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 2010

GROUP FINANCIAL HIGHLIGHTS

	Six months ended 30 June	
	2010	2009
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Revenue	**335,070**	356,306
Operating profit	**2,284**	6,192
Profit attributable to equity holders of the Company	**7,501**	7,407
Profit margin (ratio of profit attributable to equity holders of the Company to revenue)	**2.2%**	2.1%
Basic EPS (US cents)	**0.76**	0.75

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 2010.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six month period ended 30 June 2010

	Note	Six months ended 30 June **2010** *US$'000* (Unaudited)	2009 *US$'000* (Unaudited)
Revenue	3	**335,070**	356,306
Cost of sales		**(274,029)**	(285,684)
Gross profit		**61,041**	70,622
Other losses — net		**(3,744)**	(60)
Selling and distribution expenses		**(7,841)**	(7,132)
General and administrative expenses		**(47,172)**	(57,238)
Operating profit	4	**2,284**	6,192
Finance income	5	**6,658**	3,286
Finance costs	5	**(768)**	(1,610)
Finance income — net	5	**5,890**	1,676
Share of losses of associated companies		**(9)**	(25)
Share of profits of jointly controlled entities		**213**	385
Profit before income tax		**8,378**	8,228
Income tax (expense)/credit	6	**(1,087)**	1,467
Profit for the period		**7,291**	9,695
Profit/(loss) attributable to:			
— equity holders of the Company		**7,501**	7,407
— non-controlling interests		**(210)**	2,288
		7,291	9,695
Earnings per share for profit attributable to the equity holders of the Company, expressed in US cents per share			
— basic	7	**0.76**	0.75
— diluted	7	**0.76**	0.75
Dividends	8	**2,253**	2,223

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six month period ended 30 June 2010

	Six months ended 30 June	
	2010	2009
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Profit for the period	**7,291**	9,695
Other comprehensive income		
Currency translation differences	**102**	(470)
Total comprehensive income for the period	**7,393**	9,225
Total comprehensive income for the period attributable to:		
— equity holders of the Company	**7,475**	7,125
— non-controlling interests	**(82)**	2,100
	7,393	9,225

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2010

	Note	As at 30 June 2010 US$'000 (Unaudited)	As at 31 December 2009 US$'000 (Audited)
ASSETS			
Non-current assets			
Leasehold land and land use rights		**8,776**	8,868
Property, plant and equipment		**102,200**	104,970
Intangible assets		**65,856**	67,002
Interests in associated companies		**363**	372
Interests in jointly controlled entities		**10,070**	9,813
Deferred income tax assets		**491**	991
Other non-current assets		**4,207**	4,346
Total non-current assets		**191,963**	196,362
Current assets			
Inventories		**82,946**	62,341
Properties under development		**22,331**	20,758
Trade and bills receivables	9	**109,949**	110,001
Amounts due from related companies		**2,601**	2,702
Amounts due from associated companies and jointly controlled entities		**3,553**	5,192
Deposits, prepayments and other receivables		**22,066**	18,423
Prepaid tax		**—**	370
Pledged bank deposit		**1,346**	1,564
Cash and cash equivalents		**64,609**	107,550
Total current assets		**309,401**	328,901
Total assets		**501,364**	525,263
EQUITY			
Equity attributable to the equity holders of the Company			
Share capital		**9,927**	9,925
Other reserves	11	**131,972**	102,110
Retained earnings		**124,585**	122,320
		266,484	234,355
Non-controlling interests		**9,488**	21,821
Total equity		**275,972**	256,176

	Note	As at 30 June 2010 US$'000 (Unaudited)	As at 31 December 2009 US$'000 (Audited)
LIABILITIES			
Non-current liabilities			
Bank borrowings		**25,782**	27,071
Loan from a minority shareholder of a subsidiary		**—**	3,097
Retirement benefit obligations		**2,902**	2,841
Deferred income tax liabilities		**6,815**	6,781
Consideration payable and financial liabilities		**—**	31,259
Total non-current liabilities		**35,499**	71,049
Current liabilities			
Trade and bills payables	10	**43,116**	50,242
Other payables and accruals		**87,081**	87,364
Amounts due to related companies		**1,886**	1,309
Amounts due to associated companies and jointly controlled entities		**973**	4,340
Borrowings		**48,976**	39,945
Derivative financial instruments		**746**	22
Current income tax liabilities		**7,115**	14,816
Total current liabilities		**189,893**	198,038
Total liabilities		**225,392**	269,087
Total equity and liabilities		**501,364**	525,263
Net current assets		**119,508**	130,863
Total assets less current liabilities		**311,471**	327,225

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six month period ended 30 June 2010

1. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2010 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 2009, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

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 2009, 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.

