

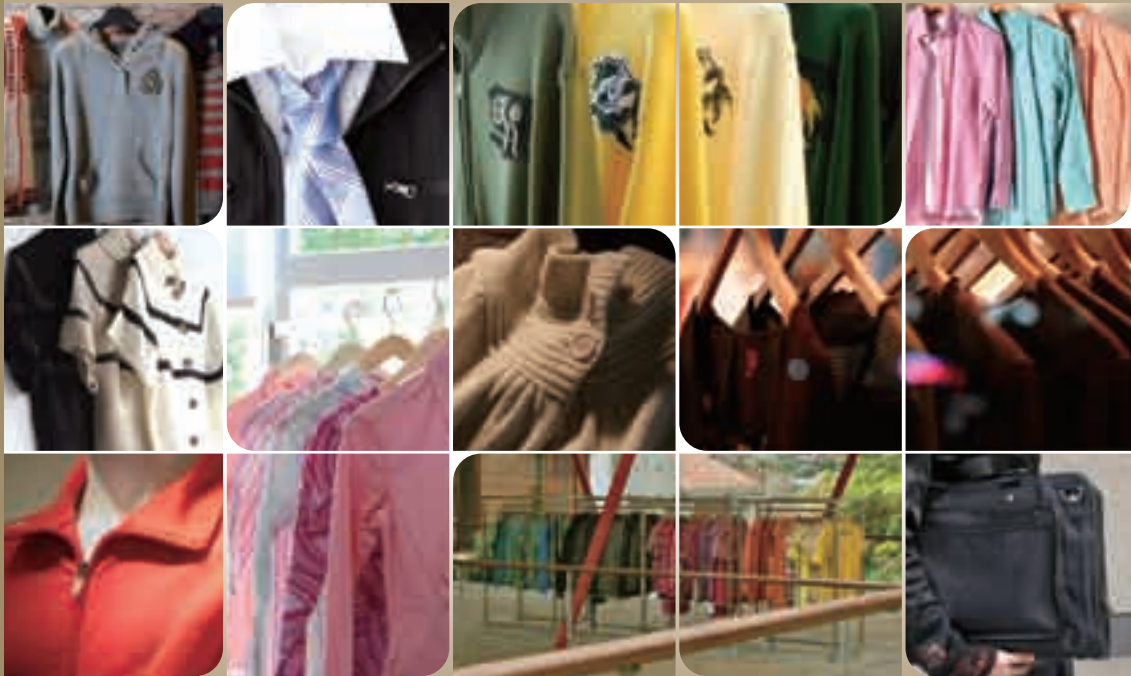


Luen Thai Holdings Limited

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 2009

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EXECUTIVE DIRECTORS

TAN Siu Lin, *Chairman*

TAN Henry, *Chief Executive Officer and President*

TAN Cho Lung Raymond

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

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 32, which comprises the condensed consolidated balance sheet of Luen Thai Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2009 and the related condensed consolidated statements of income, comprehensive 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, 17 September 2009

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

As at 30 June 2009

		As at 30 June 2009 US\$'000 (Unaudited)	As at 31 December 2008 US\$'000 (Audited)
	Note		
ASSETS			
Non-current assets			
Leasehold land and land use rights	5	8,970	10,644
Property, plant and equipment	5	108,517	117,679
Intangible assets	5	67,725	68,870
Interests in associated companies		363	377
Interests in jointly controlled entities	17	9,970	9,531
Deferred income tax assets		184	230
Other non-current assets		6,023	4,955
Total non-current assets		201,752	212,286
Current assets			
Inventories		76,647	76,208
Property under development		19,686	—
Trade and bills receivables	6	89,729	108,351
Amounts due from related companies	19	3,548	4,143
Amounts due from jointly controlled entities and associated companies	19	1,000	1,584
Deposits, prepayments and other receivables		23,829	19,876
Pledged bank deposits		1,638	1,509
Cash and cash equivalents		96,776	117,839
Total current assets		312,853	329,510
Total assets		514,605	541,796
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	7	9,925	9,925
Other reserves	8	101,186	101,340
Retained earnings	8	116,265	110,297
		227,376	221,562
Minority interest		22,998	24,898
Total equity		250,374	246,460

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET (CONTINUED)

