



Luen Thai Holdings Limited

聯泰控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 311)



Design • Product Development • Manufacturing • Social Compliance • Supply Chain

*I*nterim *R*eport 2008

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### EXECUTIVE DIRECTORS

TAN Siu Lin, *Chairman*

TAN Henry, *Chief Executive Officer and President*

TAN Cho Lung Raymond, *Chief Manufacturing Officer*

MOK Siu Wan Anne, *Chief Merchandizing Officer*

TAN Sunny, *Chief Financial Officer*

### NON-EXECUTIVE DIRECTORS

TAN Willie

LU Chin Chu

### INDEPENDENT NON-EXECUTIVE DIRECTORS

CHAN Henry

CHEUNG Siu Kee

SEING Nea Yie

### QUALIFIED ACCOUNTANT AND COMPANY SECRETARY

CHIU Chi Cheung

# REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

TO THE BOARD OF DIRECTORS OF LUEN THAI HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

## Introduction

We have reviewed the interim financial information set out on pages 3 to 33, which comprises the condensed consolidated balance sheet of Luen Thai Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2008 and the related condensed consolidated statements of income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## Scope of Review

We conducted our review 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. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

**PricewaterhouseCoopers**

Certified Public Accountants

Hong Kong, 11 September 2008

# CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

As at 30 June 2008

	Note	As at 30 June 2008 US\$'000 (Unaudited)	As at 31 December 2007 US\$'000 (Audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Leasehold land and land use rights	5	4,741	4,476
Property, plant and equipment	5	92,717	92,578
Intangible assets	5	69,286	65,004
Interests in associated companies		420	382
Interests in jointly controlled entities	16	8,364	6,745
Deferred income tax assets		464	759
Other non-current assets		5,409	4,295
<b>Total non-current assets</b>		<b>181,401</b>	<b>174,239</b>
<b>Current assets</b>			
Inventories		64,011	65,245
Trade and bills receivables	6	90,592	100,065
Amounts due from related companies		3,754	3,175
Amounts due from jointly controlled entities and associated companies		4,579	5,127
Deposits, prepayments and other receivables		18,328	11,086
Pledged bank deposits		1,629	1,519
Cash and cash equivalents		115,306	96,668
<b>Total current assets</b>		<b>298,199</b>	<b>282,885</b>
<b>Total assets</b>		<b>479,600</b>	<b>457,124</b>
<b>EQUITY</b>			
<b>Capital and reserves attributable to the equity holders of the Company</b>			
Share capital	7	9,925	9,925
Other reserves	8	113,899	108,052
Retained earnings	8	107,617	102,309
		231,441	220,286
<b>Minority interest</b>		<b>17,829</b>	<b>9,794</b>
<b>Total equity</b>		<b>249,270</b>	<b>230,080</b>

## CONDENSED CONSOLIDATED INTERIM BALANCE SHEET (CONTINUED)

As at 30 June 2008

	Note	As at 30 June 2008 US\$'000 (Unaudited)	As at 31 December 2007 US\$'000 (Audited)
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	9	31,500	33,750
Retirement benefit obligations		2,546	3,135
Deferred income tax liabilities		2,886	3,769
Other long-term liabilities		23,947	26,673
<b>Total non-current liabilities</b>		<b>60,879</b>	<b>67,327</b>
<b>Current liabilities</b>			
Trade and bills payables	10	46,284	55,755
Borrowings	9	26,701	18,408
Current income tax liabilities		8,137	11,747
Amounts due to related companies		1,171	2,837
Amounts due to jointly controlled entities and associated companies		6,894	1,647
Other payables and accruals		80,264	69,323
<b>Total current liabilities</b>		<b>169,451</b>	<b>159,717</b>
<b>Total liabilities</b>		<b>230,330</b>	<b>227,044</b>
<b>Total equity and liabilities</b>		<b>479,600</b>	<b>457,124</b>
<b>Net current assets</b>		<b>128,748</b>	<b>123,168</b>
<b>Total assets less current liabilities</b>		<b>310,149</b>	<b>297,407</b>

The notes on pages 9 to 33 form an integral part of this condensed consolidated interim financial information.

## CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

For the period ended 30 June 2008

	Note	Six months ended 30 June	
		2008 US\$'000 (Unaudited)	2007 US\$'000 (Unaudited)
Revenue	4	379,446	353,009
Cost of sales		(306,695)	(284,600)
Gross profit		72,751	68,409
Selling and distribution expenses		(14,388)	(11,984)
General and administrative expenses		(43,592)	(47,635)
Operating profit	11	14,771	8,790
Finance income	12	1,013	1,691
Finance costs	12	(3,253)	(1,911)
Share of profit of associated companies		27	20
Share of profit of jointly controlled entities		1,045	86
Profit before income tax		13,603	8,676
Income tax credit	13	2,726	2,483
Profit for the period		16,329	11,159
Attributable to:			
Equity holders of the Company		7,035	6,764
Minority interest		9,294	4,395
		16,329	11,159
Earnings per share for profit attributable to the equity holders of the Company, expressed in US cents per share	14		
— Basic		0.71	0.68
— Diluted		0.71	0.68
Dividends	15	2,114	2,035

The notes on pages 9 to 33 form an integral part of this condensed consolidated interim financial information.

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the period ended 30 June 2008

	Unaudited					
	Attributable to equity holders of the Company					Total
	Share capital US\$'000	Share premium US\$'000	Other reserves US\$'000	Retained earnings US\$'000	Minority interest US\$'000	
Balance at 1 January 2007	9,925	116,998	(18,370)	90,178	15,502	214,233
Currency translation differences	—	—	(1,758)	—	—	(1,758)
Profit for the period	—	—	—	6,764	4,395	11,159
Total recognized income for the six months ended 30 June 2007	—	—	(1,758)	6,764	4,395	9,401
Share based compensation expenses	—	—	307	—	—	307
Purchase of additional interests in a subsidiary from a minority shareholder	—	—	—	—	(2,093)	(2,093)
Dividends paid to minority shareholders of subsidiaries	—	—	—	—	(3,944)	(3,944)
Balance at 30 June 2007	9,925	116,998	(19,821)	96,942	13,860	217,904

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY (CONTINUED)**

For the period ended 30 June 2008

	Unaudited					
	Attributable to equity holders of the Company					
	Share capital US\$'000	Share premium US\$'000	Other reserves US\$'000	Retained earnings US\$'000	Minority interest US\$'000	Total US\$'000
Balance at 1 January 2008	9,925	116,998	(8,946)	102,309	9,794	230,080
Currency translation differences	—	—	5,651	—	—	5,651
Profit for the period	—	—	—	7,035	9,294	16,329
Total recognized income for the six months ended 30 June 2008	—	—	5,651	7,035	9,294	21,980
Dividends paid	—	—	—	(1,727)	—	(1,727)
Share based compensation expenses	—	—	196	—	—	196
Dividends paid to a minority shareholder of a subsidiary	—	—	—	—	(1,259)	(1,259)
Balance at 30 June 2008	9,925	116,998	(3,099)	107,617	17,829	249,270

The notes on pages 9 to 33 form an integral part of this condensed consolidated interim financial information.

## CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT

For the period ended 30 June 2008

	Six months ended 30 June	
	2008 US\$'000 (Unaudited)	2007 US\$'000 (Unaudited)
Net cash inflow from operating activities	16,906	1,692
Net cash outflow from investing activities	(3,232)	(16,657)
Net cash inflow/(outflow) from financing activities	10,071	(3,943)
Net increase/(decrease) in cash and cash equivalents	23,745	(18,908)
Cash and cash equivalents of 1 January	90,805	96,977
Effect of foreign exchange rate changes	452	1,158
Cash and cash equivalents at 30 June	115,002	79,227
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	115,306	87,052
Bank overdrafts	(304)	(7,825)
	115,002	79,227

The notes on pages 9 to 33 form an integral part of this condensed consolidated interim financial information.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 1 GENERAL INFORMATION

Luen Thai Holdings Limited (the “Company”) and its subsidiaries (together the “Group”) is principally engaged in the manufacturing, trading, design, sourcing and distribution of garment products and the provision of freight forwarding and logistics services.

The Company is a limited liability company incorporated in the Cayman Islands. The address of its registered office is 5/F, Nanyang Plaza, 57 Hung To Road, Kwun Tong, Kowloon, Hong Kong.

The Company’s shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

This condensed consolidated interim financial information is presented in thousands of units of United States dollars (US\$’000), unless otherwise stated. This condensed consolidated interim financial information has been approved for issue by the Company’s board of directors on 11 September 2008.

### 2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2008 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 2007.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 3 ACCOUNTING POLICIES

Except as described below, the accounting policies adopted are consistent with those of and as described in the annual financial statements for the year ended 31 December 2007, as described in those annual financial statements.

The following interpretation is mandatory for the first time for the financial year beginning 1 January 2008 and has no material financial impact to the Group:

- HK(IFRIC) — Int 11, 'HKFRS 2, Group and Treasury Share Transactions'.

The following interpretations are mandatory for the first time for the financial year beginning 1 January 2008 but are not currently relevant for the Group.

- HK(IFRIC) — Int 12, "Service concession arrangements"; and
- HK(IFRIC) — Int 14, 'HKAS 19 — The limit on a defined benefit asset, minimum funding requirements and their interaction'.

The following new standards, amendments and interpretations have been issued but are not effective for the financial year beginning 1 January 2008 and have not been early adopted:

- HKFRS 8, 'Operating segments', effective for annual periods beginning on or after 1 January 2009. HKFRS 8 replaces HKAS 14, 'Segment reporting', and requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. The expected impact is still being assessed in detail, but it appears likely that the number of reported segments may increase.
- HKAS 23 (revised), 'Borrowing costs', effective for annual periods beginning on or after 1 January 2009. Management is in the process of evaluating the effect of this standard.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 3 ACCOUNTING POLICIES (CONTINUED)

- HKFRS 2 (amendment) 'Share-based payment', effective for annual periods beginning on or after 1 January 2009. Management is assessing the impact of changes to vesting conditions.
- HKFRS 3 (revised), 'Business combinations' and consequential amendments to HKAS 27, 'Consolidated and separate financial statements', HKAS 28, 'Investments in associates' and HKAS 31, 'Interests in joint ventures', effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. Management is assessing the impact of the new requirements regarding acquisition accounting, consolidation, jointly controlled entities and associates on the Group.
- HKAS 1 (revised), 'Presentation of financial statements', effective for annual periods beginning on or after 1 January 2009. The expected impact is still being assessed in detail, but it may result in changes in disclosures and presentation of financial statements.
- HKAS 32 (amendment), 'Financial instruments: presentation', and consequential amendments to HKAS 1, 'Presentation of financial statements', effective for annual periods beginning on or after 1 January 2009. The expected impact is still being assessed in detail, but it may result in changes in disclosures and presentation of financial statements.
- HK(IFRIC) — Int 13, 'Customer loyalty programmes', effective for annual periods beginning on or after 1 July 2008. This interpretation is not relevant to the Group.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 4 SEGMENT INFORMATION

**Primary reporting format – business segments**

At 30 June 2008, the Group is principally engaged in the manufacturing, trading, design, sourcing and distribution of garment products and the provision of freight forwarding and logistics services. Turnover consists of sales revenue from garment and textile products and income from the provision of freight forwarding and logistics services.

The segment results for the six months ended 30 June 2008 and 2007 are as follows:

	For the six months ended 30 June 2008			
	Garment/ textile products US\$'000 (Unaudited)	Freight forwarding/ logistics services US\$'000 (Unaudited)	Others US\$'000 (Unaudited)	Group US\$'000 (Unaudited)
Segment revenues				
Total segment revenue	367,739	8,804	3,376	379,919
Inter-segment revenue	—	(473)	—	(473)
Revenue	367,739	8,331	3,376	379,446
Segment result	14,499	272	—	14,771
Finance income				1,013
Finance costs				(3,253)
Share of profit of associated companies	—	27	—	27
Share of profit of jointly controlled entities	1,045	—	—	1,045
Profit before income tax				13,603
Income tax credit/(expense)	2,796	(70)	—	2,726
Profit for the period				16,329
Minority interest	(9,274)	(20)	—	(9,294)
Profit attributable to the equity holders of the Company				7,035

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 4 SEGMENT INFORMATION (CONTINUED)

## Primary reporting format — business segments (continued)

	For the six months ended 30 June 2007			
	Garment/ textile products US\$'000 (Unaudited)	Freight forwarding/ logistics services US\$'000 (Unaudited)	Others US\$'000 (Unaudited)	Group US\$'000 (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				1,691
Finance costs				(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

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 4 SEGMENT INFORMATION (CONTINUED)

