LUEN THAI HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 311)

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2011

GROUP FINANCIAL HIGHLIGHTS

	For the year ended 31 December	
	2011	2010
	US$'000	*US$'000*
Revenue	**956,489**	794,017
Operating profit	**28,592**	19,252
Profit attributable to owners of the Company	**34,310**	18,052
Profit margin (ratio of profit attributable to owners of the Company to revenue)	**3.6%**	2.3%
Basic EPS *(US cents)*	**3.5**	1.8

The board of directors (the "Board") of Luen Thai Holdings Limited (the "Company") is pleased to announce the consolidated result of the Company and its subsidiaries (collectively, the "Group" or "Luen Thai") for the year ended 31 December 2011.

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2011

	Note	**2011** **US$'000**	2010 *US$'000*
Continuing operations			
Revenue	3	**956,489**	794,017
Cost of sales		**(795,556)**	(659,682)
Gross profit		**160,933**	134,335
Other losses — net	4	**(1,346)**	(2,706)
Selling and distribution expenses		**(14,742)**	(15,885)
General and administrative expenses		**(116,253)**	(96,492)
Operating profit		**28,592**	19,252
Finance income	6	**995**	6,787
Finance costs	6	**(1,558)**	(1,488)
Finance (costs)/income — net	6	**(563)**	5,299
Share of profits/(losses) of associated companies		**41**	(8)
Share of profits of jointly controlled entities		**269**	402
Profit before income tax		**28,339**	24,945
Income tax expense	7	**(5,160)**	(4,092)
Profit for the year from continuing operations		**23,179**	20,853
Discontinued operations			
Profit/(loss) for the year from discontinued operations	8	**14,543**	(1,590)
Profit for the year		**37,722**	19,263
Profit attributable to:			
Owners of the Company		**34,310**	18,052
Non-controlling interests		**3,412**	1,211
		37,722	19,263
Profit/(loss) attributable to owners of the Company arises from:			
Continuing operations		**19,767**	19,642
Discontinued operations		**14,543**	(1,590)
		34,310	18,052

	Note	**2011**	2010
Earnings per share from continuing and discontinued operations attributable to owners of the Company during the year *(expressed in US cents per share)*			
Basic earnings per share			
From continuing operations		**2.0**	2.0
From discontinued operations		**1.5**	(0.2)
From profit for the year	9	**3.5**	1.8
Diluted earnings per share			
From continuing operations		**2.0**	2.0
From discontinued operations		**1.5**	(0.2)
From profit for the year	9	**3.5**	1.8

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	2011	2010
	US$'000	*US$'000*
Profit for the year	**37,722**	19,263
Other comprehensive income:		
Currency translation differences	**4,225**	1,948
Exchange reserve released upon disposal of subsidiaries	**(1,835)**	—
Total comprehensive income for the year	**40,112**	21,211
Attributable to:		
Owners of the Company	**36,700**	19,942
Non-controlling interests	**3,412**	1,269
	40,112	21,211
Total comprehensive income/(loss) attributable to owners of the Company arises from:		
Continuing operations	**22,157**	21,532
Discontinued operations	**14,543**	(1,590)
	36,700	19,942

CONSOLIDATED BALANCE SHEET

	Note	2011 US$'000	2010 US$'000
ASSETS			
Non-current assets			
Land use rights		**8,787**	8,788
Property, plant and equipment		**98,117**	105,479
Intangible assets		**62,519**	65,068
Interests in associated companies		**551**	494
Interests in jointly controlled entities		**16,633**	10,246
Deferred income tax assets		**757**	630
Properties under development		**—**	22,986
Amount due from a jointly controlled entity		**31,683**	—
Other non-current assets		**3,770**	3,827
Total non-current assets		**222,817**	217,518
Current assets			
Inventories		**79,795**	79,230
Trade and bills receivable	11	**124,107**	115,243
Amounts due from related companies		**1,306**	2,339
Amounts due from associated companies and jointly controlled entities		**3,738**	4,395
Deposits, prepayments and other receivables		**21,497**	25,028
Prepaid tax		**575**	1,000
Pledged bank deposits		**—**	1,723
Cash and cash equivalents		**138,827**	81,907
Total current assets		**369,845**	310,865
Total assets		**592,662**	528,383
EQUITY			
Equity attributable to owners of the Company			
Share capital		**9,927**	9,927
Other reserves	13	**136,314**	133,911
Retained earnings			
— Proposed final dividend		**7,981**	3,167
— Others		**153,732**	129,716
		307,954	276,721
Non-controlling interests		**9,251**	10,839
Total equity		**317,205**	287,560

