result	**22,420**	**1,575**	**—**	**23,995**
Finance income	**3,293**	**308**	**—**	**3,601**
Finance costs	**(4,670)**	**—**	**—**	**(4,670)**
Share of profit of associated companies	**—**	**95**	**—**	**95**
Share of profit of jointly controlled entities	**1,592**	**—**	**—**	**1,592**
Profit before income tax				**24,613**
Income tax expense	**(3,804)**	**(404)**	**—**	**(4,208)**
Profit for the year				**20,405**
Minority interest	**(7,757)**	**(133)**	**—**	**(7,890)**
Profit attributable to the equity holders of the Company				**12,515**

The segment results for the year ended 31 December 2006 are as follows:

	Garment/ textile products US$'000	Freight forwarding/ logistics services US$'000	Others US$'000	Group US$'000
Segment revenues				
Total segment revenue	644,416	16,737	3,629	664,782
Inter-segment revenue	—	(2,946)	—	(2,946)
Turnover	644,416	13,791	3,629	661,836
Segment result	13,105	428	—	13,533
Finance income	3,083	417	—	3,500
Finance costs	(6,608)	—	—	(6,608)
Share of profit of associated companies	—	54	—	54
Share of loss of jointly controlled entities	(435)	—	—	(435)
Profit before income tax				10,044
Income tax expense	(4,524)	(476)	—	(5,000)
Profit for the year				5,044
Minority interest	(2,458)	(77)	—	(2,535)
Profit attributable to the equity holders of the Company				2,509

Other segment items included in the consolidated income statement are as follows:

	Year ended 31 December 2007			Year ended 31 December 2006		
	Garment/ textile products *US$'000*	**Freight forwarding/ logistics services** *US$'000*	**Group** *US$'000*	Garment/ textile products *US$'000*	Freight forwarding/ logistics services *US$'000*	Group *US$'000*
Depreciation	**13,383**	**1,053**	**14,436**	12,778	711	13,489
Amortization	**2,145**	**—**	**2,145**	1,166	—	1,166
Provision for/(write-back of) impairment of trade receivables	**595**	**(198)**	**397**	343	25	368
(Write-back of)/provision for inventory obsolescence	**(1,567)**	**—**	**(1,567)**	1,047	—	1,047
Provision for impairment of intangible assets	**758**	**—**	**758**	827	—	827
Provision for impairment of property, plant and equipment	**—**	**—**	**—**	1,273	—	1,273

Inter-segment transactions are entered into under the normal commercial terms and conditions that would also be available to third parties.

The segment assets and liabilities at 31 December 2007 and capital expenditure for the year then ended are as follows:

	Garment/ textile products *US$'000*	**Freight forwarding/ logistics services** *US$'000*	**Group** *US$'000*
Segment assets	**418,101**	**30,057**	**448,158**
Associated companies	**8**	**374**	**382**
Jointly controlled entities	**6,745**	**—**	**6,745**
	424,854	**30,431**	**455,285**
Unallocated assets			**1,839**
Total assets			**457,124**
Segment liabilities	**160,801**	**12,477**	**173,278**
Unallocated liabilities			**53,766**
Total liabilities			**227,044**
Capital expenditure	**18,306**	**1,209**	**19,515**

The segment assets and liabilities at 31 December 2006 and capital expenditure for the year then ended are as follows:

	Garment/ textile products *US$'000*	Freight forwarding/ logistics services *US$'000*	Group *US$'000*
Segment assets	414,194	28,935	443,129
Associated companies	8	279	287
Jointly controlled entities	2,045	—	2,045
	416,247	29,214	445,461
Unallocated assets			433
Total assets			445,894
Segment liabilities	160,942	11,231	172,173
Unallocated liabilities			59,488
Total liabilities			231,661
Capital expenditure	49,003	2,548	51,551

Segment assets consist primarily of leasehold land and land use rights, property, plant and equipment, intangible assets, interests in associated companies and jointly controlled entities, inventories, receivables, cash and cash equivalents and other operating assets. Unallocated assets comprise deferred taxation, prepaid tax and financial assets at fair value through profit or loss.

Segment liabilities comprise operating liabilities. They exclude items such as taxation and corporate borrowings.

