LUEN THAI HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 311)

UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2009

GROUP FINANCIAL HIGHLIGHTS

	Six months ended 30 June	
	2009	2008
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Revenue	**356,306**	379,446
Operating profit	**6,192**	14,771
Profit attributable to equity holders of the Company	**7,407**	7,035
Profit margin (ratio of profit attributable to equity holders of the Company to revenue)	**2.1%**	1.9%
Basic EPS (US cents)	**0.75**	0.71

The board of directors (the "Board") of Luen Thai Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated result of the Company and its subsidiaries (collectively, the "Group" or "Luen Thai") for the six months ended 30 June 2009.

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

For the six month period ended 30 June 2009

	Note	Six months ended 30 June **2009** *US$'000* **(Unaudited)**	2008 *US$'000* (Unaudited)
Revenue	3	**356,306**	379,446
Cost of sales		**(285,684)**	(306,695)
Gross profit		**70,622**	72,751
Other (losses)/gains — net		**(60)**	6,769
Selling and distribution expenses		**(7,132)**	(14,388)
General and administrative expenses		**(57,238)**	(50,361)
Operating profit	4	**6,192**	14,771
Finance income	5	**3,286**	1,013
Finance costs	5	**(1,610)**	(3,253)
Share of (loss)/profit of associated companies		**(25)**	27
Share of profit of jointly controlled entities		**385**	1,045
Profit before income tax		**8,228**	13,603
Income tax credit	6	**1,467**	2,726
Profit for the period		**9,695**	16,329
Attributable to:			
Equity holders of the Company		**7,407**	7,035
Minority interest		**2,288**	9,294
		9,695	16,329
Earnings per share for profit attributable to the equity holders of the Company, expressed in US cents per share			
— Basic	7	**0.75**	0.71
— Diluted	7	**0.75**	0.71
Dividends	8	**2,223**	2,114

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the six month period ended 30 June 2009

	Six months ended 30 June	
	2009	2008
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Profit for the period	**9,695**	16,329
Other comprehensive income		
Currency translation differences	**(470)**	5,651
Total comprehensive income for the period	**9,225**	21,980
Total comprehensive income attributable to:		
— equity holders of the Company	**7,125**	12,686
— minority interest	**2,100**	9,294
	9,225	21,980

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

As at 30 June 2009

	Note	**As at 30 June 2009** *US$'000* **(Unaudited)**	As at 31 December 2008 *US$'000* (Audited)
ASSETS			
Non-current assets			
Leasehold land and land use rights		**8,970**	10,644
Property, plant and equipment		**108,517**	117,679
Intangible assets		**67,725**	68,870
Interests in associated companies		**363**	377
Interests in jointly controlled entities		**9,970**	9,531
Deferred income tax assets		**184**	230
Other non-current assets		**6,023**	4,955
Total non-current assets		**201,752**	212,286
Current assets			
Inventories		**76,647**	76,208
Property under development		**19,686**	—
Trade and bills receivables	9	**89,729**	108,351
Amounts due from related companies		**3,548**	4,143
Amounts due from jointly controlled entities and associated companies		**1,000**	1,584
Deposits, prepayments and other receivables		**23,829**	19,876
Pledged bank deposits		**1,638**	1,509
Cash and cash equivalents		**96,776**	117,839
Total current assets		**312,853**	329,510
Total assets		**514,605**	541,796
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital		**9,925**	9,925
Other reserves	11	**101,186**	101,340
Retained earnings	11	**116,265**	110,297
		227,376	221,562
Minority interest		**22,998**	24,898
Total equity		**250,374**	246,460

	Note	As at 30 June 2009 US$'000 (Unaudited)	As at 31 December 2008 US$'000 (Audited)
LIABILITIES			
Non-current liabilities			
Borrowings		**30,154**	33,259
Loan from a minority shareholder of a subsidiary		**3,097**	3,097
Retirement benefit obligations		**2,656**	2,431
Deferred income tax liabilities		**7,491**	5,075
Consideration payable and other long-term liabilities		**31,647**	33,959
Total non-current liabilities		**75,045**	77,821
Current liabilities			
Trade and bills payables	10	**51,575**	66,196
Borrowings		**39,543**	50,281
Current income tax liabilities		**12,354**	13,030
Amounts due to related companies		**775**	817
Amounts due to jointly controlled entities and associated companies		**1,625**	3,953
Other payables and accruals		**82,668**	81,039
Derivative financial instruments		**646**	2,199
Total current liabilities		**189,186**	217,515
Total liabilities		**264,231**	295,336
Total equity and liabilities		**514,605**	541,796
Net current assets		**123,667**	111,995
Total assets less current liabilities		**325,419**	324,281

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six month period ended 30 June 2009

1. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2009 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 2008, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

2. ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2008, as described in those annual financial statements.

