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 2011

GROUP FINANCIAL HIGHLIGHTS

	Six months ended 30 June	
	2011	2010
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Revenue	**436,659**	335,070
Operating profit	**13,838**	3,084
Profit attributable to owners of the Company	**7,685**	7,501
Profit margin (ratio of profit attributable to owners of the Company to revenue)	**1.8%**	2.2%
Basic EPS *(US cents)*		
— Continuing operations	**0.85**	0.84
— Discontinued operations	**(0.08)**	(0.08)

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 2011.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six month period ended 30 June 2011

	Note	Six months ended 30 June 2011 US$'000 (Unaudited)	2010 US$'000 (Unaudited)
Continuing operations			
Revenue	3	**436,659**	335,070
Cost of sales		**(365,368)**	(274,029)
Gross profit		**71,291**	61,041
Other gains/(losses) — net		**1,512**	(3,744)
Selling and distribution expenses		**(6,066)**	(7,841)
General and administrative expenses		**(52,899)**	(46,372)
Operating profit	4	**13,838**	3,084
Finance income	5	**410**	6,658
Finance costs	5	**(718)**	(768)
Finance (costs)/income — net	5	**(308)**	5,890
Share of profits/(losses) of associated companies		**33**	(9)
Share of (losses)/profits of jointly controlled entities		**(458)**	213
Profit before income tax		**13,105**	9,178
Income tax expense	6	**(2,394)**	(1,087)
Profit from continuing operations		**10,711**	8,091
Discontinued operations			
Loss from discontinued operations	7	**(775)**	(800)
Profit for the period		**9,936**	7,291
Profit/(loss) attributable to:			
Owners of the Company		**7,685**	7,501
Non-controlling interests		**2,251**	(210)
		9,936	7,291

	Note	Six months ended 30 June 2011 US$ (Unaudited)	2010 US$ (Unaudited)
Earnings per share from continuing operations and (losses) per share from discontinued operations for profit attributable to the owners of the Company, expressed in US cents per share			
— Basic	8		
From continuing operations		**0.85**	0.84
From discontinued operations		**(0.08)**	(0.08)
— Diluted	8		
From continuing operations		**0.85**	0.84
From discontinued operations		**(0.08)**	(0.08)
Dividends	9	**2,313**	2,253

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six month period ended 30 June 2011

	Six months ended 30 June	
	2011	2010
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Profit for the period	**9,936**	7,291
Other comprehensive income		
Currency translation differences	**1,761**	102
Total comprehensive income for the period	**11,697**	7,393
Total comprehensive income for the period attributable to:		
— Owners of the Company	**9,446**	7,475
— Non-controlling interests	**2,251**	(82)
	11,697	7,393

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2011

	Note	**As at 30 June 2011** ***US$'000*** **(Unaudited)**	As at 31 December 2010 *US$'000* (Audited)
ASSETS			
Non-current assets			
Leasehold land and land use rights		**8,785**	8,788
Property, plant and equipment		**100,060**	101,491
Intangible assets		**63,923**	65,068
Interests in associated companies		**549**	494
Interests in jointly controlled entities		**9,827**	10,246
Deferred income tax assets		**782**	630
Other non-current assets		**3,435**	3,823
Total non-current assets		**187,361**	190,540
Current assets			
Inventories		**112,985**	79,230
Trade and bills receivables	10	**155,497**	115,243
Amounts due from related companies		**1,434**	2,339
Amounts due from associated companies and jointly controlled entities		**3,688**	4,395
Deposits, prepayments and other receivables		**26,183**	21,566
Prepaid tax		**2,092**	1,000
Pledged bank deposit		**1,591**	1,723
Cash and cash equivalents		**69,646**	81,841
		373,116	307,337
Assets of disposal group classified as held for sale	7	**33,878**	30,506
Total current assets		**406,994**	337,843
Total assets		**594,355**	528,383
EQUITY			
Equity attributable to the owners of the Company			
Share capital		**9,927**	9,927
Other reserves	12	**135,685**	133,911
Retained earnings		**137,402**	132,883
		283,014	276,721
Non-controlling interests		**11,890**	10,839
Total equity		**294,904**	287,560