	Note	**2011** *US$'000*	2010 *US$'000*
LIABILITIES			
Non-current liabilities			
Bank borrowings		**6,111**	3,063
Retirement benefit obligations		**6,480**	5,687
Deferred income tax liabilities		**3,671**	6,557
Total non-current liabilities		**16,262**	15,307
Current liabilities			
Trade and bills payable	12	**48,858**	60,687
Other payables and accruals		**111,806**	90,810
Amounts due to related companies		**2,025**	1,852
Amounts due to associated companies and jointly controlled entities		**1,729**	1,308
Bank borrowings		**81,942**	61,189
Derivative financial instruments		**949**	727
Current income tax liabilities		**11,886**	8,943
Total current liabilities		**259,195**	225,516
Total liabilities		**275,457**	240,823
Total equity and liabilities		**592,662**	528,383
Net current assets		**110,650**	85,349
Total assets less current liabilities		**333,467**	302,867

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2011

1. GENERAL INFORMATION

Luen Thai Holdings Limited (the "Company") is principally an investment holding company. The Company and its subsidiaries (together the "Group") are principally engaged in the manufacturing and trading of apparels and accessories, the provision of freight forwarding and logistics services and also the real estate development. The Group has manufacturing plants in Mainland China, the Philippines and Indonesia.

2. BASIS OF PREPARATION

The consolidated financial statements of Luen Thai Holdings Limited have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies.

Changes in accounting policy and disclosures

(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 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:

  (i) The name of the government and the nature of their relationship;

  (ii) The nature and amount of any individually significant transactions; and

  (iii) 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 consolidated financial information.

(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.

- 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 by item within the notes, all are not currently relevant to the Group. All improvements are effective in the financial year of 2011.

(c) New and amended standards have been issued but are not effective for the financial year beginning 1 January 2011 and have not been early adopted

The Group's assessment of the impact of these new and amended standards is set out below.

- HKAS 1 (Amendment), "Presentation of financial statements" requires entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). It does not address which items are presented in OCI. The Group is yet to assess HKAS 1 (Amendment)'s full impact and intends to adopt HKAS 1 (Amendment) no later than the accounting period beginning on or after 1 July 2012.

- HKAS 19 (Amendment), "Employee benefits" eliminates the corridor approach and calculates finance costs on a net funding basis. The Group is yet to assess HKAS 19 (Amendment)'s full impact and intends to adopt HKAS 19 (Amendment) no later than the accounting period beginning on or after 1 January 2013.

- HKAS 28 (Revised 2011), "Associates and joint ventures" includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of HKFRS 11. The Group is yet to assess HKAS 28 (Revised 2011)'s full impact and intends to adopt HKAS 28 (Revised 2011) no later than the accounting period beginning on or after 1 January 2013.

- HKFRS 9, 'Financial instruments' addresses the classification, measurement and recognition of financial assets and financial liabilities. HKFRS 9 was issued in November 2009 and October 2010. It replaces the parts of HKAS 39 that relate to the classification and measurement of financial instruments. HKFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortized cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the HKAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Group is yet to assess HKFRS 9's full impact and intends to adopt HKFRS 9 upon its effective date, which is for the accounting period beginning on or after 1 January 2015.

