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 2007

GROUP FINANCIAL HIGHLIGHTS

	Six months ended 30 June	
	2007	2006
	(Unaudited)	*(Unaudited)*
	US$'000	*US$'000*
Revenue	**353,009**	276,669
Operating profit	**8,790**	8,562
Profit attributable to equity holders of the Company	**6,764**	6,146
Profit margin (ratio of profit attributable to equity holders of the Company to revenue)	**1.92%**	2.22%
Basic EPS (US cents)	**0.68**	0.62

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 2007.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six month period ended 30 June 2007

		Six months ended 30 June	
	Note	**2007**	2006
		US$'000	*US$'000*
		(Unaudited)	*(Unaudited)*
Revenue	3	**353,009**	276,669
Cost of sales		**(284,600)**	(218,284)
Gross profit		**68,409**	58,385
Selling and distribution expenses		**(11,984)**	(7,611)
General and administrative expenses		**(47,635)**	(42,212)
Operating profit	5	**8,790**	8,562
Finance income	4	**1,691**	1,409
Finance costs	4	**(1,911)**	(3,162)
Share of profit of associated companies		**20**	64
Share of profit/(loss) of jointly controlled entities		**86**	(348)
Profit before income tax		**8,676**	6,525
Income tax credit/(expense)	6	**2,483**	(406)
Profit for the period		**11,159**	6,119
Attributable to:			
Equity holders of the Company		**6,764**	6,146
Minority interest		**4,395**	(27)
		11,159	6,119
Earnings per share for profit attributable to the equity holders of the Company, expressed in US cents per share			
— Basic	7	**0.68**	0.62
— Diluted		**0.68**	0.62
Dividends	8	**2,035**	1,846

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	As at 30 June 2007 US$'000 (Unaudited)	As at 31 December 2006 US$'000 (Audited)
ASSETS			
Non-current assets			
Leasehold land and land use rights		**4,066**	4,286
Property, plant and equipment		**87,651**	90,643
Intangible assets		**56,619**	52,857
Interests in associated companies		**208**	287
Interests in jointly controlled entities		**3,018**	2,045
Deferred income tax assets		**461**	311
Other non-current assets		**5,180**	3,627
Total non-current assets		**157,203**	154,056
Current assets			
Inventories		**79,910**	65,332
Trade and bills receivables	9	**91,678**	93,852
Amounts due from related companies		**3,105**	2,397
Amounts due from jointly controlled entities and associated companies		**6,147**	6,778
Prepaid tax		**1,235**	—
Deposits, prepayments and other receivables		**18,124**	15,722
Pledged bank deposits		**1,365**	681
Bank balances and cash		**87,052**	107,076
Total current assets		**288,616**	291,838
Total assets		**445,819**	445,894

	Note	As at 30 June 2007 US$'000 (Unaudited)	As at 31 December 2006 US$'000 (Audited)
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital		**9,925**	9,925
Other reserves	11	**97,177**	98,628
Retained earnings	11	**96,942**	90,178
		204,044	198,731
Minority interest		**13,860**	15,502
Total equity		**217,904**	214,233
LIABILITIES			
Non-current liabilities			
Borrowings		**36,000**	38,250
Retirement benefit obligations		**2,774**	2,295
Deferred income tax liabilities		**3,810**	3,849
Other long-term liabilities		**24,976**	22,073
Total non-current liabilities		**67,560**	66,467
Current liabilities			
Trade and bills payables	10	**43,342**	43,906
Borrowings		**26,910**	31,184
Current income tax liabilities		**9,123**	12,489
Amounts due to related companies		**1,687**	1,499
Amounts due to jointly controlled entities and associated companies		**244**	84
Other payables and accruals		**79,049**	76,032
Total current liabilities		**160,355**	165,194
Total liabilities		**227,915**	231,661
Total equity and liabilities		**445,819**	445,894
Net current assets		**128,261**	126,644
Total assets less current liabilities		**285,464**	280,700

SELECTED NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six month period ended 30 June 2007

1. BASIS OF PRESENTATION

This condensed consolidated interim financial information for the six months ended 30 June 2007 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 2006.

2. ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of and as described in the annual financial statements for the year ended 31 December 2006.

The following new standards, amendments to standards and interpretations are mandatory and relevant for financial year ending 31 December 2007.