	Note	As at 30 June 2011 US$'000 (Unaudited)	As at 31 December 2010 US$'000 (Audited)
LIABILITIES			
Non-current liabilities			
Bank borrowings		**3,014**	3,063
Retirement benefit obligations		**5,766**	5,687
Deferred income tax liabilities		**4,593**	4,008
Total non-current liabilities		**13,373**	12,758
Current liabilities			
Trade and bills payables	11	**74,890**	60,687
Other payables and accruals		**103,672**	90,718
Amounts due to related companies		**2,430**	1,852
Amounts due to associated companies and jointly controlled entities		**1,330**	1,305
Borrowings		**88,594**	61,189
Derivative financial instruments		**1,403**	727
Current income tax liabilities		**11,121**	8,943
		283,440	225,421
Liabilities of disposal group classified as held for sale	7	**2,638**	2,644
Total current liabilities		**286,078**	228,065
Total liabilities		**299,451**	240,823
Total equity and liabilities		**594,355**	528,383
Net current assets		**120,916**	109,778
Total assets less current liabilities		**308,277**	300,318

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six month period ended 30 June 2011

1. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2011 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 2010, 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 2010, as described therein.

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 standard and amendment to standard are mandatory for the first time for the financial year beginning 1 January 2011.

- HKAS 24 (Revised), "Related Party Disclosures" is effective for annual period beginning on or after January 2011. It introduces an exemption from all of the disclosure requirements of HKAS 24 for transactions among government related entities and the government. Those disclosures are replaced with a requirement to disclose:

  — The name of the government and the nature of their relationship;

  — The nature and amount of any individually significant transactions; and

  — The extent of any collectively-significant transactions qualitatively or quantitatively.

  It also clarifies and simplifies the definition of a related party. The standard does not have significant impact on the disclosure to the condensed consolidated interim financial information.

- Amendment to HKAS 34 'Interim financial reporting' is effective for annual periods beginning on or after 1 January 2011. It emphasizes the existing disclosure principles in HKAS 34 and adds further guidance to illustrate how to apply these principles. Greater emphasis has been placed on the disclosure principles for significant events and transactions. Additional requirements cover disclosure of changes to fair value measurement (if significant), and the need to update relevant information from the most recent annual report. The change in accounting policy only results in additional disclosures.

(b) Amendments and interpretations to existing standards effective in 2011 but not relevant to the Group

- Amendment to HKAS 32 'Classification of rights issues' is effective for annual periods beginning on or after 1 February 2010. This is not currently applicable to the Group, as it has not made any rights issue.

- Amendment to HK(IFRIC) — Int — 14 'Prepayments of a minimum funding requirement' is effective for annual periods beginning on or after 1 January 2011. This is not currently relevant to the Group, as it does not have a minimum funding requirement.

- HK(IFRIC) — Int 19 'Extinguishing financial liabilities with equity instruments' is effective for annual periods beginning on or after 1 July 2010. This is not currently applicable to the Group, as it has no extinguishment of financial liabilities replaced with equity instruments currently.

- Third improvements to Hong Kong Financial Reporting Standards (2010) were issued in May 2010 by both IASB and the HKICPA, except for amendment to HKAS 34 'Interim financial reporting' and the clarification to allow the presentation of an analysis of the components of other comprehensive income, all are not currently relevant to the Group. All improvements are effective in the financial year of 2011.

(c) The following new standards and amendments to standards have been issued but are not effective for the financial year beginning 1 January 2011 and have not been early adopted:

HKAS 1 (Amendment)	Presentation of financial statements [3]
HKAS 12 (Amendment)	Deferred tax: recovery of underlying assets [2]
HKAS 19 (2011)	Employee benefits [4]
HKAS 27 (2011)	Separate financial statement [4]
HKAS 28 (2011)	Investments in associates and joint ventures [4]
HKFRS 7 (Amendment)	Disclosures — transfers of financial assets [1]
HKFRS 1 (Amendment)	Severe hyperinflation and removal of fixed dates for first-time adopters [1]
HKFRS 9	Financial instruments [4]
HKFRS 10	Consolidated financial statements [4]
HKFRS 11	Joint arrangements [4]
HKFRS 12	Disclosures of interests in other entities [4]
HKFRS 13	Fair value measurement [4]

