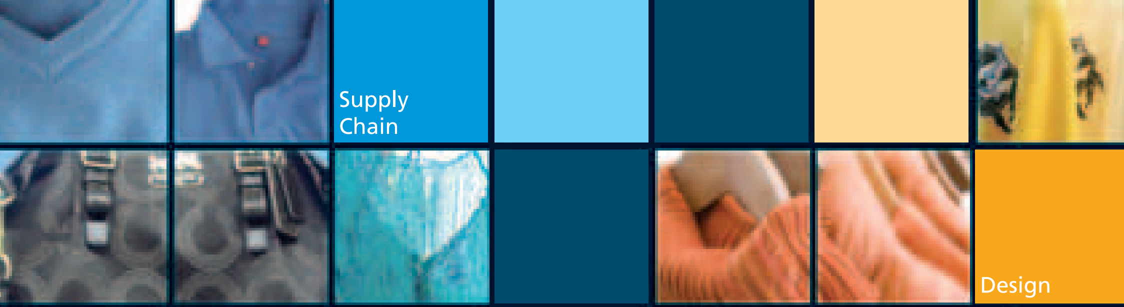

Luenthai

Luen Thai Holdings Limited

聯泰控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 311)

Interim Report 2011

CONTENTS

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 36, which comprises the condensed consolidated balance sheet of Luen Thai Holdings Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2011 and the related condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated cash flow statement 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 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, 30 August 2011

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2011

	Note	As at 30 June 2011 US$'000 (Unaudited)	As at 31 December 2010 US$'000 (Audited)
ASSETS			
Non-current assets			
Leasehold land and land use rights	8	**8,785**	8,788
Property, plant and equipment	8	**100,060**	101,491
Intangible assets	8	**63,923**	65,068
Interests in associated companies		**549**	494
Interests in jointly controlled entities		**9,827**	10,246
Deferred income tax assets		**782**	630
Other non-current assets		**3,435**	3,823
Total non-current assets		**187,361**	190,540
Current assets			
Inventories	9	**112,985**	79,230
Trade and bills receivables	10	**155,497**	115,243
Amounts due from related companies		**1,434**	2,339
Amounts due from associated companies and jointly controlled entities		**3,688**	4,395
Deposits, prepayments and other receivables		**26,183**	21,566
Prepaid tax		**2,092**	1,000
Pledged bank deposit		**1,591**	1,723
Cash and cash equivalents		**69,646**	81,841
		373,116	307,337
Assets of disposal group classified as held for sale	7(a)	**33,878**	30,506
Total current assets		**406,994**	337,843
Total assets		**594,355**	528,383
EQUITY			
Equity attributable to the owners of the Company			
Share capital	11	**9,927**	9,927
Other reserves	12	**135,685**	133,911
Retained earnings		**137,402**	132,883
		283,014	276,721
Non-controlling interests		**11,890**	10,839
Total equity		**294,904**	287,560

CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

As at 30 June 2011

	Note	**As at 30 June 2011 US$'000 (Unaudited)**	As at 31 December 2010 US$'000 (Audited)
LIABILITIES			
Non-current liabilities			
Bank borrowings	13	**3,014**	3,063
Retirement benefit obligations		**5,766**	5,687
Deferred income tax liabilities		**4,593**	4,008
Total non-current liabilities		**13,373**	12,758
Current liabilities			
Trade and bills payables	14	**74,890**	60,687
Other payables and accruals		**103,672**	90,718
Amounts due to related companies		**2,430**	1,852
Amounts due to associated companies and jointly controlled entities		**1,330**	1,305
Borrowings	13	**88,594**	61,189
Derivative financial instruments		**1,403**	727
Current income tax liabilities		**11,121**	8,943
		283,440	225,421
Liabilities of disposal group classified as held for sale	7(b)	**2,638**	2,644
Total current liabilities		**286,078**	228,065
Total liabilities		**299,451**	240,823
Total equity and liabilities		**594,355**	528,383
Net current assets		**120,916**	109,778
Total assets less current liabilities		**308,277**	300,318

The notes on pages 10 to 36 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the period ended 30 June 2011