- HK(IFRIC) — Int 8, Scope of HKFRS 2 (effective for annual periods beginning on or after 1 May 2006). HK(IFRIC) 8 requires consideration of transactions involving the issuance of equity instruments — where the identifiable consideration received is less than the fair value of the equity instruments issued — to establish whether or not they fall within the scope of HKFRS 2. The Group has adopted HK(IFRIC) — Int 8 from 1 January 2007, but it is not expected to have any impact on the Group's financial statements;

- HK(IFRIC) — Int 10, Interim Financial Reporting and Impairment (effective for annual periods beginning on or after 1 November 2006). HK(IFRIC) — Int 10 prohibits the impairment losses recognized in an interim period on goodwill, investments in equity instruments and investments in financial assets carried at cost to be reversed at a subsequent balance sheet date. The Group has adopted HK(IFRIC) — Int 10 from 1 January 2007, but it is not expected to have any impact on the Group's financial statements; and

- HKFRS 7, Financial Instruments: Disclosures (effective for annual periods beginning on or after 1 January 2007). HKAS 1, Amendments to capital disclosures (effective for annual periods beginning on or after 1 January 2007). The Group assessed the impact of HKFRS 7 and the amendment to HKAS 1 and concluded that the main additional disclosures will be the sensitivity analysis to market risk and capital disclosures required by the amendment of HKAS 1. The Group has adopted HKFRS 7 and the amendment to HKAS 1 from 1 January 2007.

The following interpretations are mandatory for financial year ending 31 December 2007 but are not relevant to or have no significant impact on the Group's operations:

- HK(IFRIC) — Int 7, Applying the Restatement Approach under HKAS 29, Financial Reporting in Hyperinflationary Economies (effective from 1 March 2006). HK(IFRIC) — Int 7 provides guidance on how to apply requirements of HKAS 29 in a reporting period in which an entity identifies the existence of hyperinflation in the economy of its functional currency, when the economy was not hyperinflationary in the prior period. As none of the group entities have a currency of a hyperinflationary economy as its functional currency, HK(IFRIC) — Int 7 is not relevant to the Group's operations; and

- HK(IFRIC) — Int 9, Reassessment of embedded derivatives (effective for annual periods beginning on or after 1 June 2006). HK(IFRIC) — Int 9 requires an entity to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the entity first becomes a party to the contract. Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required. As none of the group entities have changed the terms of their contracts, HK(IFRIC) — Int 9 is not relevant to the Group's operations.

The following new standards, amendments and interpretations have been issued but are not effective for 2007 and have not been early adopted:

- HKAS 1 (Amendment), Presentation of Financial Statement: Capital Disclosures;
- HK(IFRIC) — Int 11, HKFRS 2, Group and Treasury Share Transactions;
- HKFRS 8, Operating Segments; and
- HK(IFRIC) — Int 12, Service Concession Arrangements.

3. SEGMENT INFORMATION

Primary reporting format — business segment

At 30 June 2007, the Group is principally engaged in the manufacturing and trading of garment and textile products and the provision of freight forwarding and logistics services. Turnover represents revenue which consists of sales from garment and textile products and provision of freight forwarding and logistics services.

The segment results for the six months ended 30 June 2007 and 2006 are as follows:

	For the six months ended 30 June 2007			
	Garment	**Freight forwarding/ logistics services**	**Others**	**Group**
	US$'000	*US$'000*	*US$'000*	*US$'000*
	(Unaudited)	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*
Segment revenues				
Total segment revenue	**341,151**	**10,857**	**2,269**	**354,277**
Inter-segment revenue	**—**	**(1,268)**	**—**	**(1,268)**
Revenue	**341,151**	**9,589**	**2,269**	**353,009**
Segment result	**7,354**	**1,436**	**—**	**8,790**
Finance income	**1,513**	**178**	**—**	**1,691**
Finance costs	**(1,911)**	**—**	**—**	**(1,911)**
Share of profit of associated companies	**—**	**20**	**—**	**20**
Share of profit of jointly controlled entities	**86**	**—**	**—**	**86**
Profit before income tax				**8,676**
Income tax credit/(expense)	**2,645**	**(162)**		**2,483**
Profit for the period				**11,159**
Minority interest	**(4,349)**	**(46)**		**(4,395)**
Profit attributable to the equity holders of the Company				**6,764**