Notes:

(1) Effective for financial periods beginning on or after 1 July 2011

(2) Effective for financial periods beginning on or after 1 January 2012

(3) Effective for financial periods beginning on or after 1 July 2012

(4) Effective for financial periods beginning on or after 1 January 2013

The Group will apply these new and revised standards, interpretations and amendments in the period of initial application. The Group is currently assessing the impact of the adoption of the above new and revised standards, interpretations and amendments and is not yet in a position to state whether they would have a significant impact on the Group's results of operations and financial position.

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 executive directors for the reportable segments for the six months ended 30 June 2011 and 2010 are 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)
Six months ended 30 June 2011							
Total segment revenue	**315,516**	**107,439**	**36,407**	**81,681**	**8,451**	—	**549,494**
Inter-segment revenue	**(106,799)**	**(507)**	**(5,157)**	**(160)**	**(212)**	—	**(112,835)**
Revenue (From external customers)	**208,717**	**106,932**	**31,250**	**81,521**	**8,239**	—	**436,659**
Segment profit/(loss) for the period	**9,192**	**5,768**	**(1,151)**	**711**	**36**	**(775)**	**13,781**
Profit/(loss) for the period includes:							
Depreciation and amortization	**(5,239)**	**(1,118)**	**(856)**	**(1,814)**	**(492)**	**(497)**	**(10,016)**
Share of losses of associated companies	—	—	—	—	**33**	—	**33**
Share of profits from jointly controlled entities	**(458)**	—	—	—	—	—	**(458)**
Income tax expense	**(766)**	**(1,138)**	**(145)**	**(284)**	**(61)**	—	**(2,394)**
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)

Revenue between segments is recognized 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 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	
	2011	2010
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Segment profit for the period	**13,781**	4,807
Corporate expenses	**(4,089)**	(3,969)
Change in estimates of financial liabilities — net	**244**	6,453
Profit for the period	**9,936**	7,291

4. OPERATING PROFIT

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

	Six months ended 30 June	
	2011	2010
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
From continuing operations:		
Amortization of leasehold land and land use rights	**109**	107
Amortization of intangible assets	**1,145**	1,146
Depreciation of property, plant and equipment	**8,265**	8,529
Provision for/(reversal of) impairment of receivables	**187**	(491)
Provision for inventory obsolescence	**12**	125
From discontinued operations:		
Depreciation of property, plant and equipment	**497**	472

5. FINANCE INCOME AND COSTS

	Six months ended 30 June	
	2011	2010
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
From continuing operations:		
Interest expense on bank loans and overdrafts	**(718)**	(768)
Finance costs	**(718)**	(768)
Interest income	**166**	205
Change in estimates of financial liabilities — net	**244**	6,453
Finance income	**410**	6,658
Finance (costs)/income — net	**(308)**	5,890

6. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 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	
	2011	2010
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Current income tax	**1,961**	553
Deferred income tax	**433**	534
	2,394	1,087

Notes:

(i) 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 and 2009/10 demanding for tax totalling US$3,887,000 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$3,497,000 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 2011.

(ii) 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$10,185,000. 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. NON-CURRENT ASSETS HELD FOR SALE

Pursuant to a subscription and share purchase agreement signed on 9 June 2011, the Group entered into a transaction ("Transaction") involving the disposal of the subsidiaries in the real estate segment ("Disposal Group") to a company which is currently a subsidiary of the Group but will upon completion become a jointly controlled entity for a consideration of RMB354,699,000 (equivalent to US$54,738,000) in cash (of which RMB4,500,000 has been received as deposit, an amount of approximately RMB92,768,000 will be received upon completion and the remaining amount will be receivable by instalments) and 24% equity interest in the jointly controlled entity. The Transaction is expected to be completed on or before 30 November 2011.

As at 30 June 2011, the recognition criteria for non-current assets held for sale have been met, and the assets and liabilities related to the Disposal Group were presented as assets and liabilities classified as held for sale.