	Note	Six months ended 30 June 2011 US$'000 (Unaudited)	2010 US$'000 (Unaudited)
Continuing operations			
Revenue	6	**436,659**	335,070
Cost of sales		**(365,368)**	(274,029)
Gross profit		**71,291**	61,041
Other gains/(losses) — net	15	**1,512**	(3,744)
Selling and distribution expenses		**(6,066)**	(7,841)
General and administrative expenses		**(52,899)**	(46,372)
Operating profit	16	**13,838**	3,084
Finance income	17	**410**	6,658
Finance costs	17	**(718)**	(768)
Finance (costs)/income — net	17	**(308)**	5,890
Share of profits/(losses) of associated companies		**33**	(9)
Share of (losses)/profits of jointly controlled entities		**(458)**	213
Profit before income tax		**13,105**	9,178
Income tax expense	18	**(2,394)**	(1,087)
Profit from continuing operations		**10,711**	8,091
Discontinued operations			
Loss from discontinued operations	7(c)	**(775)**	(800)
Profit for the period		**9,936**	7,291
Profit/(loss) attributable to:			
Owners of the Company		**7,685**	7,501
Non-controlling interests		**2,251**	(210)
		9,936	7,291

CONDENSED CONSOLIDATED INCOME STATEMENT (CONTINUED)

For the period ended 30 June 2011

	Note	Six months ended 30 June 2011 US$ (Unaudited)	2010 US$ (Unaudited)
Earnings per share from continuing operations and (losses) per share from discontinued operations for profit attributable to the owners of the Company, expressed in US cents per share			
— Basic	19		
From continuing operations		**0.85**	0.84
From discontinued operations		**(0.08)**	(0.08)
— Diluted	19		
From continuing operations		**0.85**	0.84
From discontinued operations		**(0.08)**	(0.08)

The notes on pages 10 to 36 form an integral part of this condensed consolidated interim financial information.

	Note	Six months ended 30 June 2011 US$'000 (Unaudited)	2010 US$'000 (Unaudited)
Dividends	20	**2,313**	2,253

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period ended 30 June 2011

	Six months ended 30 June	
	2011	2010
	US$'000	US$'000
	(Unaudited)	(Unaudited)
Profit for the period	**9,936**	7,291
Other comprehensive income		
Currency translation differences	**1,761**	102
Total comprehensive income for the period	**11,697**	7,393
Total comprehensive income for the period attributable to:		
— Owners of the Company	**9,446**	7,475
— Non-controlling interests	**2,251**	(82)
	11,697	7,393

The notes on pages 10 to 36 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 30 June 2011

	Unaudited						
	Attributable to owners of the Company						
	Share capital US$'000	Share premium US$'000	Other reserves US$'000	Retained earnings US$'000	Total US$'000	Non-controlling interests US$'000	Total US$'000
Balance at 1 January 2011	**9,927**	**117,018**	**16,893**	**132,883**	**276,721**	**10,839**	**287,560**
Profit for the period	**–**	**–**	**–**	**7,685**	**7,685**	**2,251**	**9,936**
Other comprehensive income:							
Currency translation differences	**–**	**–**	**1,761**	**–**	**1,761**	**–**	**1,761**
Total comprehensive income for the period ended 30 June 2011	**–**	**–**	**1,761**	**7,685**	**9,446**	**2,251**	**11,697**
Transactions with owners in their capacity as owners:							
Share-based payment expenses	**–**	**–**	**13**	**–**	**13**	**–**	**13**
Dividends paid to non-controlling shareholders of subsidiaries	**–**	**–**	**–**	**–**	**–**	**(1,200)**	**(1,200)**
Dividends paid	**–**	**–**	**–**	**(3,166)**	**(3,166)**	**–**	**(3,166)**
Total transactions with owners	**–**	**–**	**13**	**(3,166)**	**(3,153)**	**(1,200)**	**(4,353)**
Balance at 30 June 2011	**9,927**	**117,018**	**18,667**	**137,402**	**283,014**	**11,890**	**294,904**
Balance at 1 January 2010	9,925	116,998	(14,888)	122,320	234,355	21,821	256,176
Profit for the period	–	–	–	7,501	7,501	(210)	7,291
Other comprehensive income:							
Currency translation differences	–	–	(26)	–	(26)	128	102
Total comprehensive income for the period ended 30 June 2010	–	–	(26)	7,501	7,475	(82)	7,393
Transactions with owners							
Derecognition of financial liabilities upon termination of the put options *(Note 22)*	–	–	20,383	(2,893)	17,490	–	17,490
Acquisition of remaining interest in a subsidiary from a non-controlling shareholder *(Note 22)*	–	–	9,451	–	9,451	(9,451)	–
Exercise of share options by employees	2	20	(6)	–	16	–	16
Share-based payment expenses	–	–	40	–	40	–	40
Dividends paid to non-controlling shareholders of subsidiaries	–	–	–	–	–	(2,800)	(2,800)
Dividends paid	–	–	–	(2,343)	(2,343)	–	(2,343)
Total transactions with owners	2	20	29,868	(5,236)	24,654	(12,251)	12,403
Balance at 30 June 2010	9,927	117,018	14,954	124,585	266,484	9,488	275,972

The notes on pages 10 to 36 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the period ended 30 June 2011

