LUEN THAI HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 311)

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2008

GROUP FINANCIAL HIGHLIGHTS

	For the year ended 31 December	
	2008	2007
	US$'000	*US$'000*
Revenue	**832,002**	800,877
Operating profit	**23,112**	23,995
Profit attributable to equity holders of the Company	**11,829**	12,515
Profit margin (ratio of profit attributable to equity holders of the Company to revenue)	**1.4%**	1.6%
Basic EPS (US cents)	**1.2**	1.3

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 2008.

CONSOLIDATED INCOME STATEMENT

	Note	**2008**	2007
		US$'000	*US$'000*
Revenue	*3*	**832,002**	800,877
Cost of sales		**(677,713)**	(645,982)
Gross profit		**154,289**	154,895
Other gains — net		**2,713**	2,259
Selling and distribution expenses		**(23,306)**	(26,158)
General and administrative expenses		**(110,584)**	(107,001)
Operating profit		**23,112**	23,995
Finance income	*6*	**2,087**	3,601
Finance costs	*6*	**(4,609)**	(4,670)
Share of (losses)/profits of associated companies		**(16)**	95
Share of profits of jointly controlled entities		**1,386**	1,592
Profit before income tax		**21,960**	24,613
Income tax credit/(expense)	*7*	**1,213**	(4,208)
Profit for the year		**23,173**	20,405
Attributable to:			
Equity holders of the Company		**11,829**	12,515
Minority interest		**11,344**	7,890
		23,173	20,405
Earnings per share for profit attributable to the equity holders of the Company, expressed in US cents per share			
— Basic	*8*	**1.2**	1.3
— Diluted	*8*	**1.2**	1.3
Dividends	*9*	**3,553**	3,762

CONSOLIDATED BALANCE SHEET

	Note	**2008** *US$'000*	2007 *US$'000*
ASSETS			
Non-current assets			
Leasehold land and land use rights		**10,644**	4,476
Property, plant and equipment		**117,679**	92,578
Intangible assets		**68,870**	65,004
Interests in associated companies		**377**	382
Interests in jointly controlled entities		**9,531**	6,745
Deferred income tax assets		**230**	759
Other non-current assets		**4,955**	4,295
		212,286	174,239
Current assets			
Inventories		**76,208**	65,245
Trade and bills receivables	*10*	**108,351**	100,065
Amounts due from related companies		**4,143**	3,175
Amounts due from associated companies and jointly controlled entities		**1,584**	5,127
Deposits, prepayments and other receivables		**19,876**	11,086
Pledged bank deposits		**1,509**	1,519
Cash and bank balances		**117,839**	96,668
		329,510	282,885
Total assets		**541,796**	457,124
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital		**9,925**	9,925
Other reserves	*12*	**101,340**	108,052
Retained earnings			
— Proposed final dividend		**1,439**	1,727
— Others		**108,858**	100,582
		221,562	220,286
Minority interest		**24,898**	9,794
Total equity		**246,460**	230,080

	Note	2008 US$'000	2007 US$'000
LIABILITIES			
Non-current liabilities			
Bank borrowings		**33,259**	33,750
Loan from a minority shareholder of a subsidiary		**3,097**	—
Retirement benefit obligations		**2,431**	3,135
Deferred income tax liabilities		**5,075**	3,769
Consideration payable and other long-term liabilities		**33,959**	26,673
		77,821	67,327
Current liabilities			
Trade and bills payables	*11*	**66,196**	55,755
Other payables and accruals		**81,039**	69,323
Amounts due to related companies		**817**	2,837
Amounts due to associated companies and jointly controlled entities		**3,953**	1,647
Borrowings		**50,281**	18,408
Derivative financial instruments		**2,199**	—
Current income tax liabilities		**13,030**	11,747
		217,515	159,717
Total liabilities		**295,336**	227,044
Total equity and liabilities		**541,796**	457,124
Net current assets		**111,995**	123,168
Total assets less current liabilities		**324,281**	297,407

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

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, textile products, accessories, and the provision of freight forwarding and logistics 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 (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 judgement in the process of applying the Group's accounting policies.