Capital expenditure comprises additions to leasehold land and land use rights, property, plant and equipment and intangible assets, including additions resulting from acquisitions through business combinations.

Secondary reporting format — geographical segments

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

	2007	2006
	US$'000	*US$'000*
Revenue		
The United States	**412,277**	429,869
Europe	**237,543**	115,664
Japan	**57,413**	64,325
The PRC	**32,330**	17,501
Others	**61,314**	34,477
	800,877	661,836

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

	2007	2006
	US$'000	*US$'000*
Total Assets		
Hong Kong	**233,690**	239,476
The United States	**42,902**	37,279
The PRC	**118,158**	106,079
Commonwealth of Northern Mariana Islands	**11,257**	18,234
The Philippines	**40,540**	36,264
Others	**3,450**	6,230
	449,997	443,562
Associated companies	**382**	287
Jointly controlled entities	**6,745**	2,045
	457,124	445,894

Total assets are allocated based on where the assets are located.

	2007	2006
	US$'000	*US$'000*
Capital expenditure		
Hong Kong	**8,545**	33,128
The United States	**162**	1,101
The PRC	**8,812**	12,384
Commonwealth of Northern Mariana Islands	**856**	1,514
The Philippines	**554**	1,710
Others	**586**	1,714
	19,515	51,551

Capital expenditure is allocated based on where the assets are located.

5. EXPENSES BY NATURE

	2007	2006
	US$'000	*US$'000*
Amortization of leasehold land and land use rights	**91**	102
Amortization of intangible assets	**2,054**	1,064
Provision for impairment of intangible assets	**758**	827
Depreciation of property, plant and equipment	**14,436**	13,489
Provision for impairment of property, plant and equipment	**—**	1,273
Provision for claims	**4,540**	2,082
Provision for impairment of receivables	**397**	368
Write-off of non-current assets	**2,204**	—
(Write-back of)/provision for inventory obsolescence	**(1,567)**	1,047
Employee benefit expense	**116,088**	118,033
Exchange difference, net	**(2,259)**	727

6. FINANCE COSTS

	2007	2006
	US$'000	*US$'000*
Interest expense on bank loans and overdrafts	**3,684**	4,091
Change in estimates of financial liabilities	**(195)**	1,589
Interest expense on financial liabilities carried at amortized costs	**1,181**	928
Finance costs	**4,670**	6,608
Finance income — Interest income	**(3,601)**	(3,500)
Net finance costs	**1,069**	3,108

7. TAXATION

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) 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.

	2007	2006
	US$'000	*US$'000*
Current income tax:		
— Hong Kong profits tax	**2,015**	1,774
— Overseas taxation	**9,168**	3,213
Over-provision in prior years	**(6,471)**	(512)
Deferred income tax	**(504)**	525
	4,208	5,000

A Hong Kong subsidiary has received notices of additional assessments/assessments from the Hong Kong Inland Revenue Department ("IRD") for the years of assessment 2000/01 to 2006/07 demanding for tax totalling US$3,567,000 in respect of certain income, which the management has regarded as not subject to Hong Kong Profits Tax. The management has thoroughly revisited the situations, and has concluded that the subsidiary company has good grounds to defend that the relevant income are not subject to Hong Kong Profits Tax. In the circumstances, the management has filed objections to these additional assessments/assessments and has concluded that no provision for these assessments is necessary. The subsidiary company has paid the amount of US$3,567,000 in the form of Tax Reserve Certificates, of which an amount of US$1,080,000 was paid prior to 31 December 2007 and is included in the prepayments in the consolidated balance sheet as at 31 December 2007.

8. EARNINGS PER SHARE

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

	2007	2006
	US$'000	*US$'000*
Profit attributable to equity holders of the Company	**12,515**	2,509
Weighted average number of ordinary shares in issue	**992,500,000**	992,500,000
Basic earnings per share (US cents per share)	**1.3**	0.3

There was no dilutive effect on earnings per share since all outstanding share options were anti-dilutive.