(a) New and amended standards adopted by the Group

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2010.

- HKAS 17 (amendment), 'Leases', deletes specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. Leases of land should be classified as either finance or operating lease using the general principles of HKAS 17, i.e. whether the lease transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. The change in accounting policy had no material impact on the Group's condensed consolidated interim financial information.

- 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', are 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.

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

  As the Group has adopted HKFRS 3 (revised), it is required to adopt HKAS 27 (revised), 'consolidated and separate financial statements', at the same time. HKAS 27 (revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss.

(b) Standards, amendments and interpretations to existing standards effective in 2010 but not relevant to the Group

- HK(IFRIC) — Int 17, 'Distributions of non-cash assets to owners' is 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.

- 'Additional exemptions for first-time adopters' (Amendment to HKFRS 1) is effective for annual periods beginning on or after 1 January 2010. This is not relevant to the Group, as it is an existing HKFRS preparer.

- HKAS 39 (Amendment), 'Eligible hedged items' is effective for annual period on or after 1 July 2009. That is not currently applicable to the Group, as it has no hedging.

- HKFRS 2 (Amendment), 'Group cash-settled share-based payment transaction' is effective for annual periods beginning on or after 1 January 2010. This is not currently applicable to the Group, as it has no such share-based payment transactions.

- First improvements to Hong Kong Financial Reporting Standards (2008) were issued in October 2008 by the HKICPA. The improvement related to HKFRS 5 "Non-current assets held for sale and discontinued operations" is effective for annual period on or after 1 July 2009.

- Second improvements to Hong Kong Financial Reporting Standards (2009) were issued in May 2009 by the HKICPA. All improvements are effective in the financial year of 2010.

(c) The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1 January 2010 and have not been early adopted:

- HKFRS 9, 'Financial instruments' addresses the classification and measurement of financial assets and is likely to affect the Group's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. The Group is yet to assess HKFRS 9's full impact. The Group has not yet decided when to adopt HKFRS 9.

- HKAS 24 (Revised) 'Related party disclosures' supersedes HKAS 24 'Related party disclosures' issued in 2003. The revised HKAS 24 is required to be applied from 1 January 2011. Earlier application, for either the entire standard or the government-related entity, is permitted. The Group will apply the revised HKAS 24 from 1 January 2010.

- Under 'Classification of rights issues' (Amendment to HKAS 32), for rights issues offered for a fixed amount of foreign currency, current practice appears to require such issues to be accounted for as derivative liabilities. The amendment states that if such rights are issued pro rata to all the entity's existing shareholders in the same class for a fixed amount of currency, they should be classified as equity regardless of the currency in which the exercise price is denominated. The amendment should be applied for annual periods beginning on or after 1 February 2010. Earlier application is permitted.

- Amendments to HK(IFRIC) Int — 14 'Prepayments of a minimum funding requirement' corrects an unintended consequence of HK(IFRIC) Int — 14, 'HKAS 19 — The limit on a defined benefit asset, minimum funding requirements and their interaction'. Without the amendments, entities are not permitted to recognise as an asset for any surplus arising from the voluntary prepayment of minimum funding contributions in respect of future service. This was not intended when HK(IFRIC) Int — 14 was issued, and the amendments correct the problem. The amendments are effective for annual periods beginning 1 January 2011. Earlier application is permitted. The amendments should be applied retrospectively to the earliest comparative period presented. This is not currently applicable to the Group.

- HK(IFRIC) — Int 19, 'Extinguishing financial liabilities with equity instruments' clarifies the requirements of HKFRSs when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially. The interpretation is effective for annual periods beginning on or after 1 July 2010. Earlier application is permitted.

- 'Limited exemption from comparative HKFRS 7 disclosures for first-time adopters' (Amendment to HKFRS 1) provide first-time adopters with the same transition provisions as included in the amendment to HKFRS 7 in relation to relief from presenting comparative information that ended before 31 December 2009 for new fair value disclosures requirements. This is required to be applied for annual periods beginning on or after 1 July 2010. Early adoption is permitted. This is not relevant to the Group, as it is an existing HKFRS preparer.

- Third improvements to Hong Kong Financial Reporting Standards (2010) were issued in May 2010 by the HKICPA. All improvements are effective in the financial year of 2011.

