Luenthai

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

Interim Report 2007

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EXECUTIVE DIRECTORS

TAN Siu Lin, *Chairman*

TAN Henry, *Chief Executive Officer and President*

TAN Cho Lung Raymond, *Executive Vice President*

MOK Siu Wan Anne, *Executive Vice President*

TAN Sunny, *Chief Financial Officer*

NON-EXECUTIVE DIRECTOR

TAN Willie

INDEPENDENT NON-EXECUTIVE DIRECTORS

CHAN Henry

CHEUNG Siu Kee

SEING Nea Yie

QUALIFIED ACCOUNTANT AND COMPANY SECRETARY

CHIU Chi Cheung

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 2007. 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 AND 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, 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 of America ("USA") 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 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 design-to-store ("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 operations 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.

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 granted, exercised, cancelled or lapsed during the period ended 30 June 2007.

The following is a summary of options outstanding as of 30 June 2007:

	Note	Date of grant (dd/mm/yyyy)	Exercisable period (dd/mm/yyyy)	Exercise price per share	No. of share options
TAN Henry	3	28/12/2004	28/12/2004–27/12/2007	HK$4.10	200,000
		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
					650,000
TAN Cho Lung, Raymond	3	28/12/2004	28/12/2004–27/12/2007	HK$4.10	150,000
		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
					450,000
MOK Siu Wan, Anne	3	28/12/2004	28/12/2004–27/12/2007	HK$4.10	250,000
		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
					1,450,000
TAN Sunny	3	28/12/2004	28/12/2004–27/12/2007	HK$4.10	150,000
		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
					850,000
TAN Willie	4	28/12/2004	28/12/2004–27/12/2007	HK$4.10	200,000
		26/01/2006	26/01/2007–25/01/2011	HK$2.52	300,000
					500,000

	Note	Date of grant (dd/mm/yyyy)	Exercisable period (dd/mm/yyyy)	Exercise price per share	No. of share options
TAN Jerry	5	28/12/2004	28/12/2004–27/12/2007	HK$4.10	150,000
		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
					450,000
CHIU George	6	28/12/2004	28/12/2004–27/12/2007	HK$4.10	200,000
		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	200,000
					600,000
TAN Jeffrey	7	28/12/2004	28/12/2004–27/12/2007	HK$4.10	50,000
		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
					350,000
TAN Jason	7	28/12/2004	28/12/2004–27/12/2007	HK$4.10	100,000
		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	200,000
					500,000

	Date of grant (dd/mm/yyyy)	Exercisable period (dd/mm/yyyy)	Exercise price per share	No. of share options
Other employees	28/12/2004	28/12/2004–27/12/2007	HK$4.10	6,170,000
	26/01/2006	26/01/2007–25/01/2011	HK$2.52	6,270,000
	10/11/2006	10/11/2007–09/11/2011	HK$1.28	6,830,500
				19,270,500
Total	28/12/2004	28/12/2004–27/12/2007	HK$4.10	7,620,000
	26/01/2006	26/01/2007–25/01/2011	HK$2.52	8,420,000
	10/11/2006	10/11/2007–09/11/2011	HK$1.28	9,030,500
				25,070,500

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.

5. Mr. Tan Jerry is the Chief Executive Officer of CTSI Logistics and the brother of the directors mentioned in notes 3 and 4 above, excluding Ms. Mok Siu Wan, Anne.

6. Mr. Chiu George is the brother-in-law of Mr. Tan Henry.

7. Mr. Tan Jeffrey and Mr. Tan Jason are the sons of Mr. Tan Henry, the Group Chief Executive Officer, and are also employees of the Group.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 30 June 2007, 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

Name of Director	Capacity	No. of Shares	Percentage of interests in the Company
TAN Siu Lin	Trustee *(Note 1)*	675,998,000	68.11%
TAN Henry	Beneficiary *(Notes 2 & 3)*	614,250,000	61.89%
	Beneficial owner *(Notes 7 & 8)*	650,000	0.07%
TAN Cho Lung, Raymond	Beneficiary *(Notes 2 & 5)*	614,250,000	61.89%
	Beneficial owner *(Notes 7, 8 & 9)*	650,000	0.07%
MOK Siu Wan, Anne	Beneficial owner *(Notes 7 & 8)*	1,450,000	0.15%
TAN Sunny	Beneficiary *(Notes 2 & 6)*	614,250,000	61.89%
	Beneficial owner *(Notes 7, 8 & 11)*	1,172,000	0.12%
TAN Willie	Beneficiary *(Notes 2 & 4)*	614,250,000	61.89%
	Beneficial owner *(Notes 7 & 10)*	1,100,000	0.11%

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 68.11% 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. Except for Mr. Tan Siu Lin and the independent non-executive directors, each of the directors is a grantee in the share options granted on 28 December 2004 and 26 January 2006.