(a) Amendments and interpretations effective in 2008

- HKAS 39, 'Financial instruments: Recognition and measurement', amendment on reclassification of financial assets permits reclassification of certain financial assets out of the held-for-trading and available-for-sale categories if specified conditions are met. The related amendment to HKFRS 7, 'Financial instruments: Disclosures', introduces disclosure requirements with respect to financial assets reclassified out of the held-for-trading and available-for-sale categories. The amendment is effective prospectively from 1 July 2008. This amendment does not have any impact on the Group's financial statements, as the Group has not reclassified any financial assets.

- HK(IFRIC) — Int 11, 'HKFRS 2 — Group and treasury share transactions', 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', 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. This interpretation does not have any impact on the Group's financial statements, as the Group has a pension deficit and is not subject to any minimum funding requirements.

(b) Interpretations effective in 2008 but not relevant

The following interpretation to published standards is mandatory for accounting periods beginning on or after 1 January 2008 but is not relevant to the Group's operations:

- HK(IFRIC) — Int 12, 'Service Concession arrangements'

(c) Standards, amendments and improvements to existing standards that are not yet effective and have not been early adopted by the Group

The following standards, amendments and improvements to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2009 or later periods, but the Group has not early adopted them:

- HKAS 1 (Revised), 'Presentation of financial statements' (effective from 1 January 2009).
- HKAS 23 (Revised), 'Borrowing costs' (effective from 1 January 2009).
- HKAS 27 (Revised), 'Consolidated and separate financial statements' (effective from 1 July 2009).
- HKFRS 2 (Amendment), 'Share-based payment' (effective from 1 January 2009).
- HKFRS 3 (Revised), 'Business combinations' (effective from 1 July 2009).
- HKFRS 8, 'Operating segments', replaces HKAS 14, 'Segment reporting'.

The HKICPA has also issued Improvements to HKFRSs which sets out amendments to HKFRS 5, HKFRS 7, HKAS 1, HKAS 8, HKAS 10, HKAS 16, HKAS 18, HKAS 19, HKAS 20, HKAS 23, HKAS 27, HKAS 28, HKAS 29, HKAS 31, HKAS 34, HKAS 36, HKAS 38, HKAS 39, HKAS 40 and HKAS 41, primarily with a view to removing inconsistencies and clarifying wordings. Except for the amendment to HKFRS 5, which is effective for the financial periods on or after 1 July 2009, other amendments are effective for financial periods beginning on or after 1 January 2009 although there are separate transitional provisions for each standard.

(d) Interpretations and amendments to existing standards that are not yet effective and not relevant for the Group's operations

The following interpretations and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2009 or later periods but are not relevant for the Group's operations:

- HKFRS 1 (Amendment), 'First time adoption of HKFRS' and HKAS 27 'Consolidated and separate financial statements' (effective from 1 July 2009).
- HKAS 32 (Amendment), 'Financial instruments: Presentation', and HKAS 1 (Amendment), 'Presentation of financial statements' — 'Puttable financial instruments and obligations arising on liquidation' (effective from 1 January 2009).
- HKAS 39 (Amendment) 'Financial Instruments: Recognition and Measurement' — 'Eligible hedged items' (effective from 1 July 2009).
- HK(IFRIC) — Int 13, 'Customer loyalty programmes' (effective from 1 July 2008).
- HK(IFRIC) — Int 15, 'Agreements for construction of real estates' (effective from 1 January 2009).
- HK(IFRIC) — Int 16, 'Hedges of a net investment in a foreign operation' (effective from 1 October 2008).
- HK(IFRIC) — Int 17 — 'Distributions of non-cash assets to owners' (effective from 1 July 2009).
- HK(IFRIC) — Int 18 — 'Transfers of Assets from Customers' (effective for transfers on or after 1 July 2009).