As at 30 June 2009

	Note	As at 30 June 2009 US\$'000 (Unaudited)	As at 31 December 2008 US\$'000 (Audited)
LIABILITIES			
Non-current liabilities			
Borrowings	9	30,154	33,259
Loan from a minority shareholder of a subsidiary	19	3,097	3,097
Retirement benefit obligations		2,656	2,431
Deferred income tax liabilities		7,491	5,075
Consideration payable and other long-term liabilities		31,647	33,959
Total non-current liabilities		75,045	77,821
Current liabilities			
Trade and bills payables	10	51,575	66,196
Borrowings	9	39,543	50,281
Current income tax liabilities		12,354	13,030
Amounts due to related companies	19	775	817
Amounts due to jointly controlled entities and associated companies	19	1,625	3,953
Other payables and accruals		82,668	81,039
Derivative financial instruments		646	2,199
Total current liabilities		189,186	217,515
Total liabilities		264,231	295,336
Total equity and liabilities		514,605	541,796
Net current assets		123,667	111,995
Total assets less current liabilities		325,419	324,281

The notes on pages 9 to 32 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

For the period ended 30 June 2009

	Note	Six months ended 30 June	
		2009 US\$'000 (Unaudited)	2008 US\$'000 (Unaudited)
Revenue	4	356,306	379,446
Cost of sales		(285,684)	(306,695)
Gross profit		70,622	72,751
Other (losses)/gains — net	11	(60)	6,769
Selling and distribution expenses		(7,132)	(14,388)
General and administrative expenses		(57,238)	(50,361)
Operating profit	12	6,192	14,771
Finance income	13	3,286	1,013
Finance costs	13	(1,610)	(3,253)
Share of (loss)/profit of associated companies		(25)	27
Share of profit of jointly controlled entities		385	1,045
Profit before income tax		8,228	13,603
Income tax credit	14	1,467	2,726
Profit for the period		9,695	16,329
Attributable to:			
Equity holders of the Company		7,407	7,035
Minority interest		2,288	9,294
		9,695	16,329
Earnings per share for profit attributable to the equity holders of the Company, expressed in US cents per share	15		
— Basic		0.75	0.71
— Diluted		0.75	0.71
Dividends	16	2,223	2,114

The notes on pages 9 to 32 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the period ended 30 June 2009

	Six months ended 30 June	
	2009	2008
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
Profit for the period	9,695	16,329
Other comprehensive income		
Currency translation differences	(470)	5,651
Total comprehensive income for the period	9,225	21,980
Total comprehensive income attributable to:		
– Equity holders of the Company	7,125	12,686
– Minority interest	2,100	9,294
	9,225	21,980

The notes on pages 9 to 32 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 2009

	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 2009	9,925	116,998	(15,658)	110,297	24,898	246,460
Profit for the period	—	—	—	7,407	2,288	9,695
Other comprehensive income:						
Currency translation differences	—	—	(282)	—	(188)	(470)
Total comprehensive income for the period ended 30 June 2009	—	—	(282)	7,407	2,100	9,225
Share based compensation expenses	—	—	128	—	—	128
Dividends paid	—	—	—	(1,439)	—	(1,439)
Dividends paid to a minority shareholder of a subsidiary	—	—	—	—	(4,000)	(4,000)
Balance at 30 June 2009	9,925	116,998	(15,812)	116,265	22,998	250,374
Balance at 1 January 2008	9,925	116,998	(8,946)	102,309	9,794	230,080
Profit for the period	—	—	—	7,035	9,294	16,329
Other comprehensive income:						
Currency translation differences	—	—	5,651	—	—	5,651
Total comprehensive income for the period ended 30 June 2008	—	—	5,651	7,035	9,294	21,980
Share based compensation expenses	—	—	196	—	—	196
Dividends paid	—	—	—	(1,727)	—	(1,727)
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 32 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT

For the period ended 30 June 2009

	Six months ended 30 June	
	2009	2008
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
Net cash inflow from operating activities	10,920	16,906
Net cash outflow from investing activities	(11,948)	(3,232)
Net cash (outflow)/inflow from financing activities	(13,467)	10,071
Net (decrease)/increase in cash and cash equivalents	(14,495)	23,745
Cash and cash equivalents of 1 January	106,489	90,805
Effect of foreign exchange rate changes	(230)	452
Cash and cash equivalents at 30 June	91,764	115,002
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	96,776	115,306
Bank overdrafts	(1,942)	(304)
Bank deposits maturing over 3 months	(3,070)	—
	91,764	115,002

The notes on pages 9 to 32 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”) are principally engaged in the manufacturing and trading of casual and fashion apparel, life-style apparel and accessories, the provision of freight forwarding and logistics services and the real estate development.

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 17 September 2009.

2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2009 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 2008, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

3 ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2008, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

3 ACCOUNTING POLICIES (CONTINUED)

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2009.

- HKAS 1 (revised), 'Presentation of financial statements'. The revised standard prohibits the presentation of items of income and expenses (that is 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All 'non-owner changes in equity' are required to be shown in a performance statement.

Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). The Group has elected to present two statements: an income statement and a statement of comprehensive income. The interim financial statements have been prepared under the revised disclosure requirements.