The assets and liabilities related to the real estate segment have been presented as held for sale following the approval of the Group's directors on 30 June 2011 to sell subsidiaries of the segment.

8. EARNINGS PER SHARE

(a) Basic

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

	Six months ended 30 June	
	2011	2010
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Profit/(loss) attributable to owners of the Company		
— Continuing operations	**8,460**	8,301
— Discontinued operations	**(775)**	(800)
Profit attributable to owners of the Company	**7,685**	7,501
Weighted average number of ordinary shares in issue *(thousands)*	**992,666**	992,559
Basic earnings/(losses) per share *(US cents per share)*		
— Continuing operations	**0.85**	0.84
— Discontinued operations	**(0.08)**	(0.08)

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has share options which have potential dilutive effect on its ordinary shares. A calculation is done to determine the number of shares that could have been acquired at fair value (as determined by the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares in issue *(thousands)*	**992,666**	992,559
Adjustment for share options *(thousands)*	**1,463**	—
Weighted average number of ordinary shares for diluted earnings per share *(thousands)*	**994,129**	992,559
Diluted earnings/(losses) per share *(US cents per share)*		
— Continuing operations	**0.85**	0.84
— Discontinued operations	**(0.08)**	(0.08)

9. DIVIDENDS

	Six months ended 30 June	
	2011	2010
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Interim dividend — US0.233 cent or equivalent to HK1.817 cents (2010: US0.227 cent) per ordinary share	**2,313**	2,253

The interim dividend of US0.233 cent per share (2010: US0.227 cent per share) was proposed by the Board of Directors on 30 August 2011. This condensed consolidated interim financial information does not reflect this dividend payable.

10. TRADE AND BILLS RECEIVABLES

	As at 30 June 2011 *US$'000* **(Unaudited)**	As at 31 December 2010 *US$'000* (Audited)
Trade and bills receivables	**156,457**	116,016
Less: provision for impairment of receivables	**(960)**	(773)
Trade and bills receivables — net	**155,497**	115,243

The Group normally grants credit terms to its customers up to 120 days. The ageing analysis by due date of trade debtors net of provision for impairment is as follows:

	As at 30 June 2011 *US$'000* **(Unaudited)**	As at 31 December 2010 *US$'000* (Audited)
Current	**122,673**	88,783
1 to 30 days	**21,943**	16,432
31 to 60 days	**4,380**	3,097
61 to 90 days	**2,193**	2,037
91 to 120 days	**254**	228
Over 120 days	**4,054**	4,666
Amounts past due but not impaired	**32,824**	26,460
	155,497	115,243

11. TRADE AND BILLS PAYABLES

At 30 June 2011, the ageing analysis of the trade and bills payables is as follows:

	As at 30 June 2011 *US$'000* **(Unaudited)**	As at 31 December 2010 *US$'000* (Audited)
0 to 30 days	**68,201**	53,346
31 to 60 days	**2,067**	2,401
61 to 90 days	**1,201**	205
Over 90 days	**3,421**	4,735
	74,890	60,687

12. OTHER RESERVES

	Share premium	Capital reserve (Note (i))	Other capital reserve (Note (ii))	Share based payment	Exchange reserve	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
As at 1 January 2011	**117,018**	**11,722**	**(4,799)**	**1,787**	**8,183**	**133,911**
Currency translation differences	**—**	**—**	**—**	**—**	**1,761**	**1,761**
Share-based payment expenses	**—**	**—**	**—**	**13**	**—**	**13**
As at 30 June 2011	**117,018**	**11,722**	**(4,799)**	**1,800**	**9,944**	**135,685**
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	—	—	20,383	—	—	20,383
Acquisition of remaining interests in a subsidiary from a non-controlling shareholder	—	—	9,451	—	—	9,451
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

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 reserve primarily represents 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 when the put options are exercised, expired or terminated.

13. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

(a) Details of the interim dividend proposed are given in Note 9.

(b) The Transaction mentioned in Note 7 was in progress up to the date of this announcement. Management expected that the Transaction would be completed on or before 30 November 2011.