8. Except for Mr. Tan Siu Lin, each of the executive directors is a grantee in the share options granted on 10 November 2006.

9. A total of 200,000 shares of the Company ("Company Shares") were acquired by an associate of Mr. Tan Cho Lung, Raymond in August 2006. He is therefore deemed under Part XV of the SFO to be interested in all of the 200,000 Company Shares acquired by his associate.

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. Mr. Tan Sunny acquired a total of 322,000 Company Shares in 2006.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2007, 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 issued capital of the Company.

Long position in the Shares

Name of shareholder	Notes	Capacity	No. of ordinary Shares beneficially held	Approximate percentage of interests in the Company
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), (c)	Interest of controlled corporation	675,998,000	68.11%
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%
Tan Holdings Corporation		Interest of controlled corporation	60,750,000	6.12%
		Beneficial owner	998,000	0.10%

Name of shareholder	Capacity	No. of ordinary Shares beneficially held	Approximate percentage of interests in the Company
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 and Helmsley held in the Company, representing 68.11% 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 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.

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 2007.

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, 13 September 2007

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 17 to 44, which comprises the condensed consolidated balance sheet of Luen Thai Holdings Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2007 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, 13 September 2007

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

AS AT 30 JUNE 2007

	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	5	**4,066**	4,286
Property, plant and equipment	5	**87,651**	90,643
Intangible assets	5	**56,619**	52,857
Interests in associated companies		**208**	287
Interests in jointly controlled entities	16	**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	6	**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	7	**9,925**	9,925
Other reserves	8	**97,177**	98,628
Retained earnings	8	**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	9	**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	9	**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

The notes on pages 22 to 44 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

FOR THE PERIOD ENDED 30 JUNE 2007

		Six months ended 30 June	
		2007	2006
	Note	**US$'000**	US$'000
		(Unaudited)	(Unaudited)
Revenue	4	**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	12	**8,790**	8,562
Finance income	11	**1,691**	1,409
Finance costs	11	**(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)	13	**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	14		
— Basic		**0.68**	0.62
— Diluted		**0.68**	0.62
Dividends	15	**2,035**	1,846

The notes on pages 22 to 44 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 2007

	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 2006	9,925	116,998	728	91,063	5,290	224,004
Currency translation differences	—	—	317	—	—	317
Profit for the period	—	—	—	6,146	(27)	6,119
Total recognized income for the six months ended 30 June 2006	—	—	317	6,146	(27)	6,436
Share based compensation expenses	—	—	221	—	—	221
Dividends paid	—	—	—	(1,548)	—	(1,548)
Balance at 30 June 2006	9,925	116,998	1,266	95,661	5,263	229,113
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**

The notes on pages 22 to 44 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT

FOR THE PERIOD ENDED 30 JUNE 2007

	Six months ended 30 June	
	2007	2006
	US$'000	US$'000
	(Unaudited)	(Unaudited)
Net cash inflow/(outflow) from operating activities	**1,692**	(1,879)
Net cash (outflow)/inflow from investing activities	**(16,657)**	26,149
Net cash (outflow)/inflow from financing activities	**(3,943)**	74
Net (decrease)/increase in cash and cash equivalents	**(18,908)**	24,344
Cash and cash equivalents of 1 January	**96,977**	80,003
Effect of foreign exchange rate changes	**1,158**	267
Cash and cash equivalents at 30 June	**79,227**	104,614
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	**87,052**	115,882
Bank overdrafts	**(7,825)**	(11,268)
	79,227	104,614

The notes on pages 22 to 44 form an integral part of this condensed consolidated interim financial information.

SELECTED 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 13 September 2007.

2 Basis of preparation

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.

3 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.

3 Accounting policies (Continued)

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 HKAS1 from 1 January 2007.

3 Accounting policies (Continued)

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.