- HKFRS 8, 'Operating segments'. HKFRS 8 replaces HKAS 14, 'Segment reporting'. It requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in an increase in the number of reportable segments, as the previously reported garment/textile products and accessories segment has been split into casual and fashion apparel, life-style apparel and accessories.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the Board of Directors that makes strategic decisions.

The change in reportable segments has not resulted in change in allocation of goodwill and any additional goodwill impairment. There has been no further impact on the measurement of the Group's assets and liabilities. Comparatives for 2008 have been restated.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

3 ACCOUNTING POLICIES (CONTINUED)

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2009, but are not currently relevant for the Group.

- HKFRS 2 (amendment), 'Share-based payment';
- HKFRS 7 (amendment), 'Financial instruments: disclosure';
- HKAS 23 (amendment), 'Borrowing costs';
- HKAS 32 (amendment), 'Financial instruments: presentation';
- HKAS 39 (amendment), 'Financial instruments: Recognition and measurement';
- HK(IFRIC) 9 (amendment), 'Reassessment of embedded derivatives' and HKAS 39 (amendment), 'Financial instruments: Recognition and measurement';
- HK(IFRIC) 13, 'Customer loyalty programmes';
- HK(IFRIC) 15, 'Agreements for the construction of real estate'; and
- HK(IFRIC) 16, 'Hedges of a net investment in a foreign operation'.

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial year beginning 1 January 2009 and have not been early adopted:

- Amendment to HKAS 39, 'Financial instruments: Recognition and measurement' on eligible hedged items, effective for annual periods beginning on or after 1 July 2009. This is not currently applicable to the Group, as it does not have any hedged items.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

3 ACCOUNTING POLICIES (CONTINUED)

- 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, associates and joint ventures on the Group.

The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the statement of comprehensive income. There is a choice on an acquisition-by-acquisition basis to measure the minority interest in the acquiree either at fair value or at the minority interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Group will apply HKFRS 3 (revised) to all business combinations from 1 January 2010.

- HK(IFRIC) 17, 'Distributions of non-cash assets to owners', effective for annual periods beginning on or after 1 July 2009. This is not currently applicable to the Group, as it has not made any non-cash distributions.
- HK(IFRIC) 18, 'Transfers of assets from customers', effective for transfer of assets received on or after 1 July 2009. This is not relevant to the Group, as it has not received any assets from customers.
- The HKICPA has issued improvements to HKFRSs which sets out amendments to HKFRS 2, HKFRS 5, HKFRS 8, HKAS 1, HKAS 7, HKAS 27, HKAS 36, HKAS 38, HKAS 39, HK (IFRIC) 9 and HK(IFRIC) 16, primarily with a view to removing inconsistencies and clarifying wordings. Except for the amendment to HKFRS 2, which is effective for the financial periods on or after 1 July 2009, other amendments are effective for financial periods beginning on or after 1 January 2010 although there are separate transitional provisions for each standard.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

4 SEGMENT INFORMATION

At 30 June 2009, the Group is principally engaged in the manufacturing and trading of apparel and accessories, the provision of freight forwarding and logistics services and the real estate development. Turnover consists of sales revenue from casual and fashion apparel, life-style apparel and accessories, and income from the provision of freight forwarding and logistics services.

Management has determined the operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions.

Management considers the business from a product perspective. From a product perspective, management assesses the performance of casual and fashion apparel, life-style apparel, accessories, freight forwarding and logistics services and real estate. The segment information provided to the management for the reportable segments for the six months ended 30 June 2009 is as follows:

	Casual and fashion apparel US\$'000 (Unaudited)	Life-style apparel US\$'000 (Unaudited)	Accessories US\$'000 (Unaudited)	Freight forwarding/ logistics services US\$'000 (Unaudited)	Real estate US\$'000 (Unaudited)	Total Group US\$'000 (Unaudited)
Six months ended						
30 June 2009						
Total segment revenue	165,904	133,814	48,805	8,103	—	356,626
Inter-segment revenue	—	—	—	(320)	—	(320)
Revenue (From external customers)	165,904	133,814	48,805	7,783	—	356,306
Segment profit/(loss) for the period	5,531	5,932	(2,325)	1,237	(507)	9,868
Profit for the period includes:						
Depreciation and amortization	(6,472)	(1,782)	(2,776)	(446)	—	(11,476)
Share of loss from associated companies	—	—	—	(25)	—	(25)
Share of profit/(loss) from jointly controlled entities	401	(16)	—	—	—	385
Income tax (expense)/credit	(901)	2,113	(288)	543	—	1,467