	For the six months ended 30 June 2006			
	Garment	Freight forwarding/ logistics services	Others	Group
	US$'000	*US$'000*	*US$'000*	*US$'000*
	(Unaudited)	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*
Segment revenues				
Total segment revenue	269,271	7,390	1,360	278,021
Inter-segment revenue	—	(1,352)	—	(1,352)
Revenue	269,271	6,038	1,360	276,669
Segment result	7,963	599		8,562
Finance income	1,203	206		1,409
Finance costs	(3,162)	—		(3,162)
Share of profit of associated companies	—	64		64
Share of loss of jointly controlled entities	(348)	—		(348)
Profit before income tax				6,525
Income tax expense	(303)	(103)		(406)
Profit for the period				6,119
Minority interest	79	(52)		27
Profit attributable to the equity holders of the Company				6,146

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

	For the six months ended 30 June 2007		
	Garment	**Freight forwarding/ logistics services**	**Group**
	US$'000	***US$'000***	***US$'000***
	(Unaudited)	***(Unaudited)***	***(Unaudited)***
Depreciation	**6,387**	**523**	**6,910**
Amortization	**1,071**	**—**	**1,071**
Impairment of trade receivables	**94**	**92**	**186**
Impairment of reimbursement receivables	**2,204**	**—**	**2,204**
Provision for inventory obsolescence	**574**	**—**	**574**

	For the six months ended 30 June 2006		
	Garment	Freight forwarding/ logistics services	Group
	US$'000	*US$'000*	*US$'000*
	(Unaudited)	*(Unaudited)*	*(Unaudited)*
Depreciation	5,697	315	6,012
Amortization	583	—	583
Impairment of trade receivables	55	25	80
Provision for inventory obsolescence	2	—	2

Inter-segment transactions are entered into under the normal commercial terms and conditions that would also be available to unrelated third parties.

The segment assets and liabilities at 30 June 2007 and capital expenditure for the six months then ended are as follows:

	Garment	**Freight forwarding/ logistics services**	**Group**
	US$'000	***US$'000***	***US$'000***
	(Unaudited)	***(Unaudited)***	***(Unaudited)***
Segment assets	**411,525**	**29,161**	**440,686**
Associated companies	**8**	**200**	**208**
Jointly controlled entities	**3,018**	**—**	**3,018**
	414,551	**29,361**	**443,912**
Unallocated assets			**1,907**
Total assets			**445,819**
Segment liabilities	**163,395**	**11,087**	**174,482**
Unallocated liabilities			**53,433**
Total liabilities			**227,915**
Capital expenditure	**10,226**	**274**	**10,500**

The segment assets and liabilities at 31 December 2006 and capital expenditure for the six months ended 30 June 2006 are as follows:

	Garment *US$'000* *(Unaudited)*	Freight forwarding/ logistics services *US$'000* *(Unaudited)*	Group *US$'000* *(Unaudited)*
Segment assets	414,316	28,935	443,251
Associated companies	8	279	287
Jointly controlled entities	2,045	—	2,045
	416,369	29,214	445,583
Unallocated assets			311
Total assets			445,894
Segment liabilities	160,942	11,231	172,173
Unallocated liabilities			59,488
Total liabilities			231,661
Capital expenditure	8,109	1,749	9,858

Segment assets consist primarily of leasehold land and land use rights, property, plant and equipment, intangible assets, investments in associated companies and jointly controlled entities, inventories, receivables, cash and cash equivalents and other operating assets. They exclude deferred taxation and prepaid tax.

Segment liabilities comprise operating liabilities and borrowing. They exclude items such as taxation and corporate borrowings.

Capital expenditure comprises additions to leasehold land and land use rights, property, plant and equipment and intangible assets, including additions resulting from acquisitions through business combinations.