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

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2009.

- HKAS 1 (revised), 'Presentation of financial statements'. The revised standard prohibits the presentation of items of income and expenses (that is 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All 'non-owner changes in equity' are required to be shown in a performance statement.

  Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). The Group has elected to present two statements: an income statement and a statement of comprehensive income. The interim financial statements have been prepared under the revised disclosure requirements.

- HKFRS 8, 'Operating segments'. HKFRS 8 replaces HKAS 14, 'Segment reporting'. It requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in an increase in the number of reportable segments, as the previously reported garment/textile products and accessories segment has been split into casual and fashion apparel, life-style apparel and accessories.

  Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the Board of Directors that makes strategic decisions.

  The change in reportable segments has not resulted in change in allocation of goodwill and any additional goodwill impairment. There has been no further impact on the measurement of the Group's assets and liabilities. Comparatives for 2008 have been restated.

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2009, but are not currently relevant for the Group.

- HKFRS 2 (amendment), 'Share-based payment';
- HKFRS 7 (amendment), 'Financial instruments: disclosure';
- HKAS 23 (amendment), 'Borrowing costs';
- HKAS 32 (amendment), 'Financial instruments: presentation';
- HKAS 39 (amendment), 'Financial instruments: Recognition and measurement';
- HK(IFRIC) 9 (amendment), 'Reassessment of embedded derivatives' and HKAS 39 (amendment), 'Financial instruments: Recognition and measurement';
- HK(IFRIC) 13, 'Customer loyalty programmes';
- HK(IFRIC) 15, 'Agreements for the construction of real estate'; and
- HK(IFRIC) 16, 'Hedges of a net investment in a foreign operation'.

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial year beginning 1 January 2009 and have not been early adopted:

- Amendment to HKAS 39, 'Financial instruments: Recognition and measurement' on eligible hedged items, effective for annual periods beginning on or after 1 July 2009. This is not currently applicable to the Group, as it does not have any hedged items.

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

  The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the statement of comprehensive income. There is a choice on an acquisition-by-acquisition basis to measure the minority interest in the acquiree either at fair value or at the minority interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Group will apply HKFRS 3 (revised) to all business combinations from 1 January 2010.

- HK(IFRIC) 17, 'Distributions of non-cash assets to owners', effective for annual periods beginning on or after 1 July 2009. This is not currently applicable to the Group, as it has not made any non-cash distributions.

- HK(IFRIC) 18, 'Transfers of assets from customers', effective for transfer of assets received on or after 1 July 2009. This is not relevant to the Group, as it has not received any assets from customers.

- The HKICPA has issued improvements to HKFRSs which sets out amendments to HKFRS 2, HKFRS 5, HKFRS 8, HKAS 1, HKAS 7, HKAS 27, HKAS 36, HKAS 38, HKAS 39, HK (IFRIC) 9 and HK (IFRIC) 16, primarily with a view to removing inconsistencies and clarifying wordings. Except for the amendment to HKFRS 2, 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 2010 although there are separate transitional provisions for each standard.

3. SEGMENT INFORMATION

At 30 June 2009, the Group is principally engaged in the manufacturing and trading of apparel and accessories, the provision of freight forwarding and logistics services and the real estate development. Turnover consists of sales revenue from casual and fashion apparel, life-style apparel and accessories, and income from the provision of freight forwarding and logistics services.

Management has determined the operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions.