## Primary reporting format — business segments (continued)

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

	For the six months ended 30 June 2008		
	Garment/ textile products US\$'000 (Unaudited)	Freight forwarding/ logistics services US\$'000 (Unaudited)	Group US\$'000 (Unaudited)
Depreciation	6,410	678	7,088
Amortization	1,079	—	1,079
Impairment of trade receivables	(137)	330	193
Provision for net realizable value of inventory	—	—	—

	For the six months ended 30 June 2007		
	Garment/ textile products US\$'000 (Unaudited)	Freight forwarding/ logistics services US\$'000 (Unaudited)	Group US\$'000 (Unaudited)
Depreciation	6,387	523	6,910
Amortization	1,071	—	1,071
Impairment of trade receivables	94	92	186
Impairment of reimbursement receivables	2,024	—	2,024
Provision for net realizable value of inventory	574	—	574

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

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 4 SEGMENT INFORMATION (CONTINUED)

## Primary reporting format — business segments (continued)

The segment assets and liabilities at 30 June 2008 and capital expenditure for the six months then ended are as follows:

	Garment/ textile products US\$'000 (Unaudited)	Freight forwarding/ logistics services US\$'000 (Unaudited)	Group US\$'000 (Unaudited)
Segment assets	440,300	30,052	470,352
Associated companies	8	412	420
Jointly controlled entities	8,364	—	8,364
	<b>448,672</b>	<b>30,464</b>	<b>479,136</b>
Unallocated assets			464
<b>Total assets</b>			<b>479,600</b>
Segment liabilities	174,271	9,036	183,307
Unallocated liabilities			47,023
<b>Total liabilities</b>			<b>230,330</b>
<b>Capital expenditure</b>	<b>3,568</b>	<b>338</b>	<b>3,906</b>

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 4 SEGMENT INFORMATION (CONTINUED)

**Primary reporting format – business segments (continued)**

The segment assets and liabilities at 31 December 2007 and capital expenditure for the six months ended 30 June 2007 are as follows:

	Garment/ textile products US\$'000 (Audited)	Freight forwarding/ logistics services US\$'000 (Audited)	Group US\$'000 (Audited)
Segment assets	418,101	30,057	448,158
Associated companies	8	374	382
Jointly controlled entities	6,745	—	6,745
	424,854	30,431	455,285
Unallocated assets			1,839
<b>Total assets</b>			<b>457,124</b>
Segment liabilities	160,801	12,477	173,278
Unallocated liabilities			53,766
<b>Total liabilities</b>			<b>227,044</b>
<b>Capital expenditure (Unaudited)</b>	10,226	274	10,500

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.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 4 SEGMENT INFORMATION (CONTINUED)

#### Primary reporting format – business segments (continued)

Segment liabilities comprise operating liabilities and borrowings. 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.

#### 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	
	2008 US\$'000 (Unaudited)	2007 US\$'000 (Unaudited)
<b>Revenue</b>		
The United States	144,786	175,479
Europe	169,174	110,517
Japan	25,657	29,043
PRC	11,826	13,942
Others	28,003	24,028
	<b>379,446</b>	<b>353,009</b>

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

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 4 SEGMENT INFORMATION (CONTINUED)

## Secondary reporting format — geographical segments (continued)

	As at 30 June 2008 US\$'000 (Unaudited)	As at 31 December 2007 US\$'000 (Audited)
<b>Total assets</b>		
Hong Kong	250,040	233,690
The United States	27,953	42,902
The PRC	141,249	118,158
Commonwealth of Northern Mariana Islands	12,872	11,257
The Philippines	32,004	40,540
Others	6,698	3,450
	470,816	449,997
Associated companies	420	382
Jointly controlled entities	8,364	6,745
	479,600	457,124

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

	Six months ended 30 June	
	2008 US\$'000 (Unaudited)	2007 US\$'000 (Unaudited)
<b>Capital expenditure</b>		
Hong Kong	785	4,170
The United States	21	188
The PRC	2,500	5,745
Commonwealth of Northern Mariana Islands	246	136
The Philippines	325	244
Others	29	17
	3,906	10,500

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

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 5 CAPITAL EXPENDITURE

	Intangible assets		Total intangible assets US\$'000 (Unaudited)	Property, plant and equipment US\$'000 (Unaudited)	Leasehold land and use rights US\$'000 (Unaudited)	Total US\$'000 (Unaudited)
	Goodwill US\$'000 (Unaudited)	Other intangible assets US\$'000 (Unaudited)				
	Six months ended 30 June 2007					
Opening net book amount as at 1 January 2007	24,992	27,865	52,857	90,643	4,286	147,786
Additions	1,965	—	1,965	8,535	—	10,500
Disposals	—	—	—	(1,804)	(41)	(1,845)
Depreciation and amortization	—	(1,027)	(1,027)	(6,910)	(44)	(7,981)
Adjustments on contingent consideration	2,824	—	2,824	—	—	2,824
Exchange differences	—	—	—	(2,813)	(135)	(2,948)
Closing net book amount as at 30 June 2007	29,781	26,838	56,619	87,651	4,066	148,336
Six months ended 30 June 2008						
Opening net book amount as at 1 January 2008	39,193	25,811	65,004	92,578	4,476	162,058
Additions	—	—	—	3,906	—	3,906
Disposals	—	—	—	(760)	—	(760)
Depreciation and amortization	—	(1,027)	(1,027)	(7,088)	(52)	(8,167)
Adjustments on contingent consideration (Note)	5,309	—	5,309	—	—	5,309
Exchange differences	—	—	—	4,081	317	4,398
Closing net book amount as at 30 June 2008	44,502	24,784	69,286	92,717	4,741	166,744

Note: The total purchase consideration for the acquisition of a subsidiary is determined with reference to the average of the consolidated net profit of the subsidiary over certain specific periods. During the period, the goodwill in relation to the interests acquired increased by US\$5,309,000 as a result of a change of such contingent consideration.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 6 TRADE AND BILLS RECEIVABLES

	As at 30 June 2008 US\$'000 (Unaudited)	As at 31 December 2007 US\$'000 (Audited)
Trade receivables	92,432	101,712
Less: provision for impairment of receivables	(1,840)	(1,647)
	<b>90,592</b>	<b>100,065</b>

The Group grants credit terms to its customers ranging from 30 to 60 days. At 30 June 2008, the ageing analysis of the trade receivables is as follows:

	As at 30 June 2008 US\$'000 (Unaudited)	As at 31 December 2007 US\$'000 (Audited)
0 to 30 days	81,485	87,383
31 to 60 days	4,835	5,600
61 to 90 days	1,135	2,663
Over 90 days	4,977	6,066
	<b>92,432</b>	<b>101,712</b>

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 7 SHARE CAPITAL

	Number of shares '000 (Unaudited)	Nominal value US\$'000 (Unaudited)
Authorized — ordinary shares of US\$0.01 each <b>At 31 December 2007 and 30 June 2008</b>	1,500,000	15,000
Issued and fully paid — ordinary shares of US\$0.01 each <b>At 1 January 2007 and 30 June 2007</b>	992,500	9,925
<b>At 1 January 2008 and 30 June 2008</b>	<b>992,500</b>	<b>9,925</b>

**Share option**

The Company has adopted a share option scheme (the "Scheme") which is effective for a period of 10 years commencing 27 June 2004 pursuant to a written resolution of the then sole shareholder of the Company on 27 June 2004.