	Six months ended 30 June	
	2011	2010
	US$'000	US$'000
	(Unaudited)	(Unaudited)
Net cash outflow from continuing operations	**(31,539)**	(28,051)
Net cash outflow from discontinued operations	**(94)**	(1,688)
Net cash outflow from operating activities	**(31,633)**	(29,739)
Net cash (outflow)/inflow from continuing operations	**(3,486)**	835
Net cash outflow from discontinued operations	**(41)**	(22)
Net cash (outflow)/inflow from investing activities	**(3,527)**	813
Net cash inflow/(outflow) from continuing operations	**22,836**	(707)
Net cash flow from discontinued operations	**—**	—
Net cash inflow/(outflow) from financing activities	**22,836**	(707)
Net decrease in cash and cash equivalents	**(12,324)**	(29,633)
Cash and cash equivalents at the beginning of the period	**81,392**	91,365
Effect of foreign exchange rate changes	**(49)**	(955)
Cash and cash equivalents included in assets of disposal group classified as held for sale	**(40)**	(529)
Cash and cash equivalents at end of the period	**68,979**	60,248
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	**69,646**	64,080
Bank overdrafts	**(667)**	(3,832)
	68,979	60,248

The notes on pages 10 to 36 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 apparels and accessories, the provision of freight forwarding and logistics services and also the real estate development. The Group has manufacturing plants in Mainland China and the Philippines.

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 United States dollars (US$), unless otherwise stated. This condensed consolidated interim financial information has been approved for issue by the Board of Directors on 30 August 2011.

This condensed consolidated interim financial information has not been audited.

2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2011 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 2010, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

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 2010, as described therein.

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)

(a) New and amended standards adopted by the Group

The following new standard and amendment to standard are mandatory for the first time for the financial year beginning 1 January 2011.

- HKAS 24 (Revised), "Related Party Disclosures" is effective for annual period beginning on or after January 2011. It introduces an exemption from all of the disclosure requirements of HKAS 24 for transactions among government related entities and the government. Those disclosures are replaced with a requirement to disclose:

  — The name of the government and the nature of their relationship;

  — The nature and amount of any individually significant transactions; and

  — The extent of any collectively-significant transactions qualitatively or quantitatively.

  It also clarifies and simplifies the definition of a related party. The standard does not have significant impact on the disclosure to the condensed consolidated interim financial information.

- Amendment to HKAS 34 'Interim financial reporting' is effective for annual periods beginning on or after 1 January 2011. It emphasizes the existing disclosure principles in HKAS 34 and adds further guidance to illustrate how to apply these principles. Greater emphasis has been placed on the disclosure principles for significant events and transactions. Additional requirements cover disclosure of changes to fair value measurement (if significant), and the need to update relevant information from the most recent annual report. The change in accounting policy only results in additional disclosures.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

3 ACCOUNTING POLICIES (CONTINUED)

(b) Amendments and interpretations to existing standards effective in 2011 but not relevant to the Group

- Amendment to HKAS 32 'Classification of rights issues' is effective for annual periods beginning on or after 1 February 2010. This is not currently applicable to the Group, as it has not made any rights issue.

- Amendment to HK(IFRIC) — Int 14 'Prepayments of a minimum funding requirement' is effective for annual periods beginning on or after 1 January 2011. This is not currently relevant to the Group, as it does not have a minimum funding requirement.

- HK(IFRIC) — Int 19 'Extinguishing financial liabilities with equity instruments' is effective for annual periods beginning on or after 1 July 2010. This is not currently applicable to the Group, as it has no extinguishment of financial liabilities replaced with equity instruments currently.

- Third improvements to Hong Kong Financial Reporting Standards (2010) were issued in May 2010 by both IASB and the HKICPA, except for amendment to HKAS 34 'Interim financial reporting' as disclosed in note 3(a) and the clarification to allow the presentation of an analysis of the components of other comprehensive income by item within the notes, all are not currently relevant to the Group. All improvements are effective in the financial year of 2011.

(c) The following new standards and amendments to standards have been issued but are not effective for the financial year beginning 1 January 2011 and have not been early adopted:

HKAS 1 (Amendment)	Presentation of financial statements [3]
HKAS 12 (Amendment)	Deferred tax: recovery of underlying assets [2]
HKAS 19 (2011)	Employee benefits [4]
HKAS 27 (2011)	Separate financial statement [4]
HKAS 28 (2011)	Investments in associates and joint ventures [4]
HKFRS 7 (Amendment)	Disclosures — transfers of financial assets [1]
HKFRS 1 (Amendment)	Severe hyperinflation and removal of fixed dates for first-time adopters [1]
HKFRS 9	Financial instruments [4]
HKFRS 10	Consolidated financial statements [4]
HKFRS 11	Joint arrangements [4]
HKFRS 12	Disclosures of interests in other entities [4]
HKFRS 13	Fair value measurement [4]