Management considers the business from a product perspective. From a product perspective, management assesses the performance of casual and fashion apparel, life-style apparel, accessories, freight forwarding and logistics services and real estate. The segment information provided to the management for the reportable segments for the six months ended 30 June 2009 is as follows:

	Casual and fashion apparel	**Life-style apparel**	**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 2009						
Total segment revenue	165,904	133,814	48,805	8,103	—	356,626
Inter-segment revenue	—	—	—	(320)	—	(320)
Revenue (From external customers)	165,904	133,814	48,805	7,783	—	356,306
Segment profit/(loss) for the period	5,531	5,932	(2,325)	1,237	(507)	9,868
Profit for the period includes:						
Depreciation and amortization	(6,472)	(1,782)	(2,776)	(446)	—	(11,476)
Share of loss from associates	—	—	—	(25)	—	(25)
Share of profit/(loss) from jointly controlled entities	401	(16)	—	—	—	385
Income tax (expense)/credit	(901)	2,113	(288)	543	—	1,467

	Casual and fashion apparel	Life-style apparel	Freight forwarding/ logistics services	Total Group
	US$'000	*US$'000*	*US$'000*	*US$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Six months ended 30 June 2008				
Total segment revenue	203,672	165,889	12,505	382,066
Inter-segment revenue	—	—	(2,620)	(2,620)
Revenue (From external customers)	203,672	165,889	9,885	379,446
Segment (loss)/profit for the period	(5,525)	23,001	310	17,786
Profit for the period includes:				
Depreciation and amortization	(5,911)	(1,577)	(679)	(8,167)
Share of profit from associates	—	—	27	27
Share of profit from jointly controlled entities	1,045	—	—	1,045
Income tax (expense)/credit	(833)	3,629	(70)	2,726

Revenues between segments are carried out in accordance with the terms mutually agreed by the respective parties. The revenue from external parties is derived from numerous external customers and the revenue reported to the management is measured in a manner consistent with that in the consolidated income statement. The management assesses the performance of the operating segments based on a measure of profit before impairment losses of property, plant and equipment and change in estimates of financial liabilities for the period.

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

	Six months ended 30 June	
	2009	2008
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Segment profit for the period	**9,868**	17,786
Impairment loss for property, plant and equipment	**(3,087)**	—
Change in estimates of financial liabilities	**2,914**	(1,457)
Profit for the period	**9,695**	16,329

The segment assets at 30 June 2009 are as follows:

	Casual and fashion apparel US$'000 (Unaudited)	Life-style apparel US$'000 (Unaudited)	Accessories US$'000 (Unaudited)	Freight forwarding/ logistics services US$'000 (Unaudited)	Real estate US$'000 (Unaudited)	Total Group US$'000 (Unaudited)
As at 30 June 2009						
Segment Assets	236,545	137,992	80,549	28,729	20,273	504,088
Interests in associated companies	8	—	—	355	—	363
Interest in jointly controlled entities	9,852	118	—	—	—	9,970
	246,405	138,110	80,549	29,084	20,273	514,421
Deferred tax assets						184
Total assets						514,605
As at 31 December 2008						
Segment Assets	264,315	140,230	98,970	28,143	—	531,658
Interests in associated companies	8	—	—	369	—	377
Interest in jointly controlled entities	9,460	71	—	—	—	9,531
	273,783	140,301	98,970	28,512	—	541,566
Deferred tax assets						230
Total assets						541,796

Total assets are allocated based on the operations of the segments.

4. OPERATING PROFIT

The following items have been charged/(credited) to the operating profit during the interim period:

	Six months ended 30 June	
	2009	2008
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Amortization of leasehold land and land use rights	**122**	52
Amortization of intangible assets	**1,145**	1,027
Depreciation of property, plant and equipment	**10,209**	7,088
(Reversal of)/provision for impairment of receivables	**(260)**	193
Impairment losses of property, plant and equipment	**3,087**	—
Impairment for reimbursement receivables *(Note i)*	**1,780**	—

Note:

(i) A minority shareholder of a subsidiary has indemnified the Group for the Group's share of any losses and expenses incurred by the subsidiary in connection with any taxation claim carried out before the date of acquisition of the subsidiary. In prior years, the Group has recognised reimbursement receivable of US$1,780,000 from such minority shareholder in connection with the taxation claim.

During the period ended 30 June 2009, the subsidiary has derecognised the related tax provision of US$2,967,000 (note 6(i)). In this connection, the Group wrote-off the corresponding reimbursement receivables of US$1,780,000.