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

4 SEGMENT INFORMATION (CONTINUED)

	Casual and fashion apparel US\$'000 (Unaudited)	Life-style apparel US\$'000 (Unaudited)	Freight forwarding/ logistics services US\$'000 (Unaudited)	Total Group US\$'000 (Unaudited)
Six months ended				
30 June 2008				
Total segment revenue	203,672	165,889	12,505	382,066
Inter-segment revenue	—	—	(2,620)	(2,620)
Revenue (From external customers)				
	203,672	165,889	9,885	379,446
Segment (loss)/profit for the period				
	(5,525)	23,001	310	17,786
Profit for the period includes:				
Depreciation and amortization	(5,911)	(1,577)	(679)	(8,167)
Share of profit from associated companies	—	—	27	27
Share of profit from jointly controlled entities	1,045	—	—	1,045
Income tax (expense)/credit	(833)	3,629	(70)	2,726

Revenues between segments are carried out in accordance with the terms mutually agreed by the respective parties. The revenue from external parties is derived from numerous external customers and the revenue reported to the management is measured in a manner consistent with that in the consolidated income statement. The management assesses the performance of the operating segments based on a measure of profit before impairment losses of property, plant and equipment and change in estimates of financial liabilities for the period.



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

4 SEGMENT INFORMATION (CONTINUED)

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

	Six months ended 30 June	
	2009	2008
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
Segment profit for the period	9,868	17,786
Impairment losses for property, plant and equipment	(3,087)	—
Change in estimates of financial liabilities	2,914	(1,457)
Profit for the period	9,695	16,329



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

4 SEGMENT INFORMATION (CONTINUED)

The segment assets at 30 June 2009 are as follows:

	Casual and fashion apparel US\$'000 (Unaudited)	Life-style apparel US\$'000 (Unaudited)	Accessories US\$'000 (Unaudited)	Freight forwarding/ logistics services US\$'000 (Unaudited)	Real estate US\$'000 (Unaudited)	Total Group US\$'000 (Unaudited)
As at 30 June 2009						
Segment Assets	236,545	137,992	80,549	28,729	20,273	504,088
Interests in associated companies	8	—	—	355	—	363
Interests in jointly controlled entities	9,852	118	—	—	—	9,970
	246,405	138,110	80,549	29,084	20,273	514,421
Deferred tax assets						184
Total assets						514,605
As at 31 December 2008						
Segment Assets	264,315	140,230	98,970	28,143	—	531,658
Interests in associated companies	8	—	—	369	—	377
Interests in jointly controlled entities	9,460	71	—	—	—	9,531
	273,783	140,301	98,970	28,512	—	541,566
Deferred tax assets						230
Total assets						541,796

Total assets are allocated based on the operations of the segments.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

5 CAPITAL EXPENDITURE

	Intangible assets		Total intangible assets	Property, plant and equipment	Leasehold land and land use rights	Total
	Goodwill	Other intangible assets				
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Six months ended 30 June 2009						
Opening net book amount as at 1 January 2009	44,502	24,368	68,870	117,679	10,644	197,193
Additions	—	—	—	4,123	—	4,123
Disposals	—	—	—	(744)	—	(744)
Transfer to property under development	—	—	—	—	(1,282)	(1,282)
Depreciation and amortization	—	(1,145)	(1,145)	(10,209)	(122)	(11,476)
Impairment losses of property, plant and equipment	—	—	—	(3,087)	—	(3,087)
Exchange differences	—	—	—	755	(270)	485
Closing net book amount as at 30 June 2009	44,502	23,223	67,725	108,517	8,970	185,212
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	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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

6 TRADE AND BILLS RECEIVABLES

	As at 30 June 2009 US\$'000 (Unaudited)	As at 31 December 2008 US\$'000 (Audited)
Trade and bills receivables	90,949	109,831
Less: provision for impairment of receivables	(1,220)	(1,480)
	89,729	108,351

The Group grants credit terms to its customers ranging from 30 to 90 days. At 30 June 2009, the ageing analysis by due date of trade debtors net of the provision for impairment is as follows:

	As at 30 June 2009 US\$'000 (Unaudited)	As at 31 December 2008 US\$'000 (Audited)
Current	61,202	82,771
1 to 30 days	19,550	17,770
31 to 60 days	4,342	3,038
61 to 90 days	807	1,501
Over 91 days	3,828	3,271
Amounts past due but not impaired	28,527	25,580
	89,729	108,351

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		
At 31 December 2008 and 30 June 2009	1,500,000	15,000
Issued and fully paid — ordinary shares of US\$0.01 each		
At 1 January 2008 and 30 June 2008	992,500	9,925
At 1 January 2009 and 30 June 2009	992,500	9,925

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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

7 SHARE CAPITAL (CONTINUED)

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.