- HKFRS 10 'Consolidated financial statements' builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Group is yet to assess HKFRS 10's full impact and intends to adopt HKFRS 10 no later than the accounting period beginning on or after 1 January 2013.

- HKFRS 11, "Joint arrangements" is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed. The Group is yet to assess HKFRS 11's full impact and intends to adopt HKFRS 11 no later than the accounting period beginning on or after 1 January 2013.

- HKFRS 12 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Group is yet to assess HKFRS 12's full impact and intends to adopt HKFRS 12 no later than the accounting period beginning on or after 1 January 2013.

- HKFRS 13 'Fair value measurement' aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within HKFRSs. The Group is yet to assess HKFRS 13's full impact and intends to adopt HKFRS 13 no later than the accounting period beginning on or after 1 January 2013.

There are no other HKFRSs or HK(IFRIC) interpretations that are not yet effective that would be expected to have a material impact on the Group.

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 year ended 31 December 2011 and 2010 are as follows:

	Casual and fashion apparel US$'000	Life-style apparel US$'000	Sweaters US$'000	Accessories US$'000	Freight forwarding/ logistics services US$'000	Real estate (Note a) US$'000	Total Group US$'000
For the year ended 31 December 2011							
Total segment revenue	**702,469**	**207,702**	**123,447**	**205,670**	**17,775**	**—**	**1,257,063**
Inter-segment revenue	**(263,777)**	**(1,538)**	**(19,240)**	**(15,394)**	**(625)**	**—**	**(300,574)**
Revenue (from external customers)	**438,692**	**206,164**	**104,207**	**190,276**	**17,150**	**—**	**956,489**
Segment profit for the year	**14,588**	**8,106**	**3,226**	**5,521**	**461**	**14,543**	**46,445**
Profit for the year includes:							
Depreciation and amortization	**(10,178)**	**(2,205)**	**(1,589)**	**(3,829)**	**(975)**	**(926)**	**(19,702)**
Impairment of goodwill	**—**	**—**	**(357)**	**—**	**—**	**—**	**(357)**
Share of profits of associated companies	**—**	**—**	**—**	**—**	**41**	**—**	**41**
Share of profits of jointly controlled entities	**269**	**—**	**—**	**—**	**—**	**—**	**269**
(Loss)/gain on disposal of subsidiaries	**(3,870)**	**—**	**—**	**—**	**—**	**16,046**	**12,176**
Income tax expense	**(1,022)**	**(1,192)**	**(1,770)**	**(1,036)**	**(140)**	**—**	**(5,160)**

Note a: The real estate business was disposed in 2011.

	Casual and fashion apparel US$'000	Life-style apparel US$'000	Sweaters US$'000	Accessories US$'000	Freight forwarding/ logistics services US$'000	Real estate US$'000	Total Group US$'000
For the year ended 31 December 2010							
Total segment revenue	589,940	170,896	122,375	131,836	15,295	—	1,030,342
Inter-segment revenue	(219,664)	(745)	(15,130)	—	(786)	—	(236,325)
Revenue (from external customers)	370,276	170,151	107,245	131,836	14,509	—	794,017
Segment profit/(loss) for the year	13,783	3,989	3,313	1,328	316	(1,590)	21,139
Profit/(loss) for the year includes:							
Depreciation and amortization	(10,753)	(2,387)	(1,092)	(3,810)	(1,020)	(967)	(20,029)
Share of losses of associated companies	—	—	—	—	(8)	—	(8)
Share of profits of jointly controlled entities	402	—	—	—	—	—	402
Income tax expense	(1,549)	(904)	(1,006)	(460)	(173)	—	(4,092)

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 consolidated income statement. The management assesses the performance of the operating segments based on a measure of profit before corporate expenses, write-off on property, plant and equipment and change in estimates of financial liabilities and the amortized interest costs of the financial liabilities for the year.