3. SEGMENT INFORMATION

The Group is principally engaged in the manufacturing and trading of apparels and accessories, the provision of freight forwarding and logistics services and also real estate development. Revenue consists of sales revenue from casual and fashion apparel, life-style apparel, sweaters, accessories, and income from the provision of freight forwarding and logistics services.

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

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

The segment information provided to the Board of Directors for the reportable segments for the six months ended 30 June 2010 is as follows:

	Casual and fashion apparel	Life-style apparel	Sweater	Accessories	Freight forwarding/ logistics services	Real estate	Total Group
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Six months ended 30 June 2010							
Total segment revenue	239,670	86,217	35,886	60,412	8,389	—	430,574
Inter-segment revenue	(93,182)	(482)	(1,241)	(182)	(417)	—	(95,504)
Revenue (From external customers)	146,488	85,735	34,645	60,230	7,972	—	335,070
Segment profit/(loss) for the period	6,547	949	(711)	(1,748)	570	(800)	4,807
Profit/(loss) for the period includes:							
Depreciation and amortization	(5,453)	(1,213)	(412)	(2,284)	(420)	(472)	(10,254)
Share of losses of associated companies	—	—	—	—	(9)	—	(9)
Share of profits from jointly controlled entities	213	—	—	—	—	—	213
Income tax expense	(579)	(262)	(40)	(143)	(63)	—	(1,087)

	Casual and fashion apparel US$'000 (Unaudited)	Life-style apparel US$'000 (Unaudited)	Sweater US$'000 (Unaudited)	Accessories US$'000 (Unaudited)	Freight forwarding/ logistics services US$'000 (Unaudited)	Real estate US$'000 (Unaudited)	Total Group US$'000 (Unaudited)
Six months ended 30 June 2009							
Total segment revenue	165,904	100,713	33,101	48,805	8,103	—	356,626
Inter-segment revenue	—	—	—	—	(320)	—	(320)
Revenue (From external customers)	165,904	100,713	33,101	48,805	7,783	—	356,306
Segment profit/(loss) for the period	9,940	5,859	73	(2,325)	1,237	(507)	14,277
Profit/(loss) for the period includes:							
Depreciation and amortization	(6,472)	(1,272)	(510)	(2,776)	(446)	—	(11,476)
Share of losses from associated companies	—	—	—	—	(25)	—	(25)
Share of profits/(losses) from jointly controlled entities	401	(16)	—	—	—	—	385
Income tax (expense)/credit	(901)	2,238	(125)	(288)	543	—	1,467

Revenues between segments are carried out in accordance with the terms mutually agreed between the respective parties. The revenue from external parties is derived from numerous external customers and the revenue reported to the management is measured in a manner consistent with that in the condensed consolidated income statement. The management assesses the performance of the operating segments based on a measure of profit before corporate expenses, impairment losses of property, plant and equipment, change in estimates of financial liabilities and the amortized interest costs of the 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	
	2010	2009
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Segment profit for the period	**4,807**	14,277
Corporate expenses	**(3,969)**	(3,808)
Impairment loss for property, plant and equipment	**—**	(3,087)
Change in estimates of financial liabilities — net	**6,453**	2,914
Interest expense on financial liabilities carried at amortized cost	**—**	(601)
Profit for the period	**7,291**	9,695

Reportable segment's assets are reconciled to total assets as at 30 June 2010 as follows:

	Casual and fashion apparel *US$'000* (Unaudited)	Life-style apparel *US$'000* (Unaudited)	Sweater *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 2010							
Segment assets	**211,620**	**71,771**	**64,871**	**80,387**	**31,341**	**30,450**	**490,440**
Other segment assets							
Interests in associated companies	**8**	**—**	**—**	**—**	**355**	**—**	**363**
Interests in jointly controlled entities	**10,070**	**—**	**—**	**—**	**—**	**—**	**10,070**
	221,698	**71,771**	**64,871**	**80,387**	**31,696**	**30,450**	**500,873**
Unallocated:							
Deferred income tax assets							**491**
Total assets per balance sheet							**501,364**

Reportable segment's assets are reconciled to total assets as at 31 December 2009 as follows:

	Casual and fashion apparel *US$'000* (Audited)	Life-style apparel *US$'000* (Audited)	Sweater *US$'000* (Audited)	Accessories *US$'000* (Audited)	Freight forwarding/ logistics services *US$'000* (Audited)	Real estate *US$'000* (Audited)	Total Group *US$'000* (Audited)
As at 31 December 2009							
Segment assets	231,614	81,058	54,390	86,252	29,370	31,033	513,717
Other segment assets							
Interests in associated companies	8	—	—	—	364	—	372
Interests in jointly controlled entities	9,813	—	—	—	—	—	9,813
	241,435	81,058	54,390	86,252	29,734	31,033	523,902
Unallocated:							
Deferred income tax assets							991
Prepaid tax							370
Total assets per balance sheet							525,263