9. DIVIDENDS

	2007	2006
	US$'000	*US$'000*
Interim dividend paid of US0.205 cent (2006: US0.186 cent) per ordinary share	**2,035**	1,846
Proposed final dividend of US0.174 cent (2006: Nil) per ordinary share	**1,727**	—
	3,762	1,846

The directors recommend the payment of a final dividend of US cent of 0.174 per share, totalling US$1,727,000. Such dividend is to be approved by the shareholders at the forthcoming Annual General Meeting. These financial statements do not reflect this dividend payable.

10. TRADE AND BILLS RECEIVABLES

	2007	2006
	US$'000	*US$'000*
Trade and bills receivables	**101,712**	95,102
Less: provision for impairment of receivables	**(1,647)**	(1,250)
Trade and bills receivables — net	**100,065**	93,852

The Group normally grants credit terms to its customers ranging from 30 to 60 days. The ageing analysis of the trade receivables is as follows:

	2007	2006
	US$'000	*US$'000*
0 to 30 days	**87,383**	80,974
31 to 60 days	**5,600**	6,442
61 to 90 days	**2,663**	1,768
Over 91 days	**6,066**	5,918
	101,712	95,102

11. TRADE AND BILLS PAYABLES

At 31 December 2007, the ageing analysis of trade and bills payables was as follows:

	2007	2006
	US$'000	*US$'000*
0 to 30 days	**43,387**	34,525
31 to 60 days	**8,224**	4,059
61 to 90 days	**706**	819
Over 91 days	**3,438**	4,503
	55,755	43,906

12. RESERVES

	Share premium	**Capital reserve**	**Other reserves**	**Share based compensation expense**	**Exchange reserve**	**Total**
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
At 1 January 2006	116,998	11,722	(6,928)	—	(4,066)	117,726
Recognition of financial liability arisen from acquisition of a subsidiary	—	—	(20,383)	—	—	(20,383)
Acquisition of a subsidiary	—	—	(1,450)	—	—	(1,450)
Share based compensation expense	—	—	—	539	—	539
Exchange differences arising on translation of foreign subsidiaries	—	—	—	—	2,196	2,196
As at 31 December 2006	116,998	11,722	(28,761)	539	(1,870)	98,628
At 1 January 2007	**116,998**	**11,722**	**(28,761)**	**539**	**(1,870)**	**98,628**
Derecognition of financial liabilities upon acquisition of minority interest	**—**	**—**	**4,311**	**—**	**—**	**4,311**
Share based compensation expense	**—**	**—**	**—**	**563**	**—**	**563**
Exchange differences arising on translation of foreign subsidiaries	**—**	**—**	**—**	**—**	**4,550**	**4,550**
As at 31 December 2007	**116,998**	**11,722**	**(24,450)**	**1,102**	**2,680**	**108,052**

MANAGEMENT DISCUSSION & ANALYSIS

Result Review

Revenue of the Group recorded for the year ended 31 December 2007 increased by 21% to approximately US$800,877,000 when compared to US$661,836,000 for the previous year. The increase was mainly attributable to good performance of the Group's businesses acquired in the past few years. Acquisition and customer partnerships with the right business model have proven to be the important growth driver for the Group. The Group has gained certain important customers in the past two years and the Group's top ten customers in 2007 (in alphabetical order) include adidas, Ann Taylor, Dillards, Espirit, Fast Retailing, GAP, Limited Brands, Liz Claiborne, Nike and Polo Ralph Lauren.

Luen Thai's overall gross profit for 2007 was approximately US$154,895,000 as compared to US$124,271,000 in 2006. The overall gross profit margin in 2007 was approximately 19.3% as compared to approximately 18.8% in 2006. The Group's operating profit for 2007 was approximately US$23,995,000, representing an increase of approximately 77.3% over the Group's operating profit for 2006. The profit before tax in 2007 also increased from approximately US$10,044,000 to approximately US$24,613,000. These results were attributable to the Group's success in certain costs-cutting initiatives and downsizing through elimination of non-profitable accounts and non-performing facilities.

The profit attributable to the equity holders of the Company for the year ended 31 December 2007 was US$12,515,000 representing a 399% increase over that recorded for 2006.

The Group's freight forwarding and logistics services recorded a revenue of approximately US$17,261,000 in 2007, representing an increase of 25.2% over that recorded for 2006.