5. FINANCE INCOME AND COSTS

	Six months ended 30 June	
	2009	2008
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Interest expense on bank loans and overdrafts	**(1,009)**	(922)
Interest expense on financial liabilities carried at amortized costs	**(601)**	(874)
Change in estimates of financial liabilities — net	**—**	(1,457)
Finance costs	**(1,610)**	(3,253)
Interest income	**372**	1,013
Change in estimates of financial liabilities — net	**2,914**	—
Finance income	**3,286**	1,013
Net finance income/(costs)	**1,676**	(2,240)

6. INCOME TAX CREDIT

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 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	
	2009	2008
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Current income tax:		
— Hong Kong profits tax	**1,303**	3,141
— Overseas taxation	**913**	1,900
Over-provision in prior years	**(3,510)**	(7,178)
Deferred income tax	**(173)**	(589)
	(1,467)	(2,726)

Notes:

(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 30 June 2009 and have determined that a provision for tax of US$3,510,000 would no longer be required and should be derecognized. Consequently, the amount of US$3,510,000 was taken to the income statement for the period ended 30 June 2009.

(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 is 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 30 June 2009.

(iii) Two subsidiaries of the Group were under tax audit conducted by the IRD. As at 30 June 2009, the IRD has issued additional assessments to these entities from years of assessments 2000/01 to 2006/07, demanding tax totalling US$6,980,000. 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.

7. 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 period.

	Six months ended 30 June	
	2009	2008
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Profit attributable to equity holders of the Company	**7,407**	7,035
Weighted average number of ordinary shares in issue	**992,500,000**	992,500,000
Earnings per share in US cent		
— basic	**0.75**	0.71

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

8. DIVIDENDS

	Six months ended 30 June	
	2009	2008
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Interim dividend — US0.224 cent or equivalent to HK$1.736 cents (2008: US0.213 cent) per share	**2,223**	2,114

The interim dividend of US0.224 cent per share (2008: US0.213 cent per share) was proposed by the Board of Directors on 17 September 2009. This condensed consolidated interim financial information does not reflect this dividend payable.

9. TRADE AND BILLS RECEIVABLES

	As at 30 June 2009 US$'000 (Unaudited)	As at 31 December 2008 US$'000 (Audited)
Trade and bills receivables	**90,949**	109,831
Less: provision for impairment of receivables	**(1,220)**	(1,480)
	89,729	108,351

The Group grants credit terms to its customers ranging from 30 to 90 days. At 30 June 2009, the ageing analysis by due date of trade debtors net of the provision for impairment is as follows:

	As at 30 June 2009 US$'000 (Unaudited)	As at 31 December 2008 US$'000 (Audited)
Current	**61,202**	82,771
1 to 30 days	**19,550**	17,770
31 to 60 days	**4,342**	3,038
61 to 90 days	**807**	1,501
Over 91 days	**3,828**	3,271
Amounts past due but not impaired	**28,527**	25,580
	89,729	108,351

10. TRADE AND BILLS PAYABLES

At 30 June 2009, the ageing analysis of the trade and bills payables is as follows:

	As at 30 June 2009 US$'000 (Unaudited)	As at 31 December 2008 US$'000 (Audited)
0 to 30 days	**41,341**	33,411
31 to 60 days	**3,669**	19,398
61 to 90 days	**552**	7,069
Over 90 days	**6,013**	6,318
	51,575	66,196

11. RESERVES

	Share premium US$'000 (Unaudited)	Capital reserve *(Note (i))* US$'000 (Unaudited)	Other capital reserve *(Note (ii))* US$'000 (Unaudited)	Share based compensation reserve US$'000 (Unaudited)	Exchange reserve US$'000 (Unaudited)	Retained earnings US$'000 (Unaudited)	Total US$'000 (Unaudited)
As at 1 January 2009	116,998	11,722	(35,572)	1,527	6,665	110,297	211,637
Profit for the period	—	—	—	—	—	7,407	7,407
Currency translation differences	—	—	—	—	(282)	—	(282)
Share based compensation expenses	—	—	—	128	—	—	128
Dividend paid	—	—	—	—	—	(1,439)	(1,439)
As at 30 June 2009	116,998	11,722	(35,572)	1,655	6,383	116,265	217,451
As at 1 January 2008	116,998	11,722	(24,450)	1,102	2,680	102,309	210,361
Profit for the period	—	—	—	—	—	7,035	7,035
Currency translation differences	—	—	—	—	5,651	—	5,651
Share based compensation expenses	—	—	—	196	—	—	196
Dividend paid	—	—	—	—	—	(1,727)	(1,727)
As at 30 June 2008	116,998	11,722	(24,450)	1,298	8,331	107,617	221,516

Notes:

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

(ii) Other capital reserves primarily represent the initial recognition of the financial liabilities in relation to the put options granted to the minority shareholders and the subsequent derecognition of such financial liabilities upon the put options are exercised or expired.