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

3 ACCOUNTING POLICIES (CONTINUED)

(c) The following new standards and amendments to standards have been issued but are not effective for the financial year beginning 1 January 2011 and have not been early adopted: (Continued)

Notes:

(1) Effective for financial periods beginning on or after 1 July 2011

(2) Effective for financial periods beginning on or after 1 January 2012

(3) Effective for financial periods beginning on or after 1 July 2012

(4) Effective for financial periods beginning on or after 1 January 2013

The Group will apply these new and revised standards, interpretations and amendments in the period of initial application. The Group is currently assessing the impact of the adoption of the above new and revised standards, interpretations and amendments and is not yet in a position to state whether they would have a significant impact on the Group's results of operations and financial position.

4 ESTIMATES

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2010.

5 FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The condensed consolidated interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2010.

There have been no changes in the risk management policies since year end.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.2 Fair value estimation

The different levels for analysis of financial instruments carried at fair value, by valuation method are defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)

- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2)

- Inputs for the asset and liability that are not based on observable market data (that is, unobservable inputs) (level 3)

The fair value of the derivative financial instruments of US$1,403,000 (2010: US$727,000) that are not traded in an active market, which primarily represented the currency forward contracts and interest rate swaps, is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. As all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

During the period ended 30 June 2011, there were no significant changes in the business or economic circumstances that affect the fair value of the Group's financial assets and financial liabilities. There were also no reclassifications of financial assets.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

6 SEGMENT INFORMATION

The Group is principally engaged in the manufacturing and trading of apparels and accessories, the provision of freight forwarding and logistics services and also real estate development. Revenue consists of sales revenue from casual and fashion apparel, life-style apparel, sweaters, accessories, and income from the provision of freight forwarding and logistics services.

The executive directors have been identified as the chief operating decision maker. The executive directors have determined the operating segments based on the reports reviewed by them that are used to make strategic decisions.

Management considers the business from a product perspective whereby management assesses the performance of casual and fashion apparel, life-style apparel, sweaters, accessories, freight forwarding and logistics services and real estate.

The segment information provided to the executive directors for the reportable segments for the six months ended 30 June 2011 and 2010 are as follows:

	Casual and fashion apparel US$'000 (unaudited)	Life-style apparel US$'000 (unaudited)	Sweater 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 2011							
Total segment revenue	315,516	107,439	36,407	81,681	8,451	–	549,494
Inter-segment revenue	(106,799)	(507)	(5,157)	(160)	(212)	–	(112,835)
Revenue (From external customers)	208,717	106,932	31,250	81,521	8,239	–	436,659
Segment profit/(loss) for the period	9,192	5,768	(1,151)	711	36	(775)	13,781
Profit/(loss) for the period includes:							
Depreciation and amortization	(5,239)	(1,118)	(856)	(1,814)	(492)	(497)	(10,016)
Share of profits of associated companies	–	–	–	–	33	–	33
Share of losses from jointly controlled entities	(458)	–	–	–	–	–	(458)
Income tax expense	(766)	(1,138)	(145)	(284)	(61)	–	(2,394)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

6 SEGMENT INFORMATION (CONTINUED)

	Casual and fashion apparel US$'000 (unaudited)	Life-style apparel US$'000 (unaudited)	Sweater 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 2010							
Total segment revenue	239,670	86,217	35,886	60,412	8,389	–	430,574
Inter-segment revenue	(93,182)	(482)	(1,241)	(182)	(417)	–	(95,504)
Revenue (From external customers)	146,488	85,735	34,645	60,230	7,972	–	335,070
Segment profit/(loss) for the period	6,547	949	(711)	(1,748)	570	(800)	4,807
Profit/(loss) for the period includes:							
Depreciation and amortization	(5,453)	(1,213)	(412)	(2,284)	(420)	(472)	(10,254)
Share of losses of associated companies	–	–	–	–	(9)	–	(9)
Share of profits from jointly controlled entities	213	–	–	–	–	–	213
Income tax expense	(579)	(262)	(40)	(143)	(63)	–	(1,087)

Revenue between segments is recognized in accordance with the terms mutually agreed between the respective parties. The revenue from external parties is derived from numerous external customers and the revenue reported to the management is measured in a manner consistent with that in the condensed consolidated income statement. The management assesses the performance of the operating segments based on a measure of profit before corporate expenses and change in estimates of financial liabilities for the period.