3. REVENUE

	2008	2007
	US$'000	*US$'000*
Sales of garment, textile products and accessories	**809,718**	777,227
Freight forwarding and logistics service fee	**15,855**	17,261
Management income from related companies and a jointly controlled entity	**343**	410
Rental income from a related company	**148**	210
Commission income from		
— a related company	**1,350**	1,728
— third parties	**3,505**	646
Sales of quota	**157**	767
Others	**926**	2,628
Turnover	**832,002**	800,877

4. SEGMENT INFORMATION

Primary reporting format — business segments

The segment results for the year ended 31 December 2008 are as follows:

	Garment/ textile products/ accessories	**Freight forwarding/ logistics services**	**Others**	**Group**
	US$'000	***US$'000***	***US$'000***	***US$'000***
Segment revenues				
Total segment revenue	**809,718**	**17,105**	**6,429**	**833,252**
Inter-segment revenue	**—**	**(1,250)**	**—**	**(1,250)**
Turnover	**809,718**	**15,855**	**6,429**	**832,002**
Segment result	**22,672**	**440**	**—**	**23,112**
Finance income				**2,087**
Finance costs				**(4,609)**
Share of losses of associated companies	**—**	**(16)**	**—**	**(16)**
Share of profits of jointly controlled entities	**1,386**	**—**	**—**	**1,386**
Profit before income tax				**21,960**
Income tax credit/(expense)	**1,330**	**(117)**	**—**	**1,213**
Profit for the year				**23,173**
Minority interest	**(11,265)**	**(79)**	**—**	**(11,344)**
Profit attributable to the equity holders of the Company				**11,829**

The segment results for the year ended 31 December 2007 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	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				3,601
Finance costs				(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

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

	Year ended 31 December 2008			Year ended 31 December 2007		
	Garment/ textile products/ accessories ***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	**14,614**	**1,055**	**15,669**	13,383	1,053	14,436
Amortization	**2,315**	**—**	**2,315**	2,145	—	2,145
Provision for/(write-back of) impairment of trade receivables	**198**	**327**	**525**	595	(198)	397
Provision/(write-back) for inventory obsolescence	**345**	**—**	**345**	(1,567)	—	(1,567)
Provision for impairment of intangible assets	**—**	**—**	**—**	758	—	758
Provision for impairment of property, plant and equipment	**719**	**—**	**719**	—	—	—

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 2008 and capital expenditure for the year then ended are as follows:

	Garment/ textile products/ accessories *US$'000*	**Freight forwarding/ logistics services** *US$'000*	**Group** *US$'000*
Segment assets	**500,062**	**28,143**	**528,205**
Associated companies	**8**	**369**	**377**
Jointly controlled entities	**9,531**	**—**	**9,531**
	509,601	**28,512**	**538,113**
Unallocated assets			**3,683**
Total assets			**541,796**
Segment liabilities	**221,593**	**8,136**	**229,729**
Unallocated liabilities			**65,607**
Total liabilities			**295,336**
Capital expenditure	**43,055**	**1,069**	**44,124**

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

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 and prepaid tax.

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.

	2008	2007
	US$'000	*US$'000*
Revenue		
The United States	**367,450**	412,277
Europe	**301,369**	237,543
Japan	**49,793**	57,413
The PRC	**42,997**	32,330
Others	**70,393**	61,314
	832,002	800,877

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

	2008	2007
	US$'000	*US$'000*
Total Assets		
Hong Kong	**281,911**	233,690
The United States	**26,924**	42,902
The PRC	**175,829**	118,158
Commonwealth of Northern Mariana Islands	**11,863**	11,257
The Philippines	**30,708**	40,540
Others	**4,653**	3,450
	531,888	449,997
Associated companies	**377**	382
Jointly controlled entities	**9,531**	6,745
	541,796	457,124

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

	2008	2007
	US$'000	*US$'000*
Capital expenditure		
Hong Kong	**3,652**	8,545
The United States	**1,339**	162
The PRC	**36,591**	8,812
Commonwealth of Northern Mariana Islands	**931**	856
The Philippines	**855**	554
Others	**756**	586
	44,124	19,515