Under the Scheme, the Company may grant options to selected full-time employees and directors of the Company and its subsidiaries to subscribe for shares in the Company. Additionally, the Company may, from time to time, grant share options to eligible advisors and consultants to the Company and its subsidiaries at the discretion of the Board of Directors.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue as at the date of the listing of the shares without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at the date of such grant, without prior approval from the Company's shareholders.

Options may be exercised at any time within the relevant exercise period. The exercise price is determined by the highest of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 7 SHARE CAPITAL (CONTINUED)

## Share option (continued)

Details in the number of share options are as follows:

Date of grant	Exercisable period	Subscription price per share	Beginning of period	Number of shares		End of period
				Granted	Forfeited/ expired	
			'000	'000	'000	'000
26 January 2006	From 26 January 2007 to 25 January 2011	HK\$2.52	7,285	—	—	7,285
10 November 2006	From 10 November 2007 to 9 November 2011	HK\$1.28	7,916	—	—	7,916
21 April 2008	From 21 April 2009 to 20 April 2013	HK\$0.71	—	13,350	—	13,350
			15,201	13,350	—	28,551

## 8 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 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
As at 1 January 2008	116,998	11,722	(24,450)	1,102	2,680	102,309	210,361
Profit attributable to equity holders of the Company	—	—	—	—	—	7,035	7,035
Share based compensation expenses	—	—	—	196	—	—	196
Dividend paid	—	—	—	—	—	(1,727)	(1,727)
Exchange differences arising from translation of foreign subsidiaries	—	—	—	—	5,651	—	5,651
As at 30 June 2008	116,998	11,722	(24,450)	1,298	8,331	107,617	221,516

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 9 BORROWINGS

	As at 30 June 2008 US\$'000 (Unaudited)	As at 31 December 2007 US\$'000 (Audited)
<b>Non-current</b>		
Bank borrowings	31,500	33,750
<b>Current</b>		
Bank overdrafts	304	5,863
Current portion of non-current loans	4,500	4,500
Trust receipt bank loans	21,897	8,045
	26,701	18,408
<b>Total borrowings</b>	<b>58,201</b>	<b>52,158</b>

## 10 TRADE AND BILLS PAYABLES

At 30 June 2008, the ageing analysis of the trade and bills payables is as follows:

	As at 30 June 2008 US\$'000 (Unaudited)	As at 31 December 2007 US\$'000 (Audited)
0 to 30 days	39,032	43,387
31 to 60 days	2,944	8,224
61 to 90 days	413	706
Over 90 days	3,895	3,438
	46,284	55,755

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 11 OPERATING PROFIT

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

	Six months ended 30 June	
	2008 US\$'000 (Unaudited)	2007 US\$'000 (Unaudited)
Amortization of leasehold land and land use rights	52	44
Amortization of intangible assets	1,027	1,027
Depreciation of property, plant and equipment	7,088	6,910
Write-back of other payables	—	(1,363)
Provision for impairment of receivables	193	186
Impairment of reimbursement receivables	—	2,024
Provision for net realizable value of inventory	—	574

## 12 FINANCE INCOME AND COSTS

	Six months ended 30 June	
	2008 US\$'000 (Unaudited)	2007 US\$'000 (Unaudited)
Interest expense on bank loans and overdrafts	922	1,551
Interest expense on financial liabilities carried at amortized costs	874	360
Change in estimates of financial liabilities	1,457	—
Finance costs	3,253	1,911
Finance income — interest income	(1,013)	(1,691)
Net finance costs	2,240	220

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 13 INCOME TAX CREDIT

Hong Kong profits tax has been provided at the rate of 16.5% (2007: 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	
	2008 US\$'000 (Unaudited)	2007 US\$'000 (Unaudited)
Current income tax:		
– Hong Kong profits tax	3,141	127
– Overseas taxation	1,900	3,890
Over-provision in prior years	(7,178)	(6,311)
Deferred income tax	(589)	(189)
	<b>(2,726)</b>	<b>(2,483)</b>

In prior years, certain 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 2008 and have determined that a provision for tax of US\$7,178,000 would no longer be required and should be derecognized. Consequently, the amount of US\$7,178,000 was taken to the income statement for the six months ended 30 June 2008.

In prior years, a Hong Kong subsidiary has received notices of additional assessments/assessments from the Hong Kong Inland Revenue department ("IRD") for the years of assessment 2000/01 to 2006/07 demanding for tax totalling US\$3,567,000 in respect of certain income, which the management has regarded as not subject to Hong Kong Profits Tax. The management has thoroughly revisited the situations and has concluded that the subsidiary company has good grounds to defend that the relevant income are not subject to Hong Kong Profits Tax. In these circumstances, the management has filed objections to these additional assessments/assessments and has concluded that no provision for these assessments is necessary. The subsidiary company has paid the amount of US\$3,567,000, which included an amount of US\$3,194,000 in the form of Tax Reserve Certificates. The Tax Reserve Certificates amount paid was included in prepayments in the consolidated balance sheet as at 30 June 2008.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 14 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	
	2008 US\$'000 (Unaudited)	2007 US\$'000 (Unaudited)
Profit attributable to equity holders of the Company	7,035	6,764
Weighted average number of ordinary shares in issue	992,500,000	992,500,000
Earnings per share in US cent — basic	0.71	0.68

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

## 15 DIVIDENDS

	Six months ended 30 June	
	2008 US\$'000 (Unaudited)	2007 US\$'000 (Unaudited)
Interim dividend — US0.213 cent or equivalent to HK\$1.661 cents (2007: US0.205 cent) per share	2,114	2,035

The interim dividend was declared on 11 September 2008. This condensed consolidated interim financial information does not reflect this dividend payable.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 16 INTERESTS IN JOINTLY CONTROLLED ENTITIES

	As at 30 June 2008 US\$'000 (Unaudited)	As at 31 December 2007 US\$'000 (Audited)
Share of net assets	2,669	1,642
Loans to jointly controlled entities	5,695	5,103
	<b>8,364</b>	6,745
Unlisted investments, at cost	<b>3,205</b>	3,205

The loans to jointly controlled entities are unsecured, non-interest bearing and not repayable within the next twelve months.