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

	Six months ended 30 June	
	2011	2010
	US$'000	US$'000
	(Unaudited)	(Unaudited)
Segment profit for the period	**13,781**	4,807
Corporate expenses	**(4,089)**	(3,969)
Change in estimates of financial liabilities — net	**244**	6,453
Profit for the period	**9,936**	7,291

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

7 NON-CURRENT ASSETS HELD FOR SALE

Pursuant to a subscription and share purchase agreement signed on 9 June 2011, the Group entered into a transaction ("Transaction") involving the disposal of the subsidiaries in the real estate segment ("Disposal Group") to a company which is currently a subsidiary of the Group but will upon completion become a jointly controlled entity for a consideration of RMB354,699,000 (equivalent to US$54,738,000) in cash (of which RMB4,500,000 has been received as deposit, an amount of approximately RMB92,768,000 will be received upon completion and the remaining amount will be receivable by instalments) and 24% equity interest in the jointly controlled entity. The transaction is expected to be completed on or before 30 November 2011.

As at 30 June 2011, the recognition criteria for non-current assets held for sale have been met, and the assets and liabilities related to the Disposal Group were presented as assets and liabilities classified as held for sale.

The assets and liabilities related to the real estate segment have been presented as held for sale following the approval of the Group's directors on 30 June 2011 to sell subsidiaries of the segment.

The major classes of assets and liabilities of the Disposal Group are as follows:

(a) Assets of the Disposal Group classified as held for sale

	As at 30 June 2011 US$'000 (Unaudited)	As at 31 December 2010 US$'000 (Audited)
Properties under development	**30,355**	22,986
Property, plant and equipment	**3,415**	3,988
Cash and cash equivalents	**40**	66
Others	**68**	3,466
Total	**33,878**	30,506

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

7 NON-CURRENT ASSETS HELD FOR SALE (CONTINUED)

(b) Liabilities of the Disposal Group classified as held for sale

	As at 30 June 2011 US$'000 (Unaudited)	As at 31 December 2010 US$'000 (Audited)
Other payables and accruals	**89**	95
Deferred income tax liabilities	**2,549**	2,549
Total	**2,638**	2,644

(c) An analysis of the results of the Disposal Group is as follows:

	Six months ended 30 June	
	2011 US$'000 (Unaudited)	2010 US$'000 (Unaudited)
Revenue	**—**	—
Expenses	**(775)**	(800)
Loss before income tax from discontinued operations	**(775)**	(800)
Income tax expense	**—**	—
Loss after tax from discontinued operations	**(775)**	(800)
Loss for the period from discontinued operations attributable to:		
— Owners of the Company	**(775)**	(800)
— Non-controlling interests	**—**	—
Loss for the period from discontinued operations	**(775)**	(800)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

8 LEASEHOLD LAND AND LAND USE RIGHTS, PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

	Intangible assets					
	Goodwill US$'000 (Unaudited)	Customer relationship US$'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 2011						
Opening net book amount as at 1 January 2011	**45,282**	**19,786**	**65,068**	**105,479**	**8,788**	**179,335**
Additions	**–**	**–**	**–**	**5,863**	**–**	**5,863**
Disposals	**–**	**–**	**–**	**(1,009)**	**–**	**(1,009)**
Transfer to related companies	**–**	**–**	**–**	**(179)**	**–**	**(179)**
Depreciation and amortization	**–**	**(1,145)**	**(1,145)**	**(8,762)**	**(109)**	**(10,016)**
Transfer to Disposal Group *(Note 7(a))*	**–**	**–**	**–**	**(3,415)**	**–**	**(3,415)**
Exchange differences	**–**	**–**	**–**	**2,083**	**106**	**2,189**
Closing net book amount as at 30 June 2011	**45,282**	**18,641**	**63,923**	**100,060**	**8,785**	**172,768**
Six months ended 30 June 2010						
Opening net book amount as at 1 January 2010	44,925	22,077	67,002	104,970	8,868	180,840
Additions	–	–	–	5,880	–	5,880
Disposals	–	–	–	(736)	–	(736)
Depreciation and amortization	–	(1,146)	(1,146)	(9,001)	(107)	(10,254)
Transfer to Disposal Group *(Note 7(a))*	–	–	–	(3,988)	–	(3,988)
Exchange differences	–	–	–	1,087	15	1,102
Closing net book amount as at 30 June 2010	44,925	20,931	65,856	98,212	8,776	172,844

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

9 INVENTORIES

	As at 30 June 2011 US$'000 (Unaudited)	As at 31 December 2010 US$'000 (Audited)
Raw materials	**51,660**	38,564
Work in progress	**42,048**	25,536
Finished goods	**19,277**	15,130
	112,985	79,230