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

5. EXPENSES BY NATURE

	2008 *US$'000*	2007 *US$'000*
Amortization of leasehold land and land use rights	**163**	91
Amortization of intangible assets	**2,152**	2,054
Provision for impairment of intangible assets	**—**	758
Depreciation of property, plant and equipment	**15,669**	14,436
Provision for impairment of property, plant and equipment	**719**	—
Provision for impairment of receivables	**525**	397
Write-off of non-current assets	**—**	2,204
Provision for/(write-back of) inventory obsolescence	**345**	(1,567)
Employee benefit expense	**123,149**	116,088

6. FINANCE INCOME AND COSTS

	2008 *US$'000*	2007 *US$'000*
Interest expense on bank loans and overdrafts	**2,698**	3,684
Change in estimates of financial liabilities	**567**	(195)
Interest expense on financial liabilities carried at amortized costs	**1,344**	1,181
Finance costs	**4,609**	4,670
Finance income — interest income	**(2,087)**	(3,601)
Net finance costs	**2,522**	1,069

7. INCOME TAX (CREDIT)/EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2007: 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.

	2008 *US$'000*	2007 *US$'000*
Current income tax:		
— Hong Kong profits tax	**(1,615)**	2,015
— Overseas taxation	**7,938**	9,168
Over-provision in prior years	**(7,224)**	(6,471)
Deferred income tax	**(312)**	(504)
	(1,213)	4,208

The weighted average applicable tax rate was 26.7% (2007: 45.0%). The decrease is caused by a change of profitability of the Group's subsidiaries in the respective countries.

Note:

(i) In prior years, certain overseas subsidiaries had made provision for tax liabilities based on their estimated taxable profits arising from their respective operating countries outside Hong Kong. The Directors have undertaken a review of the Group's tax provisions as at 31 December 2008 and have determined that a provision for tax of US$7,224,000 would no longer be required and should be derecognized. Consequently, the amount of US$7,224,000 was taken to the income statement for the year ended 31 December 2008.

(ii) In prior years, 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 2007/08 demanding for tax totalling US$3,843,000 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 these 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$3,453,000 in the form of Tax Reserve Certificates. The Tax Reserve Certificates amount paid was included in prepayments in the consolidated balance sheet as at 31 December 2008.

(iii) Two subsidiaries newly acquired during the year were under tax audit conducted by the IRD. As at 31 December 2008, the IRD has issued additional assessments to these entities from years of assessments 2000/01 to 2006/07, demanding tax totalling US$6,113,000. These subsidiaries have lodged objections to these assessments. The directors consider that sufficient tax provision has been made in the financial statements in this regard.

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.

	2008	2007
	US$'000	*US$'000*
Profit attributable to equity holders of the Company	**11,829**	12,515
Weighted average number of ordinary shares in issue	**992,500,000**	992,500,000
Basic earnings per share (US cents per share)	**1.2**	1.3

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

9. DIVIDENDS

	2008	2007
	US$'000	*US$'000*
Interim dividend paid of US0.213 cent (2007: US0.205 cent) per ordinary share	**2,114**	2,035
Proposed final dividend of US0.145 cent (2007: US0.174 cent) per ordinary share	**1,439**	1,727
	3,553	3,762

The directors recommend the payment of a final dividend of US cent of 0.145 per share, totalling US$1,439,000. 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

	2008	2007
	US$'000	*US$'000*
Trade and bills receivables	**109,831**	101,712
Less: provision for impairment of receivables	**(1,480)**	(1,647)
Trade and bills receivables — net	**108,351**	100,065

The Group normally grants credit terms to its customers ranging from 30 to 90 days. The ageing analysis by due date of trade debtors net of provision for impairment is as follows:

	2008	2007
	US$'000	*US$'000*
Current	**82,771**	70,231
1 to 30 days	**17,770**	19,326
31 to 60 days	**3,038**	3,123
61 to 90 days	**1,501**	2,126
Over 91 days	**3,271**	5,259
Amounts past due but not impaired	**25,580**	29,834
	108,351	100,065