Details in the number of share options are as follows:

Date of grant	Exercisable period	Subscription price per share	Number of shares		
			Beginning of period '000	Cancelled '000	End of period '000
26 January 2006	From 26 January 2007 to 25 January 2011	HK\$2.52	7,285	(868)	6,417
10 November 2006	From 10 November 2007 to 9 November 2011	HK\$1.28	7,916	(1,007)	6,909
21 April 2008	From 21 April 2009 to 20 April 2013	HK\$0.71	13,350	(450)	12,900
			28,551	(2,325)	26,226

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

8 RESERVES

	Share premium US\$'000 (Unaudited)	Capital reserve (Note (i)) US\$'000 (Unaudited)	Other capital reserves (Note (ii)) 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 2009	116,998	11,722	(35,572)	1,527	6,665	110,297	211,637
Profit for the period	—	—	—	—	—	7,407	7,407
Currency translation differences	—	—	—	—	(282)	—	(282)
Share based compensation expenses	—	—	—	128	—	—	128
Dividend paid	—	—	—	—	—	(1,439)	(1,439)
As at 30 June 2009	116,998	11,722	(35,572)	1,655	6,383	116,265	217,451
As at 1 January 2008	116,998	11,722	(24,450)	1,102	2,680	102,309	210,361
Profit for the period	—	—	—	—	—	7,035	7,035
Currency translation differences	—	—	—	—	5,651	—	5,651
Share based compensation expenses	—	—	—	196	—	—	196
Dividend paid	—	—	—	—	—	(1,727)	(1,727)
As at 30 June 2008	116,998	11,722	(24,450)	1,298	8,331	107,617	221,516

Notes:

- (i) The capital reserve of the Group represents the difference between the nominal value of the shares of the subsidiaries acquired pursuant to the Initial Public Offerings ("IPO") reorganization and the nominal value of the Company's shares issued in exchange thereof.
- (ii) Other capital reserves primarily represent the initial recognition of the financial liabilities in relation to the put options granted to the minority shareholders and the subsequent derecognition of such financial liabilities upon the put options are exercised or expired.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

9 BORROWINGS

	As at 30 June 2009 US\$'000 (Unaudited)	As at 31 December 2008 US\$'000 (Audited)
Non-current		
Bank borrowings	30,154	33,259
Current		
Bank overdrafts	1,942	7,757
Trust receipt bank loans	23,018	24,651
Collateralized borrowings	281	3,630
Short-term bank loans	8,211	7,359
Current portion of non-current bank loans	6,091	6,884
	39,543	50,281
Total borrowings	69,697	83,540

10 TRADE AND BILLS PAYABLES

At 30 June 2009, the ageing analysis of the trade and bills payables is as follows:

	As at 30 June 2009 US\$'000 (Unaudited)	As at 31 December 2008 US\$'000 (Audited)
0 to 30 days	41,341	33,411
31 to 60 days	3,669	19,398
61 to 90 days	552	7,069
Over 90 days	6,013	6,318
	51,575	66,196

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

11 OTHER (LOSSES)/GAINS – NET

	Six months ended 30 June	
	2009	2008
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
Net fair value losses on derivative financial instruments	(197)	—
Net foreign exchange gains	137	6,769
	(60)	6,769

12 OPERATING PROFIT

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

	Six months ended 30 June	
	2009	2008
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
Amortization of leasehold land and land use rights	122	52
Amortization of intangible assets	1,145	1,027
Depreciation of property, plant and equipment	10,209	7,088
(Reversal of)/provision for impairment of receivables	(260)	193
Impairment losses of property, plant and equipment	3,087	—
Impairment for reimbursement receivables (Note i)	1,780	—

Note:

- (i) A minority shareholder of a subsidiary has indemnified the Group for the Group's share of any losses and expenses incurred by the subsidiary in connection with any taxation claim carried out before the date of acquisition of the subsidiary. In prior years, the Group has recognized reimbursement receivable of US\$1,780,000 from such minority shareholder in connection with the taxation claim. During the period ended 30 June 2009, the subsidiary has derecognized the related tax provision of US\$2,967,000 (Note 14(i)). In this connection, the Group wrote-off the corresponding reimbursement receivables of US\$1,780,000.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

13 FINANCE INCOME AND COSTS

	Six months ended 30 June	
	2009	2008
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
Interest expense on bank loans and overdrafts	(1,009)	(922)
Interest expense on financial liabilities carried at amortized costs	(601)	(874)
Change in estimates of financial liabilities — net	—	(1,457)
Finance costs	(1,610)	(3,253)
Interest income	372	1,013
Change in estimates of financial liabilities — net	2,914	—
Finance income	3,286	1,013
Net finance income/(costs)	1,676	(2,240)

14 INCOME TAX CREDIT

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 16.5%) on the estimated assessable profit for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