The Fashion Division, comprising GJM/Tellas and Tomwell continues to be the key profit driver for Luen Thai with record revenue and profit in 2007. It has consistently increased its market share on existing and new customers, with particular success in the department store sector in both the USA and UK markets.

The Sweater Division, Tien-Hu, continued its good performance in 2007 with record revenue. The integration process has been very smooth and it has been able to leverage the Group's other outsourcing platforms to reduce its reliance on mainland China.

The Sports Active Wear Division had its first profitable year in 2007. This also shows the end of the start-up period for this Division. The Group expects that this Division will further benefit from the Beijing Olympics in 2008.

On Time Group is another division with good performance in 2007. With its success in the European market, the On Time Group will actively pursue opportunities in other countries to leverage the cross-selling opportunities.

Geographical Review

The US market was still the Group's key export market in 2007 which accounted for approximately 51.5% of the Group's total revenue. This percentage, however, has been gradually reducing from 74.3% since the Group's listing on the Stock Exchange in 2004. This reflects our success in geographical diversification to reduce the Group's over reliance on one single market.

Europe continued to be the second largest export market of the Group in 2007 but it was also the fastest growing market in the same year. Europe accounted for approximately 29.7% of the Group's total revenue in 2007 representing an approximately 105.4% growth over that recorded for 2006. This strong performance was attributable to our organic growth into the market together with our success in acquisitions.

The PRC market is another fast growing market which accounted for approximately 4% of the Group's total revenue. This growth was mainly attributable to the Group's active participation in the mainland China's retail market in 2007.

On the production side, the Group had also diversified its production bases/outsourcing platforms to reduce its over reliance on mainland China. The mainland China, the Philippines, Indonesia, India and Bangladesh were the Group's major production bases/outsourcing platforms in 2007.

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

Acquisitions and Joint Ventures

It is the Group's strategy to strengthen its apparel manufacturing and supply chain capabilities by way of selective value-enhancing acquisitions and joint ventures, which have proven to be an important part of the Group's growth strategy.

As disclosed in the 2006 annual report, the Group entered into a 50%-50% joint venture agreement with Guangzhou Huasheng Garment Company Limited on 5 January 2007, to establish Guangzhou Thai Ying Garment Company Limited ("Thai Ying"). Thai Ying has enhanced Luen Thai's manufacturing capabilities for active wear, more particularly for outerwear jackets, and provided lower cost sample-making support to the Group.

In May 2007, Luen Thai acquired a further 10% equity stake in On Time together with its subsidiaries (the "Acquisition"), which made On Time a 60% subsidiary of the Group. Details of the Acquisition were more particularly described in the Company's circular dated 14 May 2007. On Time, through its subsidiaries, is principally engaged in the design, sourcing and distribution of garments and other textile products on a worldwide basis. The acquisition of On Time has further enhanced Luen Thai's design capabilities, which along with its outsourcing production scale, has proven to be a value enhancing acquisition to the Group.

In August 2007, Luen Thai acquired a further 19% equity stake in Partner Joy together with its subsidiaries which made Partner Joy a 90% subsidiary of the Group. Details of this increase in equity stake were more particularly described in the Company's circular dated 24 August 2007.

The Group will continue to identify other acquisition and joint venture opportunities in other relatively low cost countries/regions including some remote provinces of mainland China.

Future Plans and Prospect

Looking ahead, the Group shall continue its M&A strategies as one of our core competencies while strengthening the operational efficiency of our existing business units. With the success of our M&As in the past, the Group will continue to look for value-enhancing M&A opportunities with a view to further diversifying its geographical risk among the USA, Europe and Asia and expanding its product range.

On 28 March 2008, the Company sent to all its shareholders a circular in relation to the conversion of land use of a piece of land in Qingyuan, the PRC from industrial to commercial/residential. After such conversion, the Company has engaged external professional consultants to actively work on various feasibility studies as to the potential development of this piece of land with a view to maximizing its shareholders' value.

Contingent Liabilities and Off-Balance Sheet Obligations

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

Human Resources, Social Responsibilities and Corporate Citizenship

Over the years, Luen Thai has steadily enhanced its reputation as an employer of choice through focused, integrated and strategic human resources ("HR") strategies. Operating beyond the traditional HR infrastructure, Luen Thai's Corporate Human Resources Division ("CHR") is consistently aligned to the Group's vision and achievement of business goals.