MANAGEMENT DISCUSSION & ANALYSIS

Results of Operations and Overview

The Group recorded revenue of approximately US$436,659,000 for the six-month period ended 30 June 2011, representing a 30.3% increase when compared to the same period in 2010. The overall increase in revenue was mainly due to (i) the increase in units of production by approximately 11%; (ii) the increase in average selling price (ASP) due to the change of product mix and increase in product complexity and (iii) the increase in raw material cost which was partially absorbed by the customers. Though the cost of production remained at a high level, the Company was able to maintain an average gross margin at 16.3% when compared to 16% gross margin for the second half of 2010. Luen Thai's overall gross profit for the six months ended 30 June 2011 increased to approximately US$71,291,000, as compared to US$61,041,000 for the same period in 2010.

During the period under review, the operating environment was still challenging. Cotton price remained highly volatile, and operating cost kept increasing in the mainland China. The Group however has managed to grow the business through engaging in a product reengineering exercise with certain customers and continual close cooperation with our key vendors and customers. The Group has continued to implement cost control initiatives, and this was reflected by the decrease in the Group's selling and distribution expenses. The increase in the general and administrative expenses was however due mainly to the start up costs incurred for capacity expansion outside China.

The profit attributable to owners of the Company for the six months ended 30 June 2011 showed a slight increase of 2.5% to approximately US$7,685,000 when compared to that recorded for the same period last year.

Segmental Review

Apparel and Accessories businesses remained the major sources of the Group's revenue for the six months ended 30 June 2011, which accounted for approximately 79.4% and 18.7% respectively of the Group's total revenue for the period.

Apparel Supply Chain Management Services

The revenue and profit brought by the ladies wear business within the Casual and Fashion Apparel Division remained strong for the period under review. The customer base of our life-style apparel business has been successfully diversified, and such segment also benefited from the stabilization of Euro during the period under review, which resulted in an increase in revenue and net profit. The Sweater Division has reported a loss in the first half of 2011. This was mainly due to the seasonality nature of its business, and the start-up costs for the production facilities acquired in Indonesia.

Accessory Supply Chain Management Services

The efficiency of the Accessories Division has continued to improve and the Division has also broadened its customer base and product lines. Despite the Division's incurrence of additional start up costs as a result of the increase in production capacity in the Philippines, it still recorded a profit of approximately US$711,000 for the six months ended 30 June 2011 as compared to a loss of US$1,748,000 for the same period last year. The Company expects that the Division will benefit from its recent increase in production capacity in the Philippines, taking into account the expansion plan of one of our major customers of the Division.

Real Estate and Logistics

As disclosed in the Company's announcement dated 13 June 2011, Chang Jia International Limited ("Chang Jia"), an indirect wholly owned subsidiary of the Company, entered into a subscription and share purchase agreement on 9 June 2011 with, among other parties, Sunshine 100 Real Estate Group Co., Ltd. ("Sunshine 100") and Luen Thai Land Limited. Pursuant to the agreement, Chang Jia would (a) acquire from Shan Ying Limited, a wholly owned subsidiary of Luen Thai Land Limited, a property holding company which will on completion indirectly hold certain pieces of land located in Qingyuan, Guangdong Province, the PRC with a total area of approximately 428,272.9 square metres and (b) acquire from Shiny New Limited ("Shiny New"), an indirect wholly owned subsidiary of the Company, a property holding company which will on completion indirectly hold certain pieces of land located in Qingyuan with a total area of approximately 503,517.53 square metres and (c) Keyasia Investments Limited ("Keyasia"), an associated company of Sunshine 100, will subscribe shares in Chang Jia at a consideration of RMB180 million. Upon completion, Chang Jia will be owned as to 55%, 24% and 21% by Keyasia, Shiny New and Shan Ying respectively. This transaction effectively disposes the Company's Real Estate Division through the formation of joint venture with Luen Thai Land Limited and Sunshine 100, and the expected gain on such disposal is approximately US$16.9 million.

The Group's freight forwarding and logistics services recorded a revenue of approximately US$8,239,000 for the period under review, representing an increase of 3.3% over the same period in 2010.