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

	2011	2010
	US$'000	*US$'000*
Segment profit for the year	**46,445**	21,139
Corporate expenses *(Note)*	**(8,967)**	(8,330)
Change in estimates of financial liabilities — net	**244**	6,454
Profit for the year	**37,722**	19,263

Note: Corporate expenses represent general corporate expenses such as executive salaries and other unallocated general and administrative expenses.

	2011	2010
	US$'000	*US$'000*
Analysis of revenue by category		
Sales of garment, textile products and accessories	**930,333**	771,405
Freight forwarding and logistics service fee	**16,752**	14,509
Commission income	**3,585**	5,264
Management fee income	**793**	843
Rental income	**369**	219
Others	**4,657**	1,777
Total revenue	**956,489**	794,017

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

	2011	2010
	US$'000	*US$'000*
Analysis of revenue by geographical location		
The United States	**465,235**	412,857
Europe	**254,745**	209,708
Japan	**59,339**	38,532
The PRC	**78,177**	60,125
Others	**98,993**	72,795
	956,489	794,017

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

Revenue of approximately US$151,400,000 (2010: US$122,500,000) and US$106,000,000 (2010: US$108,500,000) are derived from two single external customers. These revenues are attributable to the casual and fashion apparels and life-style apparels, respectively.

4. OTHER LOSSES — NET

	2011	2010
	US$'000	*US$'000*
From continuing operations:		
Fair value gains/(losses) on derivative financial instruments		
— net gains/(losses) on currency forward contracts	**96**	(47)
— interest rate swap	**(247)**	(680)
Net gain on foreign exchange forward contracts	**2,102**	1,449
Net foreign exchange gain/(loss)	**930**	(3,428)
Impairment loss on goodwill	**(357)**	—
Loss on disposal of interests in a subsidiary	**(3,870)**	—
	(1,346)	(2,706)
From discontinued operations:		
Net foreign exchange loss	**—**	(8)
Gain on disposal of interests in subsidiaries	**16,046**	—
	16,046	(8)

5. EXPENSES BY NATURE

	2011	2010
	US$'000	*US$'000*
From continuing operations:		
Amortization of land use rights	**219**	206
Amortization of intangible assets	**2,192**	2,291
Depreciation of property, plant and equipment	**16,365**	16,565
Provision for claims	**1,280**	3,019
Provision for impairment of trade receivables	**4,412**	688
(Reversal of provision)/provision for inventory obsolescence	**(114)**	1,808
From discontinued operations:		
Depreciation of property, plant and equipment	**926**	967

6. FINANCE COSTS — NET

	2011	2010
	US$'000	*US$'000*
From continuing operations:		
Interest expense on bank loans and overdrafts	**1,558**	1,488
Finance costs	**1,558**	1,488
Interest income	**(751)**	(333)
Change in estimates of financial liabilities *(Note)*	**(244)**	(6,454)
Finance income	**(995)**	(6,787)
Finance costs/(income) — net	**563**	(5,299)
From discontinued operations:		
Interest expense on bank loans and overdrafts	**51**	—

Note: The net effect of the change in estimates related to the financial liabilities in connection with the put options granted to the non-controlling interests of certain subsidiaries. Such change in estimates represented the changes in estimated final redemption amount.

7. 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 year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

	2011	2010
	US$'000	*US$'000*
Current income tax	**6,123**	4,150
Over-provision in prior years	**(500)**	(195)
Deferred income tax	**(463)**	137
Income tax expense	**5,160**	4,092

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, 2009/10 and 2010/11 demanding for tax totalling US$3,960,000 in respect of certain income, which the directors has regarded as not subject to Hong Kong Profits Tax. The directors have thoroughly revisited the situations and have concluded that the subsidiary company 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$3,571,000 in the form of Tax Reserve Certificates. The Tax Reserve Certificates amount paid was included in prepayments in the consolidated balance sheet as at 31 December 2011.

(ii) In prior years, two other subsidiaries were under tax audit conducted by the IRD and have received additional 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 the assessments. The directors consider that sufficient tax provision has been made in the consolidated financial statements in this regard.