Our corporate values, which center on meeting our customers' needs, help thousands of Luen Thai employees to move in one direction — to achieve our vision of becoming the best apparel supply chain services partner in the world. To do this, Luen Thai opens its communication channels and engages its employees.

With more than 20,000 employees around the world, Luen Thai continuously strives to provide the best employee care. In addition to providing a safe workplace, Luen Thai has established world class and convenient living environments, and places great emphasis on work-life balance and wellness.

Opportunities for growth and maximizing career potentials are also provided within the organization through regular and formal learning programs together with structured on-the-job trainings for all levels of the organization.

Luen Thai also has a long-standing commitment to diversity as demonstrated by its multi-cultural workforce. This commitment to fairness is also shown through equitable compensation and benefit schemes. Employees' contributions are valued, recognized and rewarded.

Financial Results and Liquidity

As at 31 December 2007, the total amount of cash and bank balances of the Group was approximately US$96,668,000, representing a decrease of approximately US$10,408,000 as compared to 31 December 2006. The Group's total bank borrowings at 31 December 2007 was approximately US$52,158,000, representing a decrease of approximately 24.9% as compared to approximately US$69,434,000 at 31 December 2006.

As at 31 December 2007, the maturity profile of the Group's bank borrowings spread over five years with approximately US$18,408,000 repayable within one year or on demand, approximately US$4,500,000 in the second year, approximately US$13,500,000 in the third to fifth year, and approximately US$15,750,000 in more than five years.

Gearing ratio is defined as net debt (represented by bank borrowings net of cash and bank balances) divided by the capital and reserves attributable to the equity holders of the Company. As at 31 December 2007, the Group is in a net cash position. Hence, no gearing ratio is presented.

Foreign Exchange Risk Management

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares for the year ended 31 December 2007.

CORPORATE GOVERNANCE

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

The Board has reviewed the Company's corporate governance practices and is satisfied that the Company has been in compliance with the code provisions set out in the Code on Corporate Governance Practices contain in Appendix 14 of the Listing Rules throughout the year ended 31 December 2007.

Full details on the subject of corporate governance are set out in the Company's 2007 annual report.

AUDIT COMMITTEE

The Audit Committee was established with written terms of reference that set out the authorities and duties of the Committee adopted by the Board.

The Audit Committee's review covers the accounting principles and practices adopted by the Group, audit plans and findings of the internal and external auditors, and financial matters including the review of consolidated financial statements of the Group for the year ended 31 December 2007.

FINAL DIVIDEND

An interim dividend of US0.205 cent per share was paid to the shareholders during the year and the Directors recommend the payment of a final dividend of US0.174 cent per share to the shareholders on the register of members on 28 May 2008 totaling to approximately US$1,727,000.

POST BALANCE SHEET EVENT

In March 2008, the Group has effected the conversion of a piece of land held by the Group in Qingyuan, the PRC from industrial use to commercial/residential use. In this connection, the total land premium payable by the Group for such conversion is approximately US$7,600,000.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 26 May 2008 to 28 May 2008, both days inclusive, during which period no transfer of shares will be effected. All transfers, accompanied by the relevant share certificates, must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Center, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on 23 May 2008 in order to qualify for the final dividend mentioned above.

DISCLOSURE OF INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

Information required to be disclosed pursuant to paragraphs 46(1) to 46(6) of Appendix 16 to the Listing Rules will be published on the website of the Stock Exchange (http://www.hkex.com.hk) in due course.

By order of the Board
Tan Henry
Executive Director and Chief Executive Officer

Hong Kong, 17 April 2008

As at the date of this announcement, the Board of Directors comprises Mr. Tan Siu Lin, Mr. Tan Henry, Mr. Tan Cho Lung, Raymond, Mr. Tan Sunny and Ms. Mok Siu Wan, Anne as executive Directors; Mr. Tan Willie and Mr. Lu Chin Chu as non-executive Director; Mr. Chan Henry, Mr. Cheung Siu Kee and Mr. Seing Nea Yie as independent non-executive Directors.