Secondary reporting format — geographical segments

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

	Six months ended 30 June	
	2007	2006
	US$'000	*US$'000*
	(Unaudited)	*(Unaudited)*
Revenue		
The United States	**175,479**	182,467
Europe	**110,517**	36,832
Japan	**29,043**	35,005
PRC	**13,942**	3,055
Others	**24,028**	19,310
	353,009	276,669

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

	As at	
	30 June	31 December
	2007	2006
	US$'000	*US$'000*
	(Unaudited)	*(Audited)*
Total Assets		
Hong Kong	**195,102**	239,476
The United States	**44,433**	37,279
The PRC	**120,144**	106,079
Commonwealth of Northern Mariana Islands	**13,151**	18,234
The Philippines	**39,873**	36,264
Others	**29,890**	6,230
	442,593	443,562
Associated companies	**208**	287
Jointly controlled entities	**3,018**	2,045
	445,819	445,894

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

	Six months ended 30 June	
	2007	2006
	US$'000	*US$'000*
	(Unaudited)	*(Unaudited)*
Capital expenditures		
Hong Kong	**4,170**	1,358
The United States	**188**	758
The PRC	**5,745**	5,852
Commonwealth of Northern Mariana Islands	**136**	1,111
The Philippines	**244**	718
Others	**17**	61
	10,500	9,858

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

4. FINANCE INCOME AND COSTS

	Six month ended 30 June	
	2007	2006
	US$'000	*US$'000*
	(Unaudited)	*(Unaudited)*
Interest expense on bank loans and overdrafts	**1,551**	1,832
Interest expense on financial liabilities carried at amortized costs	**360**	—
Change in estimates of financial liabilities	**—**	1,330
Finance cost	**1,911**	3,162
Finance income — interest income	**(1,691)**	(1,409)
Net finance costs	**220**	1,753

5. OPERATING PROFIT

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

	Six months ended 30 June	
	2007	2006
	US$'000	*US$'000*
	(Unaudited)	*(Unaudited)*
Amortization of leasehold land and land use rights	**44**	51
Amortization of intangible assets	**1,027**	367
Amortization of intangible assets (included in share of loss of jointly controlled entities)	**—**	165
Depreciation of property, plant and equipment	**6,910**	6,012
Write-back of other payables	**(1,363)**	(778)
Provision for impairment of receivables	**186**	80
Impairment of reimbursement receivables	**2,024**	—
Provision for inventory obsolescence	**574**	2

6. TAXATION

Hong Kong profits tax has been provided at the rates of 17.5% (2006: 17.5%) 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	
	2007	2006
	US$'000	*US$'000*
	(Unaudited)	*(Unaudited)*
Current income tax:		
— Hong Kong profits tax	**127**	134
— Overseas taxation	**3,890**	557
Over-provision in prior years	**(6,311)**	(411)
Deferred income tax	**(189)**	126
	(2,483)	406

In prior years, certain overseas subsidiaries had made provisions 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 2007 and have determined that a provision for tax of US$6,311,000 would no longer be required and should be derecognized. Consequently, the amount of US$6,311,000 was taken to the income statement for the six months ended 30 June 2007.

During the period, a subsidiary has received from the Hong Kong Inland Revenue Department an additional assessment relating to the assessment year 2000/01 for additional profits tax amounting to approximately US$1,080,000. This additional assessment relates to a dispute on the non-taxable claim of certain non-Hong Kong sourced income for tax assessment purposes. The directors believe that the Group has grounds to contest the additional assessment and have taken appropriate action to object the additional assessment. Therefore, no provision has been made in the financial statements as at 30 June 2007 in relation to the above additional assessment of US$1,080,000.

7. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2007	2006
	US$'000	*US$'000*
	(Unaudited)	*(Unaudited)*
Profit attributable to equity holders of the Company	**6,764**	6,146
Weighted average number of ordinary shares in issue	**992,500,000**	992,500,000
Basic earnings per share (US cents per share)	**0.68**	0.62

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

8. DIVIDENDS

	Six months ended 30 June	
	2007	2006
	US$'000	*US$'000*
	(Unaudited)	*(Unaudited)*
Interim dividend — US 0.205 cent (or equivalent to HK1.6 cents) (2006: US 0.186 cent) per share	**2,035**	1,846

The interim dividend was declared on 13 September 2007. These financial statements do not reflect this dividend payable.