Markets

Geographically, Europe and the US remained as our key export markets for the six-month period ended 30 June 2011. The total revenue that we generated from the Europe and US markets collectively accounted for approximately 74.2% of the Group's total revenue in the first half of 2011.

Asia market (mainly Greater China and Japan) continued to be a growing one which accounted for approximately 13.7% of the Group's total revenue in the first half of 2011.

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.

The severe competition within the apparel and accessories markets has dwindled the room for survival of smaller players as evidenced by the reduction of production capacities available. Luen Thai will continue to look for value-enhancing acquisition and joint venture opportunities to further expand our product range, production capacity and diversify our geographical risk.

The Company is in preliminary discussions with different potential acquisition targets with a view to expanding capacities outside China and diversifying our product range on consumer products manufacturing. None of these discussions has materialized into any binding commitment to the Group at this stage.

Liquidity and Financial Resources

The financial position of the Group remained stable for the period under review. As at 30 June 2011, the total cash and cash equivalents of the Group approximately amounted to US$69,646,000, representing a decrease of US$12,195,000 over the balance as at 31 December 2010. Such decrease in cash and cash equivalent is mainly due to the seasonality nature of the business which required more working capital during the interim period. The Group's total bank borrowings as at 30 June 2011 was approximately US$91,608,000, representing an increase of approximately 42.6% as compared to approximately US$64,252,000 at 31 December 2010.

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 2011, the gearing ratio of the Group was 0.07 (30 June 2010: 0.04).

As at 30 June 2011, the maturity profile of the Group's bank borrowings spread over five years, with approximately US$88,594,000 repayable within one year or on demand, approximately US$203,000 in the second year and approximately US$2,811,000 in the third to fifth year.

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.

Future Plans and Prospect

It is expected that the labor cost in China will continue to increase at a rate of about 15% to 20% per year in the next few years. In view of the increasing costs in China, more and more customers have been requesting their strategic supply chain partners to formulate a non-China production strategy to cope with their business growth. With our D2S (or Design to Store) business model and the implementation of lean reengineering strategy in recent years, we have been recognized as the long term supply chain strategic partner by certain of our major apparel and accessories customers in the USA, Europe and Japan. These customers are sharing with us their respective growth plans and indicate their potential needs for our non-China production facilities.

Against this backdrop, we are actively seeking new production capacities outside mainland China (e.g. Cambodia) and expanding our current non-China production bases in the Philippines and Indonesia. Our current production and outsourcing capacities in mainland China account for approximately 65% to 70% of our current output. We plan to increase our non-China production capacities by 65% to 70% by the end of 2013. We shall maintain our current level of China production capacities while executing our non-China strategy to grow with our major customers.

We believe our non-China strategy will offer us a more cost-effective position so that we will be able to at least maintain our current margin in the apparel business. As to the accessories business, we currently target, subject to unforeseen changing market development and customers' requirements, to achieve a similar margin level with the apparel business by 2013.

In addition, we intend to continue to eliminate the non-profitable accounts and dispose of non-performing business lines in order to achieve our target cost saving of approximately US$3 million per year by 2013.

While we shall continue to focus on our core competence on apparel and accessories supply chain management, we believe that our recent disposal of the Qingyuan land through the formation of joint venture with Sunshine 100 and Luen Thai Land Limited shall contribute profit to the Group in the future. On the other hand, as the labor cost continues to increase in China and so as the value of the residential land, we shall consider conversion of the Dongguan industrial land for real estate development project.

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 2011, the Group has over 27,000 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 2011.

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 2011.

REVIEW OF INTERIM RESULTS

The unaudited interim financial reports for the six months ended 30 June 2011 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 HK1.817 cents per Share (2010: HK1.764 cents) for the six months ended 30 June 2011 to be payable to shareholders whose names appear on the Register of Members of the Company on 7 October 2011.

The interim dividend will be paid on or around 21 October 2011.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 4 October 2011 to 7 October 2011, 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 Rooms 1712–1716, 17th Floor, Hopewell Center, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on 3 October 2011 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, 30 August 2011

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.