	Six months ended 30 June	
	2009	2008
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
Current income tax:		
— Hong Kong profits tax	1,303	3,141
— Overseas taxation	913	1,900
Over-provision in prior years	(3,510)	(7,178)
Deferred income tax	(173)	(589)
	(1,467)	(2,726)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

14 INCOME TAX CREDIT (CONTINUED)

Notes:

- (i) In prior years, certain overseas subsidiaries had made provision 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 2009 and have determined that a provision for tax of US\$3,510,000 would no longer be required and should be derecognized. Consequently, the amount of US\$3,510,000 was taken to the income statement for the period ended 30 June 2009.
- (ii) 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 2007/08 demanding for tax totalling US\$3,843,000 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 is 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\$3,453,000 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 2009.
- (iii) Two subsidiaries of the Group were under tax audit conducted by the IRD. As at 30 June 2009, the IRD has issued additional assessments to these entities from years of assessments 2000/01 to 2006/07, demanding tax totalling US\$6,980,000. These subsidiaries have lodged objections to these assessments. The Directors consider that sufficient tax provision has been made in the financial statements in this regard.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**15 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	
	2009	2008
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
Profit attributable to equity holders of the Company	7,407	7,035
Weighted average number of ordinary shares in issue	992,500,000	992,500,000
Earnings per share in US cent		
— Basic	0.75	0.71

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

16 DIVIDENDS

	Six months ended 30 June	
	2009	2008
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
Interim dividend — US0.224 cent or equivalent to HK1.736 cents (2008: US0.213 cent) per share	2,223	2,114

The interim dividend of US0.224 cent per share (2008: US0.213 cent per share) was proposed by the Board of Directors on 17 September 2009. This condensed consolidated interim financial information does not reflect this dividend payable.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**17 INTERESTS IN JOINTLY CONTROLLED ENTITIES**

	As at 30 June 2009 US\$'000 (Unaudited)	As at 31 December 2008 US\$'000 (Audited)
Share of net assets	3,694	3,255
Loans to jointly controlled entities	6,276	6,276
	9,970	9,531
Unlisted investments, at cost	3,528	3,528

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

18 CAPITAL COMMITMENTS

	As at 30 June 2009 US\$'000 (Unaudited)	As at 31 December 2008 US\$'000 (Audited)
Contracted but not provided for	385	7,566

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

19 RELATED PARTY TRANSACTIONS

As at 30 June 2009, 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 and his close family members.

(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	
	2009	2008
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
Management fee income from a jointly controlled entity	239	143
Commission income from a related company	945	621

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

19 RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Transactions with related parties (Continued)

(i) Provision of goods and services (Continued)

	Six months ended 30 June	
	2009	2008
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
Freight forwarding and logistics service income from		
— related companies	157	176
— an associated company	2	—
— a jointly controlled entity	21	130
	180	306
Sales to a jointly controlled entity	—	3,481
Rental income from a related company	84	41
Recharge of advance payment and administrative expenses from related companies	66	57
Recharge of material costs and other expenses to jointly controlled entities	3,431	—

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

19 RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Transactions with related parties (Continued)

(ii) Purchases of goods and services

	Six months ended 30 June	
	2009	2008
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
Rental expenses for occupying office premises, warehouses and staff quarters charged by related companies	792	869
Travelling related services charged by a related company	337	136
Professional and technological support service fees to a related company	1,144	990
Air ticket and hotel reservation services charged by related companies	62	136
Subcontracting fees charged by		
– a related company	1,118	650
– an associated company and jointly controlled entities	1,731	654
	2,849	1,304
Commission expenses charged by a jointly controlled entity	625	3,919
Recharge of material costs and other expenses from a jointly controlled entity	475	3,516

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

19 RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Transactions with related parties (Continued)

(ii) Purchases of goods and services (Continued)

On 17 February 2009, a subsidiary of the Group has entered into a sales and purchase agreement with Luen Thai Land Limited, to acquire the entire issued share capital of Victory Land Properties Limited ("Victory Land"). Victory Land is principally engaged in property development business. The total consideration for this transaction was approximately US\$6,318,000 (equivalent to HK\$48,969,000).

(b) Key management compensation

	Six months ended 30 June	
	2009 US\$'000 (Unaudited)	2008 US\$'000 (Unaudited)
Salaries and allowances	4,109	2,380
Others	527	116
	4,636	2,496

(c) Banking facilities

As at 30 June 2009, certain banking facilities of certain subsidiaries of the Group were secured by:

- leasehold land and buildings of certain subsidiaries with carrying value of US\$2,110,000 and US\$9,165,000, respectively;
- leasehold land and buildings owned by a minority shareholder; and
- corporate guarantees given by the Company and a minority shareholder of a subsidiary.