9. TRADE AND BILLS RECEIVABLES

	As at 30 June 2007	As at 31 December 2006
	US$'000	*US$'000*
	(Unaudited)	*(Audited)*
Trade receivables	**93,114**	95,102
Less: provision for impairment of receivables	**(1,436)**	(1,250)
	91,678	93,852

The majority of the Group's sales are on letter of credit or documents against payment. The remaining amounts are with credit terms to its customers ranging from 30 to 60 days. At 30 June 2007, the ageing analysis of the trade receivables was as follows:

	As at 30 June 2007	As at 31 December 2006
	US$'000	*US$'000*
	(Unaudited)	*(Audited)*
Current	**54,923**	54,129
0 to 30 days	**22,390**	26,845
31 to 60 days	**8,344**	6,442
61 to 90 days	**1,972**	1,768
Over 91 days	**5,485**	5,918
	93,114	95,102

10. TRADE AND BILLS PAYABLES

At 30 June 2007, the ageing analysis of the trade and bills payables was as follows:

	As at 30 June 2007	As at 31 December 2006
	US$'000	*US$'000*
	(Unaudited)	*(Audited)*
Current	**30,038**	17,283
0 to 30 days	**6,822**	17,242
31 to 60 days	**2,614**	4,059
61 to 90 days	**866**	819
Over 91 days	**3,002**	4,503
	43,342	43,906

11. RESERVES

	Share premium	**Capital reserve**	**Other reserve**	**Share based compensation reserve**	**Exchange reserve**	**Retained earnings**	**Total**
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
	(Unaudited)	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*
As at 1 January 2006	116,998	11,722	(6,928)	—	(4,066)	91,063	208,789
Profit attributable to equity holders of the Company	—	—	—	—	—	6,146	6,146
Share based compensation expenses	—	—	—	221	—	—	221
Dividends	—	—	—	—	—	(1,548)	(1,548)
Exchange differences arising from translation of foreign subsidiaries	—	—	—	—	317	—	317
As at 30 June 2006	116,998	11,722	(6,928)	221	(3,749)	95,661	213,925
As at 1 January 2007	116,998	11,722	(28,761)	539	(1,870)	90,178	188,806
Profit attributable to equity holders of the Company	—	—	—	—	—	6,764	6,764
Share based compensation expenses	—	—	—	307	—	—	307
Exchange differences arising from translation of foreign subsidiaries	—	—	—	—	(1,758)	—	(1,758)
As at 30 June 2007	116,998	11,722	(28,761)	846	(3,628)	96,942	194,119

12. COMPARATIVE FIGURES

Certain 2006 comparative figures have been reclassified to conform to the current period's presentation.

MANAGEMENT DISCUSSION & ANALYSIS

Results of Operations and Overview

The Group continues to gain from the series of successful acquisitions and joint ventures it has accomplished in the last five years. During the six months ended 30 June 2007, the Group recorded its strongest half-year revenue of US$353 million from the time it was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in July 2004, representing a significant increase of approximately 27.6% compared to the corresponding period last year. The synergies between Luen Thai and its newly acquired subsidiaries have resulted to an encouraging revenue growth for the Group. However, in terms of the operational costs and the appreciation of Chinese Yuan and Philippine Peso, along with the increasing labor costs in mainland China, has in part negatively affected the results our operations.

On Time International Limited together with its subsidiaries ("On Time") has brought more European business to the Group evidenced by the significant increase in revenue from the region of approximately US$73.7 million or 200.1% over the same period last year. Our business in China also increased by approximately US$10.9 million representing over 300% growth in business in the region, which, however, was offset by the relatively slight decrease of approximately US$7.0 million representing 3.8% and US$6.0 million representing 17.0% in business in the United States and Japan, respectively. Luen Thai will continue to strike a balance on geographical diversification through its multi-country, multi-product strategy that is expected to continue to help insulate the Group from uncertainties that may result from possible anti-surge measures and other trade regulations of major markets.

During the period under review, both the gross margin and operating margin decreased from 21.1% to 19.4% and from 3.1% to 2.5%, respectively when compared to the same period last year. The Group's selling and distribution expenses increased by 57.5% or approximately US$4.4 million during the first six months of 2007, mainly due to the increasing costs of quota and freight. General and administrative expenses also increased by 12.8% or approximately US$5.4 million over the same period last year basically from the inclusion of On Time's expenses.

The profit attributable to equity holders of the Company for the six months ended 30 June 2007 therefore only showed an increase of 10.1% to approximately US$6.8 million when compared to that recorded for the same period last year.