## 17 CAPITAL COMMITMENTS

	As at 30 June 2008 US\$'000 (Unaudited)	As at 31 December 2007 US\$'000 (Audited)
Contracted but not provided for	881	1,012

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 18 RELATED PARTY TRANSACTIONS

As at 30 June 2008, Capital Glory Limited, a company incorporated in the British Virgin Islands, owns 61.89% of the Company's shares. The Directors regard the ultimate holding company of the Company to be Helmsley Enterprises Limited, a company incorporated in the Bahamas. The ultimate controlling party of the Group is Mr. Tan Siu Lin.

## (a) Transactions with related parties

During the period, the Group had the following significant transactions with related companies, associated companies and jointly controlled entities. Related companies are companies which are beneficially owned, or controlled by Mr. Tan Siu Lin, Mr. Tan Henry, Mr. Tan Cho Lung, Raymond and Mr. Tan Sunny, executive directors of the Company, individually, jointly or collectively, or together with their close family members (collectively referred to as the "Tan Family").

## (i) Provision of goods and services

	Six months ended 30 June	
	2008 US\$'000 (Unaudited)	2007 US\$'000 (Unaudited)
Management fee income from		
— a related company	—	16
— a jointly controlled entity	239	274
	239	290
Commission income from a related company	621	863

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 18 RELATED PARTY TRANSACTIONS (CONTINUED)

## (a) Transactions with related parties (continued)

(i) Provision of goods and services (continued)

	Six months ended 30 June	
	2008 US\$'000 (Unaudited)	2007 US\$'000 (Unaudited)
Freight forwarding and logistics service income from		
— related companies	176	152
— a jointly controlled entity	130	110
	306	262
Rental income from a related company	41	50
Recharge of administrative services from a related company	—	22
Recharge of material costs and other expenses to		
— an associated company and jointly controlled entities	—	8

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 18 RELATED PARTY TRANSACTIONS (CONTINUED)

## (a) Transactions with related parties (continued)

## (ii) Purchases of goods and services

	Six months ended 30 June	
	2008 US\$'000 (Unaudited)	2007 US\$'000 (Unaudited)
Rental expenses for occupying office premises, warehouses and staff quarters charged by related companies	869	812
Office supplies charged by related companies	—	8
Insurance expenses charged by related companies	—	26
Travelling related services charged by a related company	136	479
Professional and technological support service fees to a related company	990	990
Freight service fees charged by a related company	—	6

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 18 RELATED PARTY TRANSACTIONS (CONTINUED)

## (a) Transactions with related parties (continued)

## (ii) Purchases of goods and services (continued)

	Six months ended 30 June	
	2008 US\$'000 (Unaudited)	2007 US\$'000 (Unaudited)
Subcontracting fees charged by		
– a related company	650	442
– an associated company and jointly controlled entities	654	1,053
	<b>1,304</b>	1,495
Administrative and support service fees charged by related companies	–	430
Commission expenses charged by a jointly controlled entity	3,919	831
Recharge of material costs and other expenses from		
– related companies	57	142
– a jointly controlled entity	3,516	2,757
	<b>3,573</b>	2,899
Handling service fee paid/payable to P.T. Best Indo*	–	493

The above related party transactions were carried out in accordance with the terms mutually agreed by the respective parties.

\* PT. Best Indo is a company incorporated in Indonesia and owned by Mr. Frank Fleischer, the minority shareholder of On Time International Limited, a 60% owned subsidiary.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 18 RELATED PARTY TRANSACTIONS (CONTINUED)

## (b) Key management compensation

	Six months ended 30 June	
	2008 US\$'000 (Unaudited)	2007 US\$'000 (Unaudited)
Salaries and allowances	2,380	2,027
Others	116	19
	2,496	2,046

## (c) Banking facilities

As at 30 June 2008, certain banking facilities of certain subsidiaries of the Group were secured by the corporate guarantees given by the Company.

The Company also provided corporate guarantees to the extent of HK\$90,000,000 to Yuen Thai Industrial Co. Ltd., a jointly controlled entity of the Group.

## (d) Amounts due from/(to) related companies, jointly controlled entities and associated companies.

As at 30 June 2008, the outstanding balances with the related companies, jointly controlled entities and associated companies are unsecured, interest-free and repayable on demand.

## 19 CONTINGENT LIABILITIES AND LITIGATION

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

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION****20 EVENT AFTER THE BALANCE SHEET DATE**

On 11 June 2008, the Group entered into an agreement to acquire 60% of the issued share capital of Trinew Limited with a purchase consideration ranging from HK\$146,343,000 (equivalent to US\$18,883,000) to HK\$488,160,000 (equivalent to US\$62,988,000). Trinew Limited and its subsidiaries are principally engaged in the manufacturing of laptop bags, fashionable bags and other general bags products, which have operations in Hong Kong, Macau and the PRC. This transaction was completed in August 2008.

The Group will verify the fair value of assets, liabilities and contingent liabilities of Trinew Limited as at the acquisition date and it is impracticable to disclose their respective amounts together with the goodwill so arising at the current stage.

The board of directors (the “Board” or “Directors”) of Luen Thai Holdings Limited (the “Company”) is pleased to present the interim report together with the unaudited condensed consolidated financial information of the Company and its subsidiaries (collectively, the “Group” or “Luen Thai”) for the six months ended 30 June 2008. The Group’s unaudited interim financial information has been reviewed by the Company’s audit committee, and has also been reviewed by the Company’s auditors, PricewaterhouseCoopers, in accordance with the 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.

## MANAGEMENT DISCUSSION & ANALYSIS

### Results of Operations and Overview

For the six-month period ended 30 June 2008, the Group recorded a revenue of approximately US\$379,446,000, representing a 7.5% increase when compared to the same period in 2007. The revenue growth of the Group has been slowed down since 2007 mainly due to the poor economic climate and market sentiment in the US, one of the most major markets of the Group, attributable to the subprime mortgage issue. The Group’s effort of eliminating non-profitable accounts has also been slowing down the revenue growth rate. During the period under review, the overall operating environment remained difficult given the global economic volatility and the increase in operating costs. The appreciation of Chinese Yuan and the increasing labor costs in mainland China, have negatively affected the results of our operations in the first half of 2008.