10 TRADE AND BILLS RECEIVABLES

	As at 30 June 2011 US$'000 (Unaudited)	As at 31 December 2010 US$'000 (Audited)
Trade and bills receivables	**156,457**	116,016
Less: provision for impairment of receivables	**(960)**	(773)
Trade and bills receivables — net	**155,497**	115,243

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

10 TRADE AND BILLS RECEIVABLES (CONTINUED)

The Group normally grants credit terms to its customers up to 120 days. The ageing analysis by due date of trade debtors net of provision for impairment is as follows:

	As at 30 June 2011 US$'000 (Unaudited)	As at 31 December 2010 US$'000 (Audited)
Current	**122,673**	88,783
1 to 30 days	**21,943**	16,432
31 to 60 days	**4,380**	3,097
61 to 90 days	**2,193**	2,037
91 to 120 days	**254**	228
Over 120 days	**4,054**	4,666
Amounts past due but not impaired	**32,824**	26,460
	155,497	115,243

11 SHARE CAPITAL

	Number of shares '000 (Unaudited)	**Nominal value US$'000 (Unaudited)**
Authorized — ordinary shares of US$0.01 each		
At 31 December 2010 and 30 June 2011	1,500,000	15,000
Issued and fully paid — ordinary shares of US$0.01 each		
At 1 January 2010	992,500	9,925
Exercise of share options by employees	166	2
At 30 June 2010	992,666	9,927
At 1 January 2011 and 30 June 2011	**992,666**	**9,927**

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

11 SHARE CAPITAL (CONTINUED)

Employee share option scheme: There was no option exercised during the period to 30 June 2011.

Options exercised during the period to 30 June 2010 resulted in 166,000 shares being issued, with exercise proceeds of US$15,000. The related weighted average price at the time of exercise was US$0.87 per share.

Share option

The Company has adopted a share option scheme (the "Scheme") which is effective for a period of 10 years commencing on 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

11 SHARE CAPITAL (CONTINUED)

Share option (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.

Movements in the number of share options are as follows:

			Number of shares				
Date of grant	Exercise period	Subscription price per share	Beginning of period '000	Granted '000	Lapsed/ Forfeited '000	Exercised '000	End of period '000
26 January 2006	From 26 January 2007 to 25 January 2011	HK$2.52	5,947	–	(5,947)	–	–
10 November 2006	From 10 November 2007 to 9 November 2011	HK$1.28	6,438	–	(15)	–	6,423
21 April 2008	From 21 April 2009 to 20 April 2013	HK$0.71	12,300	–	–	–	12,300
			24,685	–	(5,962)	–	18,723

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

12 OTHER RESERVES

	Share premium US$'000 (Unaudited)	Capital reserve (Note (i)) US$'000 (Unaudited)	Other capital reserve (Note (ii)) US$'000 (Unaudited)	Share based payment US$'000 (Unaudited)	Exchange reserve US$'000 (Unaudited)	Total US$'000 (Unaudited)
As at 1 January 2011	**117,018**	**11,722**	**(4,799)**	**1,787**	**8,183**	**133,911**
Currency translation differences	**–**	**–**	**–**	**–**	**1,761**	**1,761**
Share-based payment expenses	**–**	**–**	**–**	**13**	**–**	**13**
As at 30 June 2011	**117,018**	**11,722**	**(4,799)**	**1,800**	**9,944**	**135,685**
As at 1 January 2010	116,998	11,722	(34,633)	1,730	6,293	102,110
Currency translation differences	–	–	–	–	(26)	(26)
Derecognition of financial liabilities upon termination of the put options *(Note 22)*	–	–	20,383	–	–	20,383
Acquisition of remaining interests in a subsidiary from a non-controlling shareholder *(Note 22)*	–	–	9,451	–	–	9,451
Exercise of share options by employee	20	–	–	(6)	–	14
Share-based payment expenses	–	–	–	40	–	40
As at 30 June 2010	117,018	11,722	(4,799)	1,764	6,267	131,972

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 reserve primarily represents 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 when the put options are exercised, expired or terminated.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

13 BANK BORROWINGS

	As at 30 June 2011 US$'000 (Unaudited)	As at 31 December 2010 US$'000 (Audited)
Non-current		
Bank borrowings	**3,014**	3,063
Current		
Bank overdrafts	**667**	513
Trust receipt bank loans	**38,219**	19,926
Collateralized borrowings	**4,129**	5,806
Portion of bank borrowings from banks due for repayment within one year	**21,284**	13,809
Portion of bank borrowings from banks due for repayment after one year which contain a repayment on demand clause	**24,295**	21,135
	88,594	61,189
Total borrowings	**91,608**	64,252

Movement in bank borrowings is analyzed as follows:

	Six months ended 30 June	
	2011 US$'000 (Unaudited)	2010 US$'000 (Unaudited)
At 1 January	**64,252**	67,016
Additions	**34,260**	41,317
Repayment of borrowings	**(6,904)**	(33,575)
At 30 June	**91,608**	74,758

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

14 TRADE AND BILLS PAYABLES

At 30 June 2011, the ageing analysis of the trade and bills payables is as follows:

	As at 30 June 2011 US$'000 (Unaudited)	As at 31 December 2010 US$'000 (Audited)
0 to 30 days	**68,201**	53,346
31 to 60 days	**2,067**	2,401
61 to 90 days	**1,201**	205
Over 90 days	**3,421**	4,735
	74,890	60,687

15 OTHER GAINS/(LOSSES) — NET

	Six months ended 30 June	
	2011 US$'000 (Unaudited)	2010 US$'000 (Unaudited)
From continuing operations:		
Net fair value losses on derivative financial instruments	**(257)**	(179)
Net gains in foreign exchange forward contracts and interest rate swap	**740**	46
Net foreign exchange gains/(losses)	**1,029**	(3,611)
	1,512	(3,744)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

16 OPERATING PROFIT

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

	Six months ended 30 June	
	2011	2010
	US$'000	US$'000
	(Unaudited)	(Unaudited)
From continuing operations:		
Amortization of leasehold land and land use rights	**109**	107
Amortization of intangible assets	**1,145**	1,146
Depreciation of property, plant and equipment	**8,265**	8,529
Provision for/(reversal of) impairment of receivables	**187**	(491)
Provision for inventory obsolescence	**12**	125
From discontinued operations:		
Depreciation of property, plant and equipment	**497**	472

17 FINANCE INCOME AND COSTS

	Six months ended 30 June	
	2011	2010
	US$'000	US$'000
	(Unaudited)	(Unaudited)
From continuing operations:		
Interest expense on bank loans and overdrafts	**(718)**	(768)
Finance costs	**(718)**	(768)
Interest income	**166**	205
Change in estimates of financial liabilities — net *(Note)*	**244**	6,453
Finance income	**410**	6,658
Finance (costs)/income — net	**(308)**	5,890

Note:

The net effect of the change in estimates related to the financial liabilities in connection with the put options granted to the vendors of the non-controlling interests of certain subsidiaries, which were terminated during the period (see Note 22). Such change in estimates represented the changes in estimated final redemption amount.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

18 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 16.5%) on the estimated assessable profit for the 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	
	2011	2010
	US$'000	US$'000
	(Unaudited)	(Unaudited)
Current income tax	**1,961**	553
Deferred income tax	**433**	534
	2,394	1,087

Notes:

(i) In prior years, a Hong Kong subsidiary received notices of additional assessments/assessments from the Hong Kong Inland Revenue Department (the "IRD") for the years of assessment 2000/01 to 2007/08 and 2009/10 demanding for tax totalling US$3,887,000 in respect of certain income, which the directors have regarded as not be subject to Hong Kong Profits Tax. The directors have thoroughly revisited the situations and have concluded that the subsidiary has grounds to defend that the relevant profits are not subject to Hong Kong Profits Tax. In these circumstances, the directors have filed objections to these additional assessments/assessments and consider that sufficient tax provision has been made in the financial statements. The subsidiary company has paid the amount of US$3,497,000 in the form of Tax Reserve Certificates. The Tax Reserve Certificates amount paid was included in prepayments in the condensed consolidated balance sheet as at 30 June 2011.

(ii) In prior years, two other subsidiaries were under tax audit conducted by the IRD and have received additional assessments from years of assessments 2000/01 to 2008/09, demanding tax totalling US$10,185,000. Some of these assessments are protective assessments issued before the expiry of the statutory time-barred period pending the result of the tax audit. These subsidiaries have lodged objections to these assessments. The directors consider that sufficient tax provision has been made in the condensed consolidated interim financial information in this regard.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

19 EARNINGS PER SHARE

(a) Basic

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

	Six months ended 30 June	
	2011	2010
	US$'000	US$'000
	(Unaudited)	(Unaudited)
Profit/(loss) attributable to owners of the Company		
— Continuing operations	**8,460**	8,301
— Discontinued operations	**(775)**	(800)
Profit attributable to owners of the Company	**7,685**	7,501
Weighted average number of ordinary shares in issue (thousands)	**992,666**	992,559
Basic earnings/(losses) per share (US cents per share)		
— Continuing operations	**0.85**	0.84
— Discontinued operations	**(0.08)**	(0.08)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