4 Segment information

(i) Primary reporting format — business segments

At 30 June 2007, 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. Revenue consists of sales 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 2007 and 2006 are as follows:

	For the six months ended 30 June 2007			
	Garment 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	1,513	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

4 Segment information (Continued)

(i) Primary reporting format — business segments (Continued)

	For the six months ended 30 June 2006			
	Garment US$'000 (Unaudited)	Freight forwarding/ logistics services US$'000 (Unaudited)	Others US$'000 (Unaudited)	Group US$'000 (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

4 Segment information (Continued)

(i) 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 2007		
	Garment 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	**2,204**	**—**	**2,204**
Provision for inventory obsolescence	**574**	**—**	**574**

	For the six months ended 30 June 2006		
	Garment US$'000 (Unaudited)	Freight forwarding/ logistics services US$'000 (Unaudited)	Group US$'000 (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 normal commercial terms and conditions that would also be available to unrelated third parties.

4 Segment information (Continued)

(i) Primary reporting format — business segments (Continued)

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

	Garment US$'000 (Unaudited)	Freight forwarding/ logistics services US$'000 (Unaudited)	Group US$'000 (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

4 Segment information (Continued)

(i) Primary reporting format - business segments (Continued)

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 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, including additions resulting from acquisitions through business combinations.

4 Segment information (Continued)

(ii) Secondary reporting segments - 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.

4 Segment information (Continued)

(ii) Secondary reporting segments - geographical segments (Continued)

	As at 30 June 2007 US$'000 (Unaudited)	As at 31 December 2006 US$'000 (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 US$'000 (Unaudited)	2006 US$'000 (Unaudited)
Capital expenditure		
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.

5 Capital expenditure

	Intangible assets					
	Goodwill US$'000 (Unaudited)	Other intangible assets US$'000 (Unaudited)	Total intangible assets US$'000 (Unaudited)	Property, plant and equipment US$'000 (Unaudited)	Leasehold land and land use rights US$'000 (Unaudited)	Total US$'000 (Unaudited)
Six months ended 30 June 2006						
Opening net book amount as at 1 January 2006	12,063	9,789	21,852	84,309	4,727	110,888
Additions	—	—	—	9,858	—	9,858
Disposals	—	—	—	(460)	—	(460)
Depreciation and amortization	—	(367)	(367)	(6,012)	(51)	(6,430)
Adjustments on contingent consideration	2,492	—	2,492	—	—	2,492
Exchange differences	—	—	—	(4)	—	(4)
Closing net book amount as at 30 June 2006	14,555	9,422	23,977	87,691	4,676	116,344
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 (Note i)	**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 (Note ii)	**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**

Notes:

(i) In April 2007, the Group exercised the call option to acquire an additional 10% interest in a subsidiary from the minority shareholder at a consideration of approximately US$4,553,000, and consequently a goodwill of approximately US$1,965,000 has been recognized.

(ii) The total purchase consideration for the acquisition of certain subsidiaries is determined with reference to the average of the consolidated net profit of those subsidiaries over certain specific periods. During the period, the goodwill in relation to the interests acquired increased by US$2,824,000 as a result of a change of such contingent consideration.

6 Trade and bills receivables

	As at 30 June 2007 US$'000 (Unaudited)	As at 31 December 2006 US$'000 (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 US$'000 (Unaudited)	As at 31 December 2006 US$'000 (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 90 days	**5,485**	5,918
	93,114	95,102

7 Share capital

	Number of shares '000	Nominal value US$'000
Authorized — ordinary shares of US$0.01 each		
At 31 December 2006 and 30 June 2007	1,500,000	15,000
Issued and fully paid - ordinary shares of US$0.01 each		
At 1 January 2006 and at 30 June 2006	992,500	9,925
At 1 January 2007 and 30 June 2007	**992,500**	**9,925**

7 Share capital (Continued)

Share option

The Company has adopted a share option scheme (the "Scheme") which is effective for a period of 10 years commencing from 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. The Company may also, 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 cannot 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 cannot 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 share.

Details in the number of share options are as follows:

Date of grant	Exercisable period	Subscription price per share	Number of shares beginning and end of period '000
28 December 2004	From 28 December 2004 to 27 December 2007	HK$4.10	7,620
26 January 2006	From 26 January 2007 to 25 January 2011	HK$2.52	8,420
10 November 2006	From 10 November 2007 to 9 November 2011	HK$1.28	9,031
			25,071

8 Reserves

	Share premium US$'000 (Unaudited)	Capital reserve US$'000 (Unaudited)	Other reserve US$'000 (Unaudited)	Share based compensation reserve US$'000 (Unaudited)	Exchange reserve US$'000 (Unaudited)	Retained earnings US$'000 (Unaudited)	Total US$'000 (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**

9 Borrowings

	As at 30 June 2007 US$'000 (Unaudited)	As at 31 December 2006 US$'000 (Audited)
Non-current		
Bank borrowings	**36,000**	38,250
Current		
Bank overdrafts	**7,825**	10,099
Current portion of non-current bank loans	**4,500**	4,900
Trust receipt bank loans	**14,585**	16,185
	26,910	31,184
Total borrowings	**62,910**	69,434

The carrying amounts of the borrowings approximately equal their fair values.