During the period under review, the gross margin decrease slightly from 19.4% to 19.2% while the operating margin increased from 2.5% to 3.9% when compared to the same period last year. The Group’s selling and distribution expenses increased by 20.1% or approximately US\$2,404,000 during the first six months of 2008. General and administrative expenses, however, decreased by 8.5% or approximately US\$4,043,000 over the same period last year. The profit attributable to equity holders of the Company for the six months ended 30 June 2008 showed an increase of 4% to approximately US\$7,035,000 when compared to that recorded for the same period last year.

The Fashion Division, comprising GJM/Tellas and Tomwell continues to be one of the profit drivers for the Group despite the poor retail climate in its major markets, namely the US and UK.

The Sweater Division has been able to sustain its profitable trend despite facing margin pressure in the market.

The Sports Active Wear Division and On Time Group also continued its profitable trend from 2007 both with record high revenue and profits in the first half of 2008.

## Geographical Review

Europe became our key export market for the six-month period ended 30 June 2008 and it was also the fastest growing market in the same period. Europe accounted for approximately 44.6% of the Group's total revenue in the first half of 2008, representing an approximately 53.1% growth over that recorded in the same period in 2007. This strong growth was mainly attributable to our success in our acquisitions.

The US market was the Group's second largest export market in the first half of 2008 which accounted for approximately 38.2% of the Group's total revenue. While the Group's turnover continues to grow, this is the first time ever that the US market percentage constitutes less than 40% of the Group's total revenue since the Group's listing on the Stock Exchange in 2004. This reflects our continued success in geographical diversification to reduce the Group's over reliance on one single market.

The PRC market accounted for only 3.1% of the Group's total revenue in the first half of 2008. However, due to China's continuous economic growth, it remains of high growth potentials, particularly in its retail market which the Group is actively tapping into.

On the production side, the Group has continued to diversify its production bases/outsourcing platforms to reduce its over reliance on mainland China. Other than mainland China, the Philippines, Indonesia, India and Bangladesh were the Group's major production bases/outsourcing platforms in the first half of 2008.

Customer and production bases/outsourcing platforms diversification remains our strategy for risk management.

## Acquisition and Joint Venture

In June 2008, the Group, through its subsidiary, entered into a sale and purchase agreement with Ospella International Limited to acquire its 60% equity interest in Trinew Limited and its subsidiaries (together "Trinew Group"). Trinew Group is one of the largest laptop bag manufacturers. Besides laptop bags, Trinew Group's products also include fashionable handbags and other general bags such as backpacks and diaper bags. We believe that the acquisition of Trinew Group would enable Luen Thai to broaden its product categories to cover laptop bags and fashionable handbags which offer cross selling opportunities.

Acquisition and joint venture is one of Luen Thai's core competencies considering our scale, management and strong customer relationships. We will continue to identify other value-enhancing acquisition and joint venture opportunities to further strengthen the Group's multi-product strategy.

### **Liquidity and Financial Resources**

The financial position of the Group remains strong. As at 30 June 2008, the Group's total cash and cash equivalents of the Group approximately amount to US\$115,306,000, an increase of US\$18,638,000 over the balance as at 31 December 2007. The Group's total bank borrowing at 30 June 2008 was approximately US\$58,201,000, representing an increase of approximately 11.6% as compared to approximately US\$52,158,000 at 31 December 2007.

Gearing ratio is defined as net debt (representing by bank borrowings net of cash and bank balances) divided by the capital and reserves attributable to equity holders of the Company. As at 30 June 2008, the Group is in a net cash position and hence no gearing ratio is presented.

As at 30 June 2008, the maturity profile of the Group's bank borrowings spread over five years with approximately US\$26,701,000 repayable within one year or on demand, approximately US\$4,500,000 in the second year, approximately US\$13,500,000 in the third to fifth year and approximately US\$13,500,000 in more than 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 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 receivable and payable denominated in foreign currencies to reduce the risks involved in exchange rate fluctuations.

### **Future Plans and Prospect**

As disclosed in the Circular dated 28 March 2008, the Company, through its subsidiary, has successfully converted the land use of a piece of land of the Group in Qingyuan, the PRC from industrial use to commercial/residential use. After such conversion, the Company has been actively exploring different possibilities and options regarding the development of this piece of land, including but not limited to the potential of tapping into the real estate development market. However, as of the date of this interim report, no firm decision has been made by the Board as to the plan on this piece of land.

Looking ahead, the operating environment for the remaining 2008 will continue to be fraught with challenge given the global economic volatility and high operating costs. We believe the market competition will continue to be fierce which will further dwindle the room for survival of smaller players. We shall continue to look for value-enhancing acquisition and joint venture opportunities to further expand our product range and diversify our geographical risk.

### **Contingent Liabilities and Off-Balance Sheet Obligations**

The Group is involved in various labor disputes and claims during its 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 disputes, 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**

With more than 20,000 employees around the world, Luen Thai continuously strives to provide the best employee care. In addition to providing a safe workplace, Luen Thai has established world class and convenient living environments, and places 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 equitable compensation and benefit schemes, as well as its employee recognition and awards.

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

## OTHER INFORMATION

### Interim Dividend

The Board has resolved to declare an interim dividend of 1.661 HK cents per Share (2007: 1.6 HK cents) for the six months ended 30 June 2008 to be payable to shareholders whose names appear on the Register of Members of the Company on 24 October 2008.

The interim dividend will be paid on or around 6 November 2008.

### Closure of Register of Members

The Register of Members of the Company will be closed from 22 October 2008 to 24 October 2008, 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 21 October 2008 in order to qualify for the interim dividend mentioned above.

### 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.

### Share Options

A share option scheme was adopted by the sole shareholder of the Company at the general meeting held on 27 June 2004, pursuant to which options may be granted to Eligible Participants ("Eligible Participants") to subscribe for shares in the Company (the "Share Option Scheme"). The purposes of the Share Option Scheme are to recognize and acknowledge the contributions that the Eligible Participants have made or may make to the Group and provide them an opportunity to acquire proprietary interests in the Company with the view of achieving the following principal objectives:

- a) motivate the Eligible Participants to optimize their performance and efficiency for the benefit of the Group; and
- b) attract and retain or otherwise maintain ongoing business relationship with the Eligible Participants whose contributions are or will be beneficial to the Group.