Apparel Operations

The ladies' fashion division continues to be one of the key profit drivers for Luen Thai. It contributed approximately US$53.2 million to or 15.1% of the Group's revenue. It has continuously increased its market share on existing & new customers, with particular success in the department store sectors in both the United States of America ("USA") and the United Kingdom markets.

We are more particularly pleased though with the performance of On Time, which we acquired in 2006. We acknowledge its contribution on the Group's revenue growth in the first half of 2007, which is mainly attributable to the effective synergies brought about by its acquisition.

As expected, On Time has enabled Luen Thai to further enhance its design and development capabilities and even expanded its geographical coverage both in terms of sales and product sourcing base.

Our casual wear division is still considered the major contributor in the Group's operations providing approximately 50% of our revenue. However, the operational efficiency of the casual wear division had not been good enough to meet the challenges of the trade disputes and order flow instability after the quota elimination in 2005. Following the Group's cessation of manufacturing operations in Saipan and the closure of one of its three manufacturing facilities in the Philippines late last year, certain cost structure and operational changes were further implemented in the casual wear division (the "Reorganization"), to pave for a stronger and a more competitive foundation for the division's future. The costs of operational inefficiency resulting from the Reorganization inevitably affected our results of operations for the first half of 2007 and the same is still expected in the second half of the year.

On the other hand, the performance of Partner Joy Group Limited together with its subsidiaries ("Partner Joy") has been in accordance with the management's expectations, contributing approximately US$32.3 million in Group revenue for the six months ended 30 June 2007. Partner Joy is expected to contribute more in the second half of the year due to the seasonality of its sweater products.

Moreover, Yuen Thai, our active wear division, a 50% joint venture with Yue Yuen, has succeeded by recording a profit for the first time in the first half of 2007, as a result of the continuous efforts in improving efficiency plus the increase in sales volume.

Logistics and Freight Forwarding Operations

For the six months ended 30 June 2007, the logistics division recorded a revenue of approximately US$9.6 million representing a significant increase of 58.8% from US$6.0 million for the same period last year, which is mainly attributable to the commencement of the division's packaging business plus the significant increase in volume of transactions in the Micronesia. The management expects the logistics division to continue to sustain its operations in the second half of 2007.

Liquidity and Financial Resources

The financial position of the Group remains strong. As at 30 June 2007, the Group's total cash and cash equivalents approximately amount to US$79.2 million, a decrease of US$17.8 million over the balance as at 31 December 2006.

Gearing ratio is defined as net debt (representing by bank borrowings net of cash and bank balances) divided by shareholders' funds. As at 30 June 2007, the Group is in a net cash position and hence no gearing ratio is presented.

As at 30 June 2007, the maturity profile of the Group's bank borrowings spread over ten years with approximately US$26.9 million repayable within one to five years and US$36 million repayable over five years.

Foreign Exchange Risk Management

The Group adopts a prudent policy to hedge the fluctuation of exchange rates. Most of the Group's operating activities are denominated in US dollars, Euros and Hong Kong dollars. For those activities denominated in other currencies, the Group may enter into forward contracts with large and reputable financial institutions to hedge its receivable and payable denominated in foreign currencies to reduce the risks involved in exchange rate fluctuations. As at 30 June 2007, the Group has no outstanding foreign currency exchange contract.

Acquisitions and Joint Ventures

Acquisitions and joint ventures have become important milestones in Luen Thai history and are in line with the Group's multi-product and multi-country strategy. The success of certain acquisitions and joint ventures particularly in the last five years has not only allowed the Group to develop its manufacturing capabilities in other apparel categories such as sleepwear, career wear, active wear and sweater, but it has also strengthened Luen Thai's design capabilities and has effectively expanded its geographical coverage, which are considered paramount to achieving the Group's goal to further gain market share in the apparel business and deepen its relationship with key customers.

Acquisitions and joint ventures are one of Luen Thai's core competencies considering our scale, management and strong customer relationships. We will continue to capitalize on these to further materialize our D2S model and become one of the industry leaders. The Group is still in net cash balance to finance other potential acquisitions.