11. TRADE AND BILLS PAYABLES

At 31 December 2008, the ageing analysis of trade and bills payables was as follows:

	2008	2007
	US$'000	*US$'000*
0 to 30 days	**33,411**	43,387
31 to 60 days	**19,398**	8,224
61 to 90 days	**7,069**	706
Over 91 days	**6,318**	3,438
	66,196	55,755

12. RESERVES

	Share premium US$'000	Capital reserve US$'000	Other capital reserves US$'000	Share based compensation expense US$'000	Exchange reserve US$'000	Total US$'000
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
At 1 January 2008	116,998	11,722	(24,450)	1,102	2,680	108,052
Acquisition of subsidiary	—	—	(11,122)	—	—	(11,122)
Share based compensation expense	—	—	—	425	—	425
Exchange differences arising on translation of foreign subsidiaries	—	—	—	—	3,985	3,985
As at 31 December 2008	116,998	11,722	(35,572)	1,527	6,665	101,340

MANAGEMENT DISCUSSION & ANALYSIS

Result Review

Revenue of the Group recorded for the year ended 31 December 2008 increased by approximately 3.9% to approximately US$832,002,000, as compared to approximately US$800,877,000 recorded for the previous year. Such increase was mainly attributable to the value-enhancing acquisition which was in line with the Group's expansion strategies. Acquisitions and customer partnerships which are complementary to our business model have proven to be the important growth driver for the Group. The Group has gained certain important customers in the past few years and the Group's top ten customers in 2008 (in alphabetical order) include adidas, Ann Taylor, Dillard's, Esprit, Fast Retailing, GAP, Limited Brands, Liz Claiborne, Polo Ralph Lauren and Targus.

Luen Thai's overall gross profit for 2008 was approximately US$154,289,000 as compared to approximately US$154,895,000 in 2007. Such decrease was mainly attributable to margin pressures as the overall gross profit margin in 2008 was only approximately 18.5% as compared to approximately 19.3% in 2007. The Group's operating profit for 2008 was approximately US$23,112,000, representing a decrease of approximately 3.7% over the Group's operating profit for 2007. Certain cost control initiatives implemented since 2007 has borne fruit as shown by our decreasing selling and distribution costs. The slight increase in the general and administrative expenses was mainly due to the acquisition of a new subsidiary, Trinew Limited, in August 2008.

The Group's profit before tax in 2008 was approximately US$21,960,000. The profit attributable to the equity holders of the Company for the year ended 31 December 2008 was approximately US$11,829,000, representing an approximate 5.5% decrease over that recorded for 2007.

Segmental Review

Garment, textile products and accessories are currently the Group's major source of revenue. These include the Group's OEM garment manufacturing, garment sourcing and trading and bags business, and accounted for approximately 97.3% of the Group's total revenue in 2008.

The Group's freight forwarding and logistics services recorded a total revenue of approximately US$15,855,000 in 2008, representing a decrease of approximately 8.1% over that recorded for 2007.

Geographically, the US market was still the Group's key export market in 2008, accounting for approximately 44.1% of the Group's total revenue that year. 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 in order to reduce the Group's over reliance on one single market. This is of particular importance in view of the weak US consumer market.

Europe continued to be the second largest export market of the Group in 2008 but it was also the second fastest growing market in the same year. Europe accounted for approximately 36.2% of the Group's total revenue in 2008 representing an approximately 26.9% growth over that recorded for 2007. This strong performance was attributable to our organic growth into the market together with our success in acquisitions.

The PRC market is our fastest growing market and accounted for approximately 5.2% of the Group's total revenue in 2008. This growth was mainly attributable to the Group's continuous effort in participation in the mainland China local sales market.

Our expansion plans will focus on the Asian markets in 2009, starting with Japan. In 2008, Japan accounted for only approximately 6% of the Group's total revenue.

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 2008.

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.