8. DISCONTINUED OPERATIONS

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 jointly controlled entity for a cash consideration of RMB298,055,000 (equivalent to US$46,923,000) and the Group is entitled to 24% equity interest in the jointly controlled entity. The transaction was completed on 29 November 2011.

The results of the discontinued operations included in the consolidated income statement are set out below:

	2011	2010
	US$'000	*US$'000*
Revenue	**—**	—
Expenses	**(1,503)**	(1,590)
Other gain	**16,046**	—
Profit/(loss) before income tax from discontinued operations	**14,543**	(1,590)
Income tax expense	**—**	—
Profit/(loss) after tax from discontinued operations	**14,543**	(1,590)
Profit/(loss) for the year from discontinued operations attributed to:		
— Owners of the Company	**14,543**	(1,590)
— Non-controlling interests	**—**	—
Profit/(loss) for the year from discontinued operations	**14,543**	(1,590)

9. 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 year.

	2011	2010
	US$'000	*US$'000*
Profit from continuing operations attributable to owners of the Company	**19,767**	19,642
Profit/(loss) from discontinued operation attributable to owners of the Company	**14,543**	(1,590)
Profit attributable to owners of the Company	**34,310**	18,052
Weighted average number of ordinary shares in issue *(thousands)*	**992,666**	992,613
Basic earnings per share *(US cents per share)*	**3.5**	1.8

(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 (determined as 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.

	2011	2010
Weighted average number of ordinary shares in issue *(thousands)*	**992,666**	992,613
Adjustment for share options *(thousands)*	**214**	927
Weighted average number of ordinary shares for diluted earnings per share *(thousands)*	**992,880**	993,540
Diluted earnings per share *(US cents per share)*	**3.5**	1.8

10. DIVIDENDS

	2011	2010
	US$'000	*US$'000*
Interim dividend paid of US0.233 cents or equivalent to HK1.817 cents (2010: US0.227 cents) per ordinary share	**2,313**	2,253
Proposed final dividend of US0.804 cents or equivalent to HK6.247cents (2010: US0.319 cents) per ordinary share	**7,981**	3,167
	10,294	5,420

The directors have recommended the payment of a final dividend of US cents of 0.804 per share, totaling US$7,981,000. Such dividend is to be approved by the shareholders at the forthcoming Annual General Meeting. These financial statements do not reflect this dividend payable.

11. TRADE AND BILLS RECEIVABLE

	2011	2010
	US$'000	*US$'000*
Trade and bills receivable	**127,868**	116,016
Less: provision for impairment	**(3,761)**	(773)
Trade and bills receivable — net	**124,107**	115,243

The carrying amounts of trade and bills receivable approximate their fair value.

The Group normally grants credit terms to its customers up to 120 days. At 31 December 2011 and 2010, the ageing analysis of the trade and bills receivable based on due date, net of provision is as follows:

	2011	2010
	US$'000	*US$'000*
Current	**94,719**	88,783
1 to 30 days	**20,877**	16,432
31 to 60 days	**2,305**	3,097
61 to 90 days	**1,974**	2,037
91 to 120 days	**216**	228
Over 120 days	**4,016**	4,666
Amounts past due but not impaired	**29,388**	26,460
	124,107	115,243

12. TRADE AND BILLS PAYABLE

At 31 December 2011 and 2010, the ageing analysis of the trade and bills payable based on invoice date are as follows:

	2011	2010
	US$'000	*US$'000*
0 to 30 days	**44,283**	53,346
31 to 60 days	**1,929**	2,401
61 to 90 days	**414**	205
Over 90 days	**2,232**	4,735
	48,858	60,687