The Share Option Scheme will remain in force until 26 June 2014, unless otherwise determined in accordance with its term. An option may be exercised at any time during a period to be notified by the Board to each grantee. The Board may also provide restrictions on the exercise of an option during the period an option may be exercised.

No share options was exercised, cancelled or lapsed during the six-month period ended 30 June 2008.

The following is a summary of options outstanding as of 30 June 2008:

	<b>Note</b>	<b>Date of grant (dd/mm/yyyy)</b>	<b>Exercisable period (dd/mm/yyyy)</b>	<b>Exercise price per share</b>	<b>No. of share options</b>
TAN Henry	3	26/01/2006	26/01/2007–25/01/2011	HK\$2.52	200,000
		10/11/2006	10/11/2007–09/11/2011	HK\$1.28	250,000
					450,000
TAN Cho Lung, Raymond	3	26/01/2006	26/01/2007–25/01/2011	HK\$2.52	150,000
		10/11/2006	10/11/2007–09/11/2011	HK\$1.28	150,000
					300,000
MOK Siu Wan, Anne	3	26/01/2006	26/01/2007–25/01/2011	HK\$2.52	500,000
		10/11/2006	10/11/2007–09/11/2011	HK\$1.28	700,000
		21/04/2008	21/04/2009–20/04/2013	HK\$0.71	2,000,000
					3,200,000
TAN Sunny	3	26/01/2006	26/01/2007–25/01/2011	HK\$2.52	300,000
		10/11/2006	10/11/2007–09/11/2011	HK\$1.28	400,000
					700,000
TAN Willie	4	26/01/2006	26/01/2007–25/01/2011	HK\$2.52	300,000

	<b>Note</b>	<b>Date of grant (dd/mm/yyyy)</b>	<b>Exercisable period (dd/mm/yyyy)</b>	<b>Exercise price per share</b>	<b>No. of share options</b>
Other employees		26/01/2006	26/01/2007–25/01/2011	HK\$2.52	5,835,000
		10/11/2006	10/11/2007–09/11/2011	HK\$1.28	6,415,500
		21/04/2008	21/04/2009–20/04/2013	HK\$0.71	11,350,000
					23,600,500
Total		26/01/2006	26/01/2007–25/01/2011	HK\$2.52	7,285,000
		10/11/2006	10/11/2007–09/11/2011	HK\$1.28	7,915,500
		21/04/2008	21/04/2009–20/04/2013	HK\$0.71	13,350,000
					28,550,500

*Notes:*

1. Upon acceptance of the options, HK\$10 is paid by the grantee to the Company as consideration for the grant.
2. The exercise price of the share options is subject to the adjustment in the event of any alteration in the capital structure of the Company.
3. Mr. Tan Henry, Mr. Tan Cho Lung, Raymond, Ms. Mok Siu Wan, Anne and Mr. Tan Sunny are executive directors of the Company.
4. Mr. Tan Willie is a non-executive director of the Company.

## Directors' and Chief Executives' Interests in Shares

As at 30 June 2008, the interests of the Directors and chief executives of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register maintained by the Company under Section 352 of the SFO, or otherwise notified to the Company and Stock Exchange pursuant to the Model Code contained in the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") were as follows:

### *Long position in the Shares*

<b>Name of Director</b>	<b>Capacity</b>	<b>No. of Shares</b>	<b>Percentage of interests in the Company</b>
TAN Siu Lin	Trustee (Note 1)	679,644,000	68.48%
TAN Henry	Beneficiary (Notes 2 & 3)	614,250,000	61.89%
	Beneficial owner (Notes 7 & 8)	450,000	0.05%
TAN Cho Lung, Raymond	Beneficiary (Notes 2 & 5)	614,250,000	61.89%
	Beneficial owner (Notes 7, 8 & 11)	749,000	0.08%
MOK Siu Wan, Anne	Beneficial owner (Notes 7, 8 & 9)	3,200,000	0.32%
TAN Sunny	Beneficiary (Notes 2 & 6)	614,250,000	61.89%
	Beneficial owner (Notes 7, 8 & 12)	1,022,000	0.1%
TAN Willie	Beneficiary (Notes 2 & 4)	614,250,000	61.89%
	Beneficial owner (Notes 7 & 10)	900,000	0.09%

*Notes:*

1. Mr. Tan Siu Lin is the settlor and trustee of each of the Tan Family Trust of 2004, the Pak Kim Lam Tan Trust of 2004, the HJ Trust, the WR5C Trust, the LS Trust, the RC Trust, the JL Trust and the ST Trust (collectively referred to as the "Trusts"). As the settlor and trustee of the Trusts, all of which are revocable discretionary trusts, Mr. Tan Siu Lin is deemed under part XV of the SFO to be interested in the aggregate shareholdings of Tan Holdings Corporation ("Tan Holdings Corporation"), a company incorporated in Commonwealth of Northern Mariana Islands and Helmsley Enterprises Limited ("Helmsley"), a company incorporated in the Commonwealth of the Bahamas, held in the Company, representing 68.48% of the issued share capital of the Company.
2. Pursuant to a shareholders' agreement dated 12 June 2004 and entered into between Mr. Tan Siu Lin as trustee for each of the Trusts and Helmsley, each of the Trusts have agreed to adhere to certain pre-emptive arrangements concerning the transfer of shares in Helmsley. For the purposes of Part XV of the SFO, each of the Trusts is therefore deemed to have effective voting power in respect of the interests in Helmsley in the Company.
3. Mr. Tan Henry is one of the beneficiaries of the HJ Trust, which is a revocable discretionary trust. He is therefore deemed under Part XV of the SFO to be interested in the interests of the HJ Trust in the Company.
4. Mr. Tan Willie is one of the beneficiaries of the WR5C Trust, which is a revocable discretionary trust. He is therefore deemed under Part XV of the SFO to be interested in the interests of WR5C Trust in the Company.
5. Mr. Tan Cho Lung, Raymond is one of the beneficiaries of the RC Trust, which is a revocable discretionary trust. He is therefore deemed under Part XV of the SFO to be interested in the interests of the RC Trust in the Company.
6. Mr. Tan Sunny is one of the beneficiaries of the ST Trust, which is a revocable discretionary trust. He is therefore deemed under Part XV of the SFO to be interested in the interests of the ST Trust in the Company.
7. Each of Mr. Tan Henry, Mr. Tan Willie, Mr. Tan Cho Lung, Raymond, Ms. Mok Siu Wan, Anne and Mr. Tan Sunny is a grantee of the respective share options granted by the Company on 26 January 2006.
8. Each of Mr. Tan Henry, Mr. Tan Cho Lung, Raymond, Ms. Mok Siu Wan, Anne and Mr. Tan Sunny is a grantee of the share options granted by the Company on 10 November 2006.
9. Ms. Mok Siu Wan, Anne is a grantee of the share options granted by the Company on 21 April 2008.
10. A total of 600,000 Company Shares were acquired by an associate of Mr. Tan Willie between 2005 and 2006. He is therefore deemed under Part XV of the SFO to be interested in all of the 600,000 Company Shares acquired by his associate.
11. A total of 449,000 shares of the Company were acquired by an associate of Mr. Tan Cho Lung, Raymond in 2006 and 2008. He is therefore deemed under Part XV of the SFO to be interested in all of the 449,000 shares acquired by his associate.
12. Mr. Tan Sunny acquired a total of 322,000 Company Shares in 2006.