In June 2008, Luen Thai acquired a 60% equity stake in Trinew Group together with its subsidiaries (the "Acquisition"). Details of the Acquisition were more particularly described in the Company's circular dated 30 June 2008. Trinew Group formally became the Company's subsidiary starting from 8 August 2008. Trinew, through its subsidiaries, is principally engaged in the manufacturing of laptop bags, fashionable bags and general bags products. The Acquisition of Trinew has further enhanced Luen Thai's product range and it provides a good cross selling opportunity of luxury and fashionable bags to the Group's existing customers.

Riding on the success of M&As in the past, the Group will continue to take calculated risks to expand its businesses through M&A in order to further diversify its customer and production bases/outsourcing platforms.

Future Plans and Prospect

With the complete elimination of the quota system in 2009, the Group will have more flexibility in taking orders. However, global trade protectionism has become a growing concern in view of the contraction in world consumer demands. Luen Thai's market diversification strategy should be able to mitigate the risk of such growing global trade protectionism. As part of such strategy, Luen Thai shall further diversify its geographical markets with a particular focus on Japan and China in 2009.

On the production side, since the fourth quarter in 2008, the Chinese government seemed to have been taking proactive measures, including the increase of VAT refund rate and the appreciation of RMB, in order to stabilize the market and mitigate the negative impacts from the rest of the world. We believe that the fundamentals of the Chinese economy shall remain sound and intact to fend off the impacts of the global financial turmoil due to its high saving rate and rapid urbanization.

On the investment side, the Group has successfully applied for a conversion of land use for a piece of land which it owns in Qingyuan ("Converted Land') from industrial to commercial/ residential use in March 2008. On 26 March 2009, the independent shareholders of the Company approved the acquisition of a target company which owns another piece of land ("Target Land") in Qingyuan next to the Converted Land. The combination of the Target Land (with roadside frontage) and the Converted Land, with a combined area of more than 500,000 square meters, is expected to bring increased value to the Group as well as potentials for the Group to enter into the PRC property development market. In view of the strong domestic consumption in China and the growth potential of its retail market, the Group is also actively exploring the feasibility of putting more resources in this area.

Looking ahead into 2009, the global financial turmoil continues to cloud our markets, which we expect will remain challenging. Our management therefore takes a conservative and cautious view on the Group's financial performance in 2009 but is optimistic in the longer term.

Contingent Liabilities and Off-Balance Sheet Obligations

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

Human Resources, Social Responsibilities and Corporate Citizenship

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

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

With over 26,000 employees around the world, Luen Thai continuously strives to foster open communication with employees through various channels.

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

Financial Results and Liquidity

As at 31 December 2008, the total amount of cash and bank balances of the Group was approximately US$117,839,000, representing an increase of approximately US$21,171,000 as compared to 31 December 2007. The Group's total bank borrowings as at 31 December 2008 were approximately US$83,540,000, representing an increase of approximately 60.2% as compared to approximately US$52,158,000 as at 31 December 2007.

As at 31 December 2008, the maturity dates of the Group's bank borrowings were spread over five years with approximately US$50,281,000 repayable within one year or on demand, approximately US$8,509,000 in the second year, approximately US$13,500,000 in the third to fifth year, and approximately US$11,250,000 after 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 2008, 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 2008.

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 2008.

Full details on the subject of corporate governance are set out in the Company's 2008 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 2008.

FINAL DIVIDEND

An interim dividend of US0.213 cent per share was paid to the shareholders during the year and the Directors recommend the payment of a final dividend of US0.145 cent per share to the shareholders on the register of members on 3 June 2009 totaling to approximately US$1,439,000.

POST BALANCE SHEET EVENT

On 17 February 2009, a subsidiary of the Group has entered into a Sales and Purchase Agreement with Luen Thai Land Limited, to acquire the entire issued share capital of Victory Land Properties Limited ("Victory"). Luen Thai Land Limited is a related company and is beneficially owned by the Tan's family. The major asset of Victory is a piece of land located in the PRC. The consideration for this transaction was approximately US$6,318,000 (equivalent to HK$48,969,000).

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 1 June 2009 to 3 June 2009, 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 29 May 2009 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 2009

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.