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 period:

	Six months ended 30 June	
	2010	2009
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Amortization of leasehold land and land use rights	**107**	122
Amortization of intangible assets	**1,146**	1,145
Depreciation of property, plant and equipment	**9,001**	10,209
Reversal of impairment of receivables	**(491)**	(260)
Provision for inventory obsolescence	**125**	201
Impairment losses on property, plant and equipment	**—**	3,087
Impairment of 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 recognized 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 derecognized the related tax provision of US$2,967,000. 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	
	2010	2009
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Interest expense on bank loans and overdrafts	**(768)**	(1,009)
Interest expense on financial liabilities carried at amortized costs	**—**	(601)
Finance costs	**(768)**	(1,610)
Interest income	**205**	372
Change in estimates of financial liabilities — net	**6,453**	2,914
Finance income	**6,658**	3,286
Net finance income	**5,890**	1,676

6. INCOME TAX EXPENSE/(CREDIT)

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 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	
	2010	2009
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Current income tax	**553**	2,216
Over-provision in prior years	**—**	(3,510)
Deferred income tax	**534**	(173)
	1,087	(1,467)

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 condensed consolidated income statement for the period ended 30 June 2009.

(ii) In prior years, a Hong Kong subsidiary received notices of additional assessments/assessments from the Hong Kong Inland Revenue department (the "IRD") for the years of assessment 2000/01 to 2007/08 demanding for tax totalling US$3,843,000 in respect of certain income, which the directors have regarded as not be subject to Hong Kong Profits Tax. The directors have thoroughly revisited the situations and have concluded that the subsidiary has grounds to defend that the relevant profits are not subject to Hong Kong Profits Tax. In these circumstances, the directors have filed objections to these additional assessments/assessments and consider that sufficient tax provision has been made in the financial statements. The subsidiary company has paid the amount of US$3,453,000 in the form of Tax Reserve Certificates. The Tax Reserve Certificates amount paid was included in prepayments in the condensed consolidated balance sheet as at 30 June 2010.

(iii) In prior years, two other subsidiaries were under tax audit conducted by the IRD and have received additional assessments from years of assessments 2000/01 to 2008/09, demanding tax totalling US$8,584,000. Some of these assessments are protective assessments issued before the expiry of the statutory time-barred period pending the result of the tax audit. These subsidiaries have lodged objections to these assessments. The directors consider that sufficient tax provision has been made in the condensed consolidated interim financial information 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 number of ordinary shares in issue during the period.

	Six months ended 30 June	
	2010	2009
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Profit attributable to equity holders of the Company	**7,501**	7,407
Weighted average number of ordinary shares in issue *(thousands)*	**992,559**	992,500
Basic earnings per share *(US cents per share)*	**0.76**	0.75

There was no dilutive effect on earnings per share for both the periods ended 30 June 2010 and 2009 since all outstanding share options were anti-dilutive.

8. DIVIDENDS

	Six months ended 30 June	
	2010	2009
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Interim dividend — US0.227 cent or equivalent to HK$1.764 cents (2009: US0.224 cent) per ordinary share	**2,253**	2,223

The interim dividend of US0.227 cent per share (2009: US0.224 cent per share) was proposed by the Board of Directors on 20 August 2010. This condensed consolidated interim financial information does not reflect this dividend payable.

9. TRADE AND BILLS RECEIVABLES

	As at 30 June 2010	As at 31 December 2009
	US$'000	*US$'000*
	(Unaudited)	(Audited)
Trade and bills receivables	**110,779**	111,322
Less: provision for impairment of receivables	**(830)**	(1,321)
Trade and bills receivables — net	**109,949**	110,001

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:

	As at 30 June 2010	As at 31 December 2009
	US$'000	*US$'000*
	(Unaudited)	(Audited)
Current	**81,776**	75,905
1 to 30 days	**16,255**	23,876
31 to 60 days	**4,329**	4,218
61 to 90 days	**3,493**	2,234
Over 90 days	**4,096**	3,768
Amounts past due but not impaired	**28,173**	34,096
	109,949	110,001

10. TRADE AND BILLS PAYABLES

At 30 June 2010, the ageing analysis of the trade and bills payables is as follows:

	As at 30 June 2010	As at 31 December 2009
	US$'000	*US$'000*
	(Unaudited)	(Audited)
0 to 30 days	**35,037**	41,564
31 to 60 days	**2,481**	2,010
61 to 90 days	**1,540**	1,548
Over 90 days	**4,058**	5,120
	43,116	50,242

11. OTHER RESERVES

	Share premium US$'000 (Unaudited)	Capital reserve *(Note (i))* US$'000 (Unaudited)	Other capital reserve *(Note (ii))* US$'000 (Unaudited)	Share based payment US$'000 (Unaudited)	Exchange reserve US$'000 (Unaudited)	Total US$'000 (Unaudited)
As at 1 January 2010	116,998	11,722	(34,633)	1,730	6,293	102,110
Currency translation differences	—	—	—	—	(26)	(26)
Derecognition of financial liabilities upon termination of the put options	—	—	27,698	—	—	27,698
Acquisition of remaining interests in a subsidiary from a non-controlling shareholder	—	—	2,136	—	—	2,136
Exercise of share options by employee	20	—	—	(6)	—	14
Share-based payment expenses	—	—	—	40	—	40
As at 30 June 2010	117,018	11,722	(4,799)	1,764	6,267	131,972
As at 1 January 2009	116,998	11,722	(35,572)	1,527	6,665	101,340
Currency translation differences	—	—	—	—	(282)	(282)
Share-based payment expenses	—	—	—	128	—	128
As at 30 June 2009	116,998	11,722	(35,572)	1,655	6,383	101,186

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, expired or terminated.

12. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

(a) Details of the interim dividend proposed are given in Note 8.

(b) On 9 July 2010, the Group entered into an agreement to acquire 100% interest in Glory Silk International Limited ("Glory"), Gold Chain Enterprises Limited ("Gold") and Texcorp Investments Limited ("Texcorp") (altogether "A.M.I Group") at a cash consideration of HK$13,000,000 (equivalent to US$1,677,000) plus an amount equals to the net working capital of A.M.I Group from two parties namely Kardon International Worldwide Limited ("Kardon"), a related company and Linktop Enterprises Limited, a third party. Kardon is a company which has 42% equity interest in A.M.I Group and it is indirectly owned by Mr. Tan Siu Lin, a director of the Company. A.M.I Group is principally engaged in the manufacturing of garment and textile products in Indonesia. The Group is still in the progress of ascertaining the fair value of the assets and liabilities at the acquisition date and it is impracticable to disclose their respective amounts at the current stage.

MANAGEMENT DISCUSSION & ANALYSIS

Results of Operations and Overview

The Group recorded revenue of approximately US$335,070,000 for the six-month period ended 30 June 2010, representing a 6.0% decrease when compared to the same period in 2009. The decrease in revenue was mainly due to the currency translation differences as a result of the depreciation of Euro and contraction in demand of certain customers.

During the period under review, the operating environment remained challenging due to the significant increase in the cotton price, the increase in the minimum wage in the mainland China and the depreciation of Euro. All of these factors have negatively impacted our profit margin for the period ended 30 June 2010. The increase in price of raw materials was evidenced by the increase in the China Cotton Index which showed a more than 30% increase in cotton price for the first six months ended 30 June 2010. The increase in minimum wage in the mainland China was approximately 20% during the second quarter of 2010 which had a direct negative hit to our gross margin. As a result, Luen Thai's overall gross profit for the six months ended 30 June 2010 decreased to approximately US$61,041,000 as compared to US$70,622,000 for the same period in 2009.

Despite this environment, the Group has continued to implement cost control initiatives as reflected by the decrease in the Group's general and administrative expenses.

The significant increase in finance income during the period under review was mainly due to the de-recognition of financial liabilities as a result of the termination of an option deed entered into with one of the Group's joint venture partners back in 2006 relating to the joint venture business in On Time International Limited, a 60%-owned subsidiary of the Group. Details of such termination of option deed were stated in the Company's announcement dated 24 May 2010. The Board believes that the cancellation of the option deed would ensure the stable management structure, which is conducive to the long term development of the joint venture business.

The profit attributable to equity holders of the Company for the six months ended 30 June 2010 showed a slight increase of 1.3% to approximately US$7,501,000 when compared to that recorded for the same period last year.

Segmental Review

Apparel and accessories businesses remain the major sources of the Group's revenue for the six months ended 30 June 2010, which accounted for approximately 97.6% of the Group's total revenue for the period.