13. OTHER RESERVES

	Share premium	**Capital reserve**	**Other capital reserves**	**Share based compensation reserves**	**Exchange reserve**	**Total**
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
At 1 January 2010	116,998	11,722	(34,633)	1,730	6,293	102,110
Derecognition of financial liabilities upon termination of the put options	—	—	20,383	—	—	20,383
Acquisition of remaining interest in a subsidiary from a non-controlling shareholder	—	—	9,451	—	—	9,451
Exercise of share options by employees	20	—	—	(6)	—	14
Share-based payment expenses	—	—	—	63	—	63
Exchange differences arising on translation of foreign subsidiaries	—	—	—	—	1,890	1,890
At 31 December 2010	117,018	11,722	(4,799)	1,787	8,183	133,911
At 1 January 2011	**117,018**	**11,722**	**(4,799)**	**1,787**	**8,183**	**133,911**
Share-based payment expenses	**—**	**—**	**—**	**13**	**—**	**13**
Exchange differences arising on translation of foreign subsidiaries	**—**	**—**	**—**	**—**	**4,225**	**4,225**
Exchange reserve released upon disposal of subsidiaries	**—**	**—**	**—**	**—**	**(1,835)**	**(1,835)**
At 31 December 2011	**117,018**	**11,722**	**(4,799)**	**1,800**	**10,573**	**136,314**

MANAGEMENT DISCUSSION & ANALYSIS

Result Review

For the year ended 31 December 2011, the Group's revenue increased by 20.5% to approximately US$956,489,000 when compared to 2010. The increase in revenue is mainly due to the increase in business with existing top customers, particularly those under the Accessories Division and the increase in the average selling price ("ASP"). The increase in ASP was as a result of the increase in material costs, substantial part of which was passed to our customers.

Luen Thai's overall gross profit for 2011 was approximately US$160,933,000, representing an increase of 19.8% over 2010. The overall gross profit margin in 2011 was approximately 16.8%, representing a 0.1 percentage point decrease over 2010. The decrease in gross profit margin was mainly due to the rise in raw material costs. The Group's operating expenses (including the selling and distribution expenses and the general and administrative expenses) for the continuing operations increased from US$112,377,000 in 2010 to approximately US$130,995,000 in 2011, representing an increase of 16.6% over 2010 as a result of increase in facilities in Indonesia and in the Philippines.

The profit attributable to the owners of the Company increased to US$34,310,000 as compared to US$18,052,000 in 2010, representing an increase of US$16,258,000 or 90.1% over 2010. The significant increase was mainly attributable to the one-time gain on disposal of subsidiaries in the Real Estate segment of approximately US$16,046,000 during the year under review.

The profit attributable to the owners of the Company of the continuing operations in 2011 was approximately US$19,767,000 which included a one-time loss of approximately US$3,870,000 on disposal of a subsidiary under the Casual and Fashion Apparel segment. The operating loss of this subsidiary up to the date of disposal in 2011 amounted to approximately US$1,581,000. In other words, excluding the one-time loss on disposal and the corresponding operating loss of this subsidiary, the profit attributable to the owners of the Company of the continuing business could reach approximately US$25,218,000.

Segmental Review

Apparel businesses, comprising our Casual and Fashion Apparel Division, Sweater Division and Life Style Division, are the Group's major source of revenue. These include the Group's OEM apparel manufacturing, apparel sourcing and trading business, which accounted for approximately 78.3% of the Group's total revenue in 2011.

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 2011. As mentioned above, the Casual and Fashion Apparel Division recorded a one-time loss of approximately US$3,870,000 for the disposal of a subsidiary during the year under review. Excluding this one-time loss, the segment profit would be approximately US$18,458,000, representing a segment profit margin of 4.2% which is about 0.5 percentage point over 2010.

Life-style apparel business has not only been benefited by the stabilization of Euro but also its successful diversification of customer base in 2011 resulting in its segment profit increase to approximately US$8,106,000, representing an increase of 103.2% over 2010.

The Sweater Division has reported a segment profit of approximately US$3,226,000 for 2011, representing a decrease of 2.6% over 2010 due mainly to the fluctuation in the cotton price. The Board believes that the Indonesia operation is a strong platform for growth and its full potential has not yet realized in 2011.