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 US$'000 (Unaudited)	As at 31 December 2006 US$'000 (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 90 days	**3,002**	4,503
	43,342	43,906

11 Finance income and costs

	Six months 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 costs	**1,911**	3,162
Finance income — interest income	**(1,691)**	(1,409)
Net finance costs	**220**	1,753

12 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

13 Income tax (credit)/expense

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.

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	
	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 in US cent	**0.68**	0.62

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

15 Dividends

	Six months ended 30 June	
	2007	2006
	US$'000	US$'000
	(Unaudited)	(Unaudited)
Interim dividend — US0.205 cent or equivalent to HK$1.60 cents (2006: US0.186 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.

16 Interest in jointly controlled entities

	As at 30 June 2007 US$'000 (Unaudited)	As at 31 December 2006 US$'000 (Audited)
Share of net liabilities	(13)	(599)
Loan to jointly controlled entities	3,031	2,644
	3,018	2,045
Unlisted investments, at cost	3,786	3,750

The loan to a jointly controlled entity is unsecured, non-interest bearing and not repayable within the next twelve months.

17 Capital commitments

	As at 30 June 2007 US$'000 (Unaudited)	As at 31 December 2006 US$'000 (Audited)
Contracted but not provided for acquisition of property, plant and equipment	4,136	3,545

18 Related party transactions

As at 30 June 2007, 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. Helmsley Enterprises Limited is 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").

18 Related party transactions (Continued)

(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 the Tan Family.

	Six months ended 30 June	
	2007	2006
	US$'000	US$'000
	(Unaudited)	(Unaudited)
(i) Provision of goods and services		
Management fee income from		
— a related company	**16**	86
— a jointly controlled entity	**274**	151
	290	237
Commission income from a related company	**863**	743
Freight forwarding and logistics service income from		
—related companies	**152**	153
—an associated company	**—**	9
— jointly controlled entities	**110**	10
	262	172
Sales to a jointly controlled entity	**6,632**	2,443
Rental income from a related company	**50**	101
Recharge of administrative expenses from a related company	**22**	51

18 Related party transactions (Continued)

(a) Transactions with related parties (Continued)

	Six months ended 30 June	
	2007	2006
	US$'000	US$'000
	(Unaudited)	(Unaudited)
(ii) Purchases of goods and services		
Rental expenses for occupying office premises, warehouses and staff quarters charged by related companies	**812**	817
Office supplies charged by related companies	**8**	55
Packaging expenses charged by a related company	**—**	372
Insurance expenses charged by related companies	**26**	365
Travelling related services charged by related companies	**479**	291
Professional and technological support service fees to a related company	**990**	1,029
Repair and maintenance expenses charged by a related company	**—**	66
Freight service fees charged by a related company	**6**	315
Subcontracting fees charged by		
— a related company	**442**	—
— jointly controlled entities	**1,053**	1,143
	1,495	1,143

18 Related party transactions (Continued)

(a) Transactions with related parties (Continued)

	Six months ended 30 June	
	2007	2006
	US$'000	US$'000
	(Unaudited)	(Unaudited)
Administrative and support service fees charged by related companies	**430**	1,396
Recharge of material costs and other expenses to		
— related companies	**—**	191
— an associated company and jointly controlled entities	**8**	833
	8	1,024
Handling service fee paid/payable to PT. 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.

(b) Key management compensation

	Six months ended 30 June	
	2007	2006
	US$'000	US$'000
	(Unaudited)	(Unaudited)
Salaries and allowances	**2,027**	1,525
Others	**19**	13
	2,046	1,538

18 Related party transactions (Continued)

(c) Banking facilities

As at 30 June 2007, 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$30,000,000 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 2007, 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.

20 Event after the balance sheet date

On 18 July 2007, a wholly owned subsidiary of the Company has exercised in full its rights of the call options granted to acquire from a minority shareholder of Partner Joy Limited the 19% interest in the issued share capital of Partner Joy Limited. The estimated cost to acquire these shares in Partner Joy Limited is approximately US$5,905,000. The acquisition was completed on 2 August 2007 and Partner Joy Limited has become a 90% owned subsidiary of the Group since then.

21 Comparative figures

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