12. SUBSEQUENT EVENT

In August 2009, the Group has entered into a construction contract in relation to real estate development with the amount of RMB240.7 million. The construction contract is primarily financed by a specific line of banking facilities made available to the Group subsequent to the period end date.

MANAGEMENT DISCUSSION & ANALYSIS

Results of Operations and Overview

The Group recorded a revenue of approximately US$356,306,000 for the six-month period ended 30 June 2009, representing a 6.1% decrease when compared to the same period in 2008. The decrease in revenue was due to the contraction in demand as a result of the global financial crisis and the Group's effort of eliminating non-profitable accounts.

Despite the drop in revenue, our profitability has sustained during the period under review. It is mainly attributed to our successful adoption and implementation of the "lean reengineering" strategy. This strategy involves restructuring our business units into individual "lean enterprises" with one-stop responsibilities from merchandizing, manufacturing to sales of our products within each business unit. We were unable to adopt this strategy at the time when the quota system existed — the flexibilities of our manufacturing operations were highly compromised due to numerous quota-related business considerations such as the specific customer requirements on the countries of manufacture and whether our products could be manufactured at locations which were not subject to the quota requirements. This "lean reengineering" strategy also involves "lean process" reengineering, which aims to reduce the operating process within each business unit resulting in increase in productivity in terms of both front and back end operations. As a result, despite the market downturn, the Casual & Fashion Apparel Division has achieved a significant turnaround with substantial profit improvement when compared to the same period last year.

During the period under review, the overall operating environment in the PRC had become more settled due to the Chinese Government taking proactive measures to mitigate the negative impact brought by the global financial crisis. The stabilization of the exchange rate of Chinese Yuan and Philippine Peso, along with the relatively steady labor costs in mainland China, has positively affected the results of our operations in the first half of 2009. However, the fluctuation of exchange rate of Euro has negatively affected our European orders.

Luen Thai's overall gross profit for the six months ended 30 June 2009 was approximately US$70,622,000 as compared to US$72,751,000 for the same period in 2008. Such decrease is a direct result of the decrease in the overall revenue, but the gross margin for the period under review has increased from 19.2% to 19.8% as a result of our efforts to eliminate unprofitable accounts. Certain cost control initiatives continued to take effect as reflected by the decrease of the Group's selling and distribution expenses by 50% or approximately US$7,256,000 during the first six months of 2009. General and administrative expenses, however, increased by 13.7% or approximately US$6,877,000 over the same period last year. The increase in general and administrative expenses is mainly due to the inclusion of the accessories division into the Group and the one-time impairment loss of the property, plant and equipment for the period under review.

The profit attributable to equity holders of the Company for the six months ended 30 June 2009 showed an increase of 5.3% to approximately US$7,407,000 when compared to that recorded for the same period last year.

Segmental Review

Apparel and accessories businesses are still the major sources of the Group's revenue and profit for the six months ended 30 June 2009. It accounts for approximately 97.8% and 94.3% of the revenue and profit for the period. Our management has successfully turned around the

Casual and Fashion Apparel segment during the period under review, which effectively offset some decreases in contribution from other segments within the Group brought by the negative impacts of the financial turmoil.

The Group's freight forwarding and logistics services recorded a revenue of approximately US$7,783,000 for the period under review, representing a decrease of 21.3% over the same period in 2008. Such decrease was mainly due to the contraction of loading demand as a result of the poor economic environment.

Markets

Geographically, Europe and the US remain our key export markets for the six-month period ended 30 June 2009. The total revenue that we generated from the Europe and US markets collectively accounted for approximately 77.6% of the Group's total revenue in the first half of 2009.

As a continued effort of diversifying our geographical reach with a particular focus on the PRC and Japan markets, the PRC market accounted for 4.7% of the Group's total revenue in the first half of 2009, representing an approximately 40% growth over the same period last year. In addition, the revenue of the Japan market also increased by 19% as compared to the same period last year.

Acquisitions and Joint Ventures

Acquisitions and joint ventures are one of Luen Thai's core competencies considering our strong customer bases, scale and management team.