Accessory Supply Chain Management Services

Through the lean reengineering implementation, the efficiency of the Accessories Division has continued to improve. The Division has also continued to expand its customer base and product lines. Despite the Division's incurrence of additional start up costs as a results of the capacity expansion in the Philippines in the first half of the year, it still recorded a profit of approximately US$5,521,000 for 2011 representing a 315.7% increase over 2010.

Real Estate and Logistics

As disclosed in the interim report of the Company for the reporting period, Chang Jia International Limited ("Chang Jia"), an indirect wholly owned subsidiary of the Company before the transaction, had entered into a subscription and share purchase agreement 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 ("Shan Ying"), a wholly owned subsidiary of Luen Thai Land Limited, a property company with approximately 428,272.9 square meters of land in Qingyuan and (b) acquire from Shiny New Limited ("Shiny New"), an indirect wholly owned subsidiary of the Company, a property company with approximately 503,517.53 square meters of land in Qingyuan and (c) Keyasia Investments Limited ("Keyasia") would subscribe shares in Chang Jia at a consideration of RMB180 million. The transaction was completed on 29 November 2011 and Chang Jia is owned as to 55%, 24% and 21% by Keyasia, Shiny New and Shan Ying respectively. This transaction effectively disposed of the Company's Real Estate business through the formation of joint venture with Luen Thai Land Limited and Sunshine 100, and the gain on such disposal is approximately US$16,046,000. The Board expects that this joint venture shall provide an additional source of income for the Group in the next few years.

The Group's freight forwarding and logistics services recorded a revenue of approximately US$17,150,000 for the year under review, representing an increase of approximately 18.2% over 2010.

Markets

Geographically, the US market was still the Group's key export market in 2011, accounting for approximately 48.6% of the Group's total revenue in 2011. The revenue derived from customers in the USA is approximately US$465,235,000, representing an increase of approximately US$52,378,000 over 2010. Such increase represents mainly the increase of sales recorded by Casual and Fashion Apparel Division, Life-style Division and Accessories Division in 2011.

Europe continued to be the second largest export market of the Group in 2011. Europe accounted for approximately 26.6% of the Group's total revenue in 2011. The revenue derived from customers in Europe is approximately US$254,745,000, representing an increase of approximately US$45,037,000 over that recorded for 2010. This increase was mainly due to the fluctuation of Euro exchange rate and the increase in business with one major Europe-based customer.

Asia market (mainly the Greater China and Japan) is a still growing market in 2011 which accounted for approximately 14.4% of the Group's total revenue representing a 2.0 percentage points increase over that of 2010.

Acquisitions and Joint Ventures

It is the Group's strategy to strengthen its supply chain capabilities by way of selective value-enhancing acquisition and joint ventures.

The apparel manufacturing business was distorted by the quota system in the past and therefore apparel OEM manufacturer needs to be extremely efficient in order to compete with its competitors all over the world. However, manufacturers of other consumer products like bags manufacturing business under our accessories division have more room for our improvement through lean reengineering strategy. Riding on our success of turning around the business of the accessories division, we shall continue looking into acquisition targets of other consumer products to broaden our product base.

Future Plans and Prospect

Increase Production Capacities Outside China

The Board has decided to maintain its current production level in China while increasing its future production capacities outside China with the view to reducing the China capacities to a level of around 50% of the total Group's production level in the next few years. Our current worker headcount is around 21,000 globally of which only approximately 5,100 and 2,400 are now in the Philippines and Indonesia respectively. With our plan to increase the production facilities outside China (mainly in the Philippines) in the next three years, our cost saving due to the wage differential between China and the Philippines should be able to offset the operating costs increase in China and maintain our profit margin.

Apparel Supply Chain Management Services

One major Japanese customer from our Casual and Fashion Apparel Division who currently places orders in our China factory has started placing orders in our Philippines facilities to cope with its rapid growth and reduce its reliance in China production.