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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

19 RELATED PARTY TRANSACTIONS (CONTINUED)

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

As at 30 June 2009, the outstanding balances with the related companies, associated companies and jointly controlled entities are unsecured, interest-free and repayable on demand.

(e) Loan from a minority shareholder of a subsidiary

As at 30 June 2009, there was a loan from a minority shareholder of a subsidiary amounting to US\$3,097,000 (31 December 2008: US\$3,097,000). The loan is unsecured, interest bearing at HIBOR plus 1.25% and repayable on 8 August 2011.

20 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.

21 EVENT AFTER THE BALANCE SHEET DATE

In August 2009, the Group has entered into a construction contract in relation to real estate development with the amount of RMB240,700,000. The construction contract is primarily financed by a specific line of banking facilities made available to the Group subsequent to the period end date.

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 2009. 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

The Group recorded a revenue of approximately US\$356,306,000 for the six-month period ended 30 June 2009, representing a 6.1% decrease when compared to the same period in 2008. The decrease in revenue was due to the contraction in demand as a result of the global financial crisis and the Group's effort of eliminating non-profitable accounts.

Despite the drop in revenue, our profitability has sustained during the period under review. It is mainly attributed to our successful adoption and implementation of the "lean reengineering" strategy. This strategy involves restructuring our business units into individual "lean enterprises" with one-stop responsibilities from merchandizing, manufacturing to sales of our products within each business unit. We were unable to adopt this strategy at the time when the quota system existed — the flexibilities of our manufacturing operations were highly compromised due to numerous quota-related business considerations such as the specific customer requirements on the countries of manufacture and whether our products could be manufactured at locations which were not subject to the quota requirements. This "lean reengineering" strategy also involves "lean process" reengineering, which aims to reduce the operating process within each business unit resulting in increase in productivity in terms of both front and back end operations. As a result, despite the market downturn, the Casual & Fashion Apparel Division has achieved a significant turnaround with substantial profit improvement when compared to the same period last year.

During the period under review, the overall operating environment in the PRC had become more settled due to the Chinese Government taking proactive measures to mitigate the negative impact brought by the global financial crisis. The stabilization of the exchange rate of Chinese Yuan and Philippine Peso, along with the relatively steady labor costs in mainland China, has positively affected the results of our operations in the first half of 2009. However, the fluctuation of exchange rate of Euro has negatively affected our European orders.

Luen Thai's overall gross profit for the six months ended 30 June 2009 was approximately US\$70,622,000 as compared to US\$72,751,000 for the same period in 2008. Such decrease is a direct result of the decrease in the overall revenue, but the gross margin for the period under review has increased from 19.2% to 19.8% as a result of our efforts to eliminate unprofitable

accounts. Certain cost control initiatives continued to take effect as reflected by the decrease of the Group's selling and distribution expenses by 50% or approximately US\$7,256,000 during the first six months of 2009. General and administrative expenses, however, increased by 13.7% or approximately US\$6,877,000 over the same period last year. The increase in general and administrative expenses is mainly due to the inclusion of the accessories division into the Group and the one-time impairment loss of the property, plant and equipment for the period under review.

The profit attributable to equity holders of the Company for the six months ended 30 June 2009 showed an increase of 5.3% to approximately US\$7,407,000 when compared to that recorded for the same period last year.

Segmental Review

Apparel and accessories businesses are still the major sources of the Group's revenue and profit for the six months ended 30 June 2009. It accounts for approximately 97.8% and 94.3% of the revenue and profit for the period. Our management has successfully turned around the Casual and Fashion Apparel segment during the period under review, which effectively offset some decreases in contribution from other segments within the Group brought by the negative impacts of the financial turmoil.

The Group's freight forwarding and logistics services recorded a revenue of approximately US\$7,783,000 for the period under review, representing a decrease of 21.3% over the same period in 2008. Such decrease was mainly due to the contraction of loading demand as a result of the poor economic environment.

Markets

Geographically, Europe and the US remain our key export markets for the six-month period ended 30 June 2009. The total revenue that we generated from the Europe and US markets collectively accounted for approximately 77.6% of the Group's total revenue in the first half of 2009.

As a continued effort of diversifying our geographical reach with a particular focus on the PRC and Japan markets, the PRC market accounted for 4.7% of the Group's total revenue in the first half of 2009, representing an approximately 40% growth over the same period last year. In addition, the revenue of the Japan market also increased by 19% as compared to the same period last year.

Acquisitions and Joint Ventures

Acquisitions and joint ventures are one of Luen Thai's core competencies considering our strong customer bases, scale and management team.

Riding on the success of the acquisitions and joint ventures that we conducted in the past, the Group is committed to take calculated risk and continue our acquisition strategy with a view to further strengthening the Group's multi-product strategy.