Future Plans and Prospect

We shall continue to strengthen our partnership with our customers through our D2S model, to ensure quality and short lead time full apparel service. In this regard, we also expect the Group to continue to increase involvement in design and development with our customers, capitalizing on the synergies provided by the acquisition of On Time. Moreover, with the proven success of other acquisitions and joint ventures of the Group, we will continue to look for more opportunities to further expand our product mix to ensure long-term growth of our business and realize our goal to become one of the major consolidators and beneficiaries in the apparel industry.

We anticipate the average selling price ("ASP") of apparel products to continue to stabilize without significant downward pressure from any source which together with the expected improvements from the Reorganization we have recently implemented in our casual wear division is believed to bring about continuous growth on Group's results of operations in the years to come. On the other hand, we also recognize the uncertainty on the USA economy, which might either positively or negatively affect our overall operations.

Notwithstanding the appreciation of Chinese Yuan and the rising costs of operations in mainland China, (assuming that the existing global trade policies on apparel products are retained, especially between China and the USA), we believe that China will continue to maintain its competitive advantage over other regions in terms of quality, lead time and infrastructure. While we believe that China is one of the very important production bases for the Group, we have also developed our sourcing platform in India, Bangladesh and Indonesia through On Time, which provides us with a sufficient amount of flexibility without the need for additional major capital expenditure.

Contingent Liabilities and Off-Balance Sheet Obligations

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

Human Resources and Social Responsibilities

Luen Thai has a current manpower of over 20,000 located in various locations worldwide. A professional and multicultural management team whose specialties have been honed in the industry manages the operation of the Group. This executive and management team complements the Group's strategic objectives, business model and corporate values. As part of our commitment to being a learning organization, Luen Thai set up technical training schools to support its expansion of facilities. The schools train new hires in basic sewing machine operations and aid existing operators in learning new methods for diversified product ranges. We also conduct supervisory and management training for supervisors and managers to assist them in realizing their leadership and management potentials. The Group offers its staff competitive remuneration schemes. In addition, share options are granted to eligible employees as incentive for their contribution to the Group.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of their shares during the period under review.

CORPORATE GOVERNANCE PRACTICES

Throughout the period ended 30 June 2007, the Company has been in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules.

Luen Thai acknowledges the need and importance of corporate governance as one of the key elements in creating shareholders' value. It is committed to ensuring high standards of corporate governance in the interests of shareholders and takes care to identify practices designed to achieve effective oversight, transparency and ethical behavior. As at the date of this report, the Company has formed the following committees at the Board level:

Audit Committee: The Audit Committee was set up to provide advice and recommendations to the Board. All Committee members are independent non-executive Directors namely: Mr. Chan Henry, Mr. Cheung Siu Kee and Mr. Seing Nea Yie as the Committee Chairman. Each Committee member possesses appropriate finance and/or industry expertise to advise the Board.

Remuneration Committee: The Remuneration Committee was set up with the responsibility of recommending to the Board the remuneration policy for all Directors and the senior management. Mr. Tan Henry and the three independent non-executive directors of the Company namely: Mr. Chan Henry, Mr. Cheung Siu Kee, and Mr. Seing Nea Yie as the Committee Chairman, comprise the Remuneration Committee.

Bank Facility Committee: The Bank Facility Committee was set up in December 2005 to review and approve any banking facility of the Group, to ensure that each facility is in the best commercial interest of the Group as a whole. Mr. Tan Siu Lin, Mr. Tan Henry and Mr. Tan Sunny comprise the Bank Facility Committee.

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 2007.

REVIEW OF INTERIM RESULTS

The unaudited interim financial reports for the six months ended 30 June 2007 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 1.6 HK cents per share (2006: 1.45 HK cents) for the six months ended 30 June 2007 to be payable to shareholders whose names appear on the Register of Members of the Company on 25 October 2007.

The interim dividend will be paid on or around 1 November 2007

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 23 October 2007 to 25 October 2007, 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 Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on 22 October 2007 in order to qualify for the final dividend mentioned above.

DISCLOSURE OF INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

Information required to be disclosed pursuant to paragraphs 46(1) to 46(6) of Appendix 16 to the Listing Rules will be published on the website of the Stock Exchange (http://www.hkex.com.hk) in due course.

By order of the Board
Tan Henry
Executive Director and Chief Executive Officer

Hong Kong, 13 September 2007

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 as non-executive Director; Mr. Chan Henry, Mr. Cheung Siu Kee and Mr. Seing Nea Yie as independent non-executive Directors.