Accessory Supply Chain Management Services

The Board expects that the Accessory Division will be the growth driver of the Company in the next three years with its revenue increase at about 20% to 30% each year, benefiting from its recent increase in production capacity through the expansion in the Philippines, and taking into account the expansion plan and commitment of a major USA luxury bag customer of the Division. In addition, the Division has developed its camera bags business and in the process of developing its travel bags business.

With the support from our customers to grow our Philippines operation, the Board has set a management goal of revenue growth for the Group to be around an average of 10% to 15% for each of the next three years.

Contingent Liabilities and Off-Balance Sheet Obligations

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

Human Resources, Social Responsibilities and Corporate Citizenship

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

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

With over 25,000 employees around the world, Luen Thai continuously strives to foster open communication with employees through various channels.

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

Financial Results and Liquidity

As at 31 December 2011, the total amount of cash and cash equivalents of the Group was approximately US$138,827,000, representing an increase of approximately US$56,920,000 as compared to that as at 31 December 2010. The Group's total bank borrowings as at 31 December 2011 was approximately US$88,053,000, representing an increase of approximately US$23,801,000 as compared to that as at 31 December 2010.

As at 31 December 2011, based on the scheduled repayments set out in the relevant loan agreements with banks, the maturity profile of the Group's bank borrowings spread over eight years with approximately US$66,192,000 repayable within one year, approximately US$5,495,000 in the second year, approximately US$16,078,000 in the third to fifth year, and approximately US$288,000 in more than five years.

Gearing ratio of the Company is defined as the net debt (represented by bank borrowings net of cash and cash equivalents) divided by shareholders' equity. As at 31 December 2011, the Group is in a net cash position. Hence, no gearing ratio is presented.

Foreign Exchange Risk Management

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

EVENTS AFTER THE BALANCE SHEET DATE

On 1 February 2012, the Group entered into a Sale and Purchase Agreement with Opelbonds Management Limited and Ms So Suk Ling, independent third parties, to acquire the entire issued capital of Tien-Hu Knitting Company (Hong Kong) Limited and its wholly owned subsidiary in the PRC, at a consideration of HK$46,500,000 (equivalent to US$6,000,000). Tien-Hu Knitting Company (Hong Kong) Limited and its wholly owned subsidiary are principally engaged in garment manufacturing. The Group is in the progress of assessing the financial impact to the Group's financial statements as a result of this acquisition.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares for the year ended 31 December 2011.

CORPORATE GOVERNANCE

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

The Board has reviewed the Company's corporate governance practices and is satisfied that the Company has been in compliance set out in the Code on Corporate Governance Practices set out in Appendix 14 of the Listing Rules throughout the year ended 31 December 2011.

Full details on the subject of corporate governance are set out in the Company's 2011 annual report.

AUDIT COMMITTEE

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

The Audit Committee's review covers the accounting principles and practices adopted by the Group, audit plans and findings of the internal and external auditors, and financial matters including the review of consolidated financial statements of the Group for the year ended 31 December 2011.

DIVIDENDS

An interim dividend of US cents 0.233 per share was paid to the shareholders during the year and the Directors recommend the payment of a final dividend of US cents 0.804 per share to the shareholders on the register of members on 8 June 2012 totaling to approximately US$7,981,000.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 25 May 2012 to 30 May 2012 (both days inclusive), during which period no transfers of shares will be registered. To determine the entitlement to attend and vote at the Annual General Meeting of the Company, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's Branch Share Registrars in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 24 May 2012.

In addition, the Board has resolved to recommend the payment of a final dividend of US cents 0.804 per share for members whose names appear on the Register of Members of the Company on 8 June 2012. The Register of Members of the Company will also be closed from 6 June 2012 to 8 June 2012 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, subject to approval at the Annual General Meeting of the Company, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's Branch Share Registrars in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 5 June 2012.

DISCLOSURE OF INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

Information required to be disclosed pursuant to paragraphs 45(1) to 45(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 March 2012

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.