Ladies wear business within the Casual and Fashion Apparel Division has continued to record a strong revenue and profit for the period under review. However, the decrease in segment profit of the Casual and Fashion Apparel Division was due mainly to the decrease in orders from one major customer in Japan but the management expects the order will become stable starting from the fourth quarter of 2010. The Life-style apparel business has negatively been affected by the depreciation of Euro for the period under review, resulting in a decrease in net profit for that business. The Sweater Division has reported a loss in the first half of 2010 mainly due to the increase in raw material costs which has not been able to pass to the customers.

Accessories Division has started to improve its efficiency and reduce its operating loss for the six months ended 30 June 2010 despite the increase in operating costs for the period under review.

The Real Estate Division is still in the development stage and has not recorded any revenue for the six months ended 30 June 2010.

The Group's freight forwarding and logistics services recorded a revenue of approximately US$7,972,000 for the period under review, representing an increase of 2.4% over the same period in 2009.

Markets

Geographically, Europe and the US remain our key export markets for the six-month period ended 30 June 2010. The total revenue that we generated from the Europe and US markets collectively accounted for approximately 79.8% of the Group's total revenue in the first half of 2010.

As a continued effort of diversifying our geographical reach with a particular focus on the PRC market, the Group's revenue of the PRC market increased to approximately US$21,253,000 in the first half of 2010.

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.

As stated in the Company's circular dated 20 May 2010, Fortune Investment Overseas Limited, a subsidiary of the Company, which owned 60% equity shares of Trinew Limited (which is the holding company of our Accessories Division), had entered into a sale and purchase agreement with Ospella International Limited, the existing joint venture partner, to acquire from it the remaining 40% shareholding interest of Trinew Limited. On 14 June, 2010, the acquisition was completed and Trinew Limited has now become a wholly owned subsidiary of the Group. The management believes that the acquisition would help to streamline the operations of the Accessories Division through the implementation of the lean re-engineering strategy, which aims at cutting production costs and increasing the productivity of the Group.

As disclosed in the Company's announcement dated 9 July 2010, the Company, through its subsidiary, has entered into an agreement to acquire the entire shareholding in three target companies with operating subsidiaries in Indonesia which mainly specialize in manufacturing of sweaters and possess special manufacturing techniques for production of sweaters. The management believes that the acquisition would widen its production base outside China and would better serve the Group's customers.

Riding on the success of the acquisitions and joint ventures that we conducted in the past, the Group is committed to taking calculated risk and will 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 stable for the period under review. As at 30 June 2010, the total cash and cash equivalents of the Group approximately amounted to US$64,609,000, representing a decrease of US$42,941,000 over the balance as at 31

December 2009. The Group's total bank borrowings as at 30 June 2010 was approximately US$74,758,000, representing an increase of approximately 11.6% as compared to approximately US$67,016,000 at 31 December 2009.

Gearing ratio is defined as net debt (representing by bank borrowings net of cash and cash equivalents) divided by shareholders' equity. As at 30 June 2010, the gearing ratio of the Group is 0.04.

As at 30 June 2010, the maturity profile of the Group's bank borrowings spread over five years, with approximately US$48,976,000 repayable within one year or on demand, approximately US$6,189,000 in the second year and approximately US$15,093,000 in the third to fifth year, and approximately US$4,500,000 over five years.

Foreign Exchange Risk Management

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

Outlook

With the gradual stabilization of the Euro exchange rate and the cotton price, we believe the apparel market will be more stabilized in the second half of 2010.

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

With the acquisition of the remaining shareholding interest in Trinew Limited as mentioned above, we believe that the Accessories Division would speed up the process of customer consolidation plan of the Accessories Division which would, in turn, enhance the profitability of the Division going forward.

Contingent Liabilities and Off-Balance Sheet Obligations

The Group is involved in various labor 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 2010, the Group has over 22,000 employees around the world. Luen Thai believes that employees are the most important and valuable asset of the Group, a critical success factor for the long-term growth and sustainability 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 promoting 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" programmes 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 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 period ended 30 June 2010.

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 2010.

REVIEW OF INTERIM RESULTS

The unaudited interim financial reports for the six months ended 30 June 2010 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 1.764 HK cents per Share (2009: 1.736 HK cents) for the six months ended 30 June 2010 to be payable to shareholders whose names appear on the Register of Members of the Company on 28 September 2010.

The interim dividend will be paid on or around 6 October 2010.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 24 September 2010 to 28 September 2010, 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 22 September 2010 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, 20 August 2010

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.