Riding on the success of the acquisitions and joint ventures that we conducted in the past, the Group is committed to take calculated risk and continue our acquisition strategy with a view to further strengthening the Group's multi-product strategy.

Liquidity and Financial Resources

The financial position of the Group remains strong for the period under review. As at 30 June 2009, the Group's total cash and cash equivalents of the Group approximately amount to US$96,776,000, a decrease of US$21,063,000 over the balance as at 31 December 2008. The Group's total bank borrowings as at 30 June 2009 was approximately US$69,697,000, representing a decrease of approximately 16.6% as compared to approximately US$83,540,000 at 31 December 2008.

Gearing ratio is defined as net debt (representing by bank borrowings net of cash and cash equivalents) divided by shareholders' funds. As at 30 June 2009, the Group is in a net cash position and hence no gearing ratio is presented.

As at 30 June 2009, the maturity profile of the Group's bank borrowings spread over five years with approximately US$39,543,000 repayable within one year or on demand, approximately US$5,943,000 in the second year and approximately US$24,211,000 in the third to fifth year.

Foreign Exchange Risk Management

The Group adopts a prudent policy to hedge the fluctuation of exchange rates. Most of the Group's operating activities are denominated in US dollar, Euro, Hong Kong dollar, Chinese Yuan, and Philippine Peso. For those activities denominated in other currencies, the Group may enter into forward contracts or any other financial derivatives to hedge its receivable and payable denominated in foreign currencies to reduce the risks involved in exchange rate fluctuations.

Future Plans and Prospect

As disclosed in the announcement dated 14 August 2009, the Company, through its subsidiary, entered into a construction contract with an independent contractor for the development of a residential project in Qingyuan, Guangdong, the PRC. Phase one of the project is expected to be completed in August 2010. According to the public information, the Chinese government has been planning to build a Guangzhou-Qingyuan Light Rail system which connects Qingyuan with the Guangzhou Baiyun International Airport and the Guangzhou Metro, and part of this Guangzhou-Qingyuan Light Rail system is expected to be adjacent to our residential project site. We believe that the plan of a Light Rail system coupled with the expected proximity of its station with our residential project site would enhance the value of the residential project, and we are confident that the PRC real estate market is in the course of stabilisation. Our entrance into the Guangdong real estate market not only unlocks the value of the industrial land previously used for production purposes, but will also bring a new source of revenue to the Group.

Looking ahead, we believe the competition within the apparel and accessories market will continue to be severe which will further dwindle the room for survival of smaller players. We shall continue to look for value-enhancing acquisition and joint venture opportunities to further expand our product range and diversify our geographical risk.

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 condensed consolidated interim financial information.

Human Resources and Social Responsibilities

As at 30 June 2009, the Group has approximately 22,000 employees around the world. Luen Thai believes employees are the most important asset of the Group, and are the critical success factor for the continuous growth of the Group. In addition to providing a safe workplace, Luen Thai continuously strives to provide the best employee care with great emphasis on work-life balance and wellness. 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 competitive remuneration package, as well as its employee recognition and awards.

Luen Thai remains committed to corporate social responsibility by engaging in transparent and ethical business practices, employee care and environment stewardship. In addition, Luen Thai rallies its employees in caring for the environment through numerous "go green" programs and initiatives across its global operations.

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 period under review.

CORPORATE GOVERNANCE PRACTICES

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 announcement, 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 period ended 30 June 2009.

MODEL CODE

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standards set out in the Model Code for Securities Transactions ("the "Model Code"). After having made specific enquiry of all Directors, the Directors confirmed that they have complied with the required standards as set out in the Model Code and its code of conduct regarding securities transactions by Directors during the six months ended 30 June 2009.

REVIEW OF INTERIM RESULTS

The unaudited interim financial reports for the six months ended 30 June 2009 have been reviewed by the Company's audit committee, and the Company's auditors, PricewaterhouseCoopers, in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of 1.736 HK cents per Share (2008: 1.661 HK cents) for the six months ended 30 June 2009 to be payable to shareholders whose names appear on the Register of Members of the Company on 23 October 2009.

The interim dividend will be paid on or around 29 October 2009.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 21 October 2009 to 23 October 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 20 October 2009 in order to qualify for the interim 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 September 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 Directors; Mr. Chan Henry, Mr. Cheung Siu Kee and Mr. Seing Nea Yie as independent non-executive Directors.