## Substantial Shareholders

As at 30 June 2008, the register of substantial shareholders maintained pursuant to Section 336 of the SFO showed that other than the interests disclosed in "Directors' and Chief Executives' Interests in Shares", the following shareholders had notified the Company of their relevant interests in the shares of the Company.

### *Long position in the Shares*

<b>Name of shareholder</b>	<b>Notes</b>	<b>Capacity</b>	<b>No. of ordinary Shares beneficially held</b>	<b>Approximate percentage of interests in the Company</b>
Capital Glory Limited	(a)	Beneficial owner	614,250,000	61.89%
Helmsley	(a)	Interest of controlled corporation	614,250,000	61.89%
Tan Family Trust of 2004	(b)	Interest of controlled corporation	679,644,000	68.48%
Trusts (other than the Tan Family Trust of 2004)	(c)	Interest of controlled corporation	614,250,000	61.89%
Pou Chen Corporation		Interest of controlled corporation	89,100,000	8.98%
Wealthplus Holdings Limited		Interest of controlled corporation	89,100,000	8.98%
Yue Yuen Industrial (Holdings) Limited		Interest of controlled corporation	89,100,000	8.98%
Pou Hing Industrial Co. Ltd.		Interest of controlled corporation	89,100,000	8.98%
Great Pacific Investments Limited		Beneficial Owner	89,100,000	8.98%

Name of shareholder	Notes Capacity	No. of ordinary Shares beneficially held	Approximate percentage of interests in the Company
Tan Holdings Corporation	Interest of controlled corporation	60,750,000	6.12%
Union Bright Limited	Beneficial owner	60,750,000	6.12%
T. Rowe Price Associates, Inc. and its affiliates	Beneficial owner	59,992,000	6.04%

## Notes:

- (a) Capital Glory Limited ("Capital Glory"), a company incorporated in the British Virgin Islands with limited liability, is a wholly owned subsidiary of Helmsley. Helmsley is therefore deemed to be interested in the interests of Capital Glory held in the Company.
- (b) The Tan Family Trust of 2004 was established on 11 June 2004 as a revocable discretionary trust for the benefit of Mr. Tan Siu Lin and his family members. The Tan Family Trust of 2004 is interested in the entire issued share capital of Tan Holdings Corporation and 30% of the issued share capital of Helmsley. For the purposes of Part XV of the SFO, it is deemed to be interested in the shares held by both Tan Holdings Corporation and Helmsley.
- (c) The Trusts (other than the Tan Family Trust of 2004) comprise the following:
- (i) The Pak Kim Lam Tan Trust of 2004 was established on 11 June 2004 as a revocable discretionary trust for the benefit of Mr. Tan Siu Lin, Mrs. Pak Kim Lam Tan and their family members.
  - (ii) The HJ Trust was established on 11 June 2004 as a revocable discretionary trust for the benefit of Mr. Tan Siu Lin, Mrs. Pak Kim Lam Tan, Mr. Tan Henry and the family members of Mr. Tan Henry.
  - (iii) The WR5C Trust was established on 11 June 2004 as a revocable discretionary trust for the benefit of Mr. Tan Siu Lin, Mrs. Pak Kim Lam Tan, Mr. Tan Willie and the family members of Mr. Tan Willie.
  - (iv) The LS Trust was established on 11 June 2004 as a revocable discretionary trust for the benefit of Mr. Tan Siu Lin, Mrs. Pak Kim Lam Tan, Mrs. Lily Tan Chou and the family members of Mrs. Lily Tan Chou.
  - (v) The RC Trust was established on 11 June 2004 as a revocable discretionary trust for the benefit of Mr. Tan Siu Lin, Mrs. Pak Kim Lam Tan, Mr. Tan Cho Lung, Raymond and the family members of Mr. Tan Cho Lung, Raymond.

- (vi) The JL Trust was established on 11 June 2004 as a revocable discretionary trust for the benefit of Mr. Tan Siu Lin, Mrs. Pak Kim Lam Tan, Mr. Tan Cho Yee, Jerry and the family members of Mr. Tan Cho Yee, Jerry.
- (vii) The ST Trust was established on 11 June 2004 as a revocable discretionary trust for the benefit of Mr. Tan Siu Lin, Mrs. Pak Kim Lam Tan, Mr. Tan Sunny and the family members of Mr. Tan Sunny.

As the trustee of the Tan Family Trust of 2004 and the Trusts (other than the Tan Family Trust of 2004), all of which are revocable discretionary trusts, Mr. Tan Siu Lin is deemed under Part XV of the SFO to own in the aggregate shareholdings of Tan Holdings Corporation, Wincare International Company Limited and Helmsley held in the Company, representing 68.48% of the issued share capital of the Company. Save as disclosed above, so far as is known to the Directors, there are no other person (not being a director or chief executive of the Company) who has interest or a short position in the Shares or underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or will be interested in 10% or more of the nominal values of any class of share capital carrying rights to vote in all circumstances at general meetings or any other members of the Group.

### **Corporate Governance Practices**

Throughout the period ended 30 June 2008, 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.

### **Audit Committee**

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and has discussed with the management the auditing, internal control and financial reporting matters including the review of the unaudited interim financial information.

### **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 2008.

### **Disclosure of Information on the Company and the Stock Exchange's Website**

This interim report will be published on the websites of the Company (<http://www.luenthai.com>) and the Stock Exchange (<http://www.hkex.com.hk>).

By order of the Board

**Tan Henry**

*Chief Executive Officer and President*

Hong Kong, 11 September 2008