Liquidity and Financial Resources

The financial position of the Group remains strong for the period under review. As at 30 June 2009, the Group's total cash and cash equivalents of the Group approximately amount to US\$96,776,000, a decrease of US\$21,063,000 over the balance as at 31 December 2008. The Group's total bank borrowings as at 30 June 2009 was approximately US\$69,697,000, representing a decrease of approximately 16.6% as compared to approximately US\$83,540,000 at 31 December 2008.

Gearing ratio is defined as net debt (representing by bank borrowings net of cash and cash equivalents) divided by shareholders' funds. As at 30 June 2009, the Group is in a net cash position and hence no gearing ratio is presented.

As at 30 June 2009, the maturity profile of the Group's bank borrowings spread over five years with approximately US\$39,543,000 repayable within one year or on demand, approximately US\$5,943,000 in the second year and approximately US\$24,211,000 in the third to fifth year.

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 or any other financial derivatives to hedge its receivable and payable denominated in foreign currencies to reduce the risks involved in exchange rate fluctuations.

Future Plans and Prospect

As disclosed in the announcement dated 14 August 2009, the Company, through its subsidiary, entered into a construction contract with an independent contractor for the development of a residential project in Qingyuan, Guangdong, the PRC. Phase one of the project is expected to be completed in August 2010. According to the public information, the Chinese government has been planning to build a Guangzhou-Qingyuan Light Rail system which connects Qingyuan with the Guangzhou Baiyun International Airport and the Guangzhou Metro, and part of this Guangzhou-Qingyuan Light Rail system is expected to be adjacent to our residential project site. We believe that the plan of a Light Rail system coupled with the expected proximity of its station with our residential project site would enhance the value of the residential project, and we are confident that the PRC real estate market is in the course of stabilisation. Our entrance into the Guangdong real estate market not only unlocks the value of the industrial land previously used for production purposes, but will also bring a new source of revenue to the Group.

Looking ahead, we believe the competition within the apparel and accessories market will continue to be severe 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 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.

Human Resources and Social Responsibilities

As at 30 June 2009, the Group has approximately 22,000 employees around the world. Luen Thai believes employees are the most important asset of the Group, and are the critical success factor for the continuous growth of the Group. In addition to providing a safe workplace, Luen Thai continuously strives to provide the best employee care with great emphasis on work-life balance and wellness. Luen Thai also has a long-standing commitment to diversity as demonstrated by its multi-cultural workforce. This commitment to fairness is also shown through competitive remuneration package, as well as its employee recognition and awards.

Luen Thai remains committed to corporate social responsibility by engaging in 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 1.736 HK cents per Share (2008: 1.661 HK cents) for the six months ended 30 June 2009 to be payable to shareholders whose names appear on the Register of Members of the Company on 23 October 2009.

The interim dividend will be paid on or around 29 October 2009.

Closure of Register of Members

The Register of Members of the Company will be closed from 21 October 2009 to 23 October 2009, 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 Center, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on 20 October 2009 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 the Company's listed shares for 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 or lapsed during the six-month period ended 30 June 2009.

The following is a summary of options outstanding as of 30 June 2009:

	Note	Date of grant (dd/mm/yyyy)	Exercisable period (dd/mm/yyyy)	Exercise price per share	No. of share options
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
Other employees		26/01/2006	26/01/2007–25/01/2011	HK\$2.52	4,966,500
		10/11/2006	10/11/2007–09/11/2011	HK\$1.28	5,409,000
		21/04/2008	21/04/2009–20/04/2013	HK\$0.71	10,900,000
					21,275,500
Total		26/01/2006	26/01/2007–25/01/2011	HK\$2.52	6,416,500
		10/11/2006	10/11/2007–09/11/2011	HK\$1.28	6,909,000
		21/04/2008	21/04/2009–20/04/2013	HK\$0.71	12,900,000
					26,225,500

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 2009, 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)	690,640,000	69.59%
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)	1,450,000	0.15%

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 69.59% 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 1,150,000 Company Shares were acquired by an associate of Mr. Tan Willie between 2005 and 2008. He is therefore deemed under Part XV of the SFO to be interested in all of the 1,150,000 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 2009, 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

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%
Helmsey	(a)	Interest of controlled corporation	614,250,000	61.89%
Tan Family Trust of 2004	(b)	Interest of controlled corporation	680,743,000	68.59%
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%
Union Bright Limited		Beneficial owner	60,750,000	6.12%

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, Wincare International Company Limited 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 Tan Holdings Corporation, Wincare International Company Limited 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 68.59% of the issued share capital of the Company. Mr. Tan Siu Lin also controls Tan Siu Lin Foundation Limited, which in turn owns directly 9,897,000 Company Shares as at 30 June 2009. 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 2009, 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 2009.

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, 17 September 2009