19 EARNINGS PER SHARE (CONTINUED)

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has share options which have potential dilutive effect on its ordinary shares. A calculation is done to determine the number of shares that could have been acquired at fair value (as determined by the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares in issue (thousands)	**992,666**	992,559
Adjustment for share options (thousands)	**1,463**	—
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**994,129**	992,559
Diluted earnings/(losses) per share (US cents per share)		
— Continuing operations	**0.85**	0.84
— Discontinued operations	**(0.08)**	(0.08)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

20 DIVIDENDS

	Six months ended 30 June	
	2011	2010
	US$'000	US$'000
	(Unaudited)	(Unaudited)
Interim dividend — US0.233 cent or equivalent to HK$1.817 cents (2010: US0.227 cent) per ordinary share	**2,313**	2,253

The interim dividend of US0.233 cent per share (2010: US0.227 cent per share) was proposed by the Board of Directors on 30 August 2011. This condensed consolidated interim financial information does not reflect this dividend payable.

21 CAPITAL COMMITMENTS

	As at 30 June 2011	As at 31 December 2010
	US$'000	US$'000
	(Unaudited)	(Audited)
Contracted but not provided for		
— Property, plant and equipment	**97**	101
— Properties under development	**—**	32,889
	97	32,990

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

22 TRANSACTIONS WITH NON-CONTROLLING INTEREST

On 14 June 2010, the Group acquired the remaining 40% equity interest in Trinew for a cash consideration of US$7,315,000 from a non-controlling shareholder. The carrying amount of the non-controlling interest in Trinew at the date of acquisition was US$9,451,000. In addition, the call and put options that were granted in previous years in relation to the acquisition of such remaining equity interests in On Time International Limited ("On Time") and Trinew Limited ("Trinew") were cancelled. The financial liabilities in relation to the put options granted to the vendors of On Time and Trinew were re-measured to an amount of approximately US$24,805,000 upon the termination of these options. The financial liability in relation to the acquisition of the remaining equity interests in On Time of US$17,490,000 was then derecognized against the equity while the financial liabilities in relation to the acquisition of Trinew of US$7,315,000 was settled upon the acquisition of 40% equity interest in Trinew.

23 RELATED-PARTY TRANSACTIONS

Capital Glory Limited, a company incorporated in the British Virgin Islands, owns 61.88% interest in the Company's shares. The Directors regard the ultimate holding company of the Company to be Helmsley Enterprises Limited, a company incorporated in 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's Family").

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

23 RELATED-PARTY TRANSACTIONS (CONTINUED)

(a) Transactions with related parties (Continued)

(i) Provision of goods and services

	Six months ended 30 June	
	2011	2010
	US$'000	US$'000
	(Unaudited)	(Unaudited)
Management fee income from		
— related companies	**80**	83
— a jointly controlled entity	**2,761**	73
	2,841	156
Commission income from related companies	**354**	340
Freight forwarding and logistics service income from		
— related companies	**236**	199
— jointly controlled entities	**180**	125
	416	324
Rental income from related companies	**165**	73
Subcontracting income from jointly controlled entities	**1,352**	1,300
Service income from		
— related companies	**119**	102
— jointly controlled entities	**756**	—
	875	102
Advance payments to		
— related companies	**30**	86
— a jointly controlled entity	**1,190**	352
	1,220	438
Recharge of material costs and other expenses from		
— related companies	**768**	2,372
— jointly controlled entities	**3,478**	5,279
	4,246	7,651

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

23 RELATED-PARTY TRANSACTIONS (CONTINUED)

(a) Transactions with related parties (Continued)

(ii) *Purchases of goods and services*

	Six months ended 30 June	
	2011	2010
	US$'000	US$'000
	(Unaudited)	(Unaudited)
Rental expenses for occupying office premises, warehouses and staff quarters charged by related companies	**746**	794
Professional and technological support service fees to related companies	**1,077**	1,153
Subcontracting fee charged by jointly controlled entities	**6,381**	5,958
Commission expense charged by jointly controlled entities	**883**	979
Recharge of material costs and other expenses		
— related companies	**343**	299
— jointly controlled entities	**1,872**	2,138
	2,215	2,437
Purchases of materials from		
— related companies	**—**	4,650
— jointly controlled entities	**6**	—
	6	4,650
Management fees charged by a jointly controlled entity	**441**	—

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

23 RELATED-PARTY TRANSACTIONS (CONTINUED)

(b) Key management compensation

	Six months ended 30 June	
	2011	2010
	US$'000	US$'000
	(Unaudited)	(Unaudited)
Salaries and allowances	**3,364**	4,360
Others	**500**	500
	3,864	4,860

(c) Banking facilities

As at 30 June 2011, certain banking facilities of the Group were supported by corporate guarantees given by the Company.

The Company also provided corporate guarantees to the extent of US$11,613,000, equivalent to HK$90,000,000 (2010: US$11,613,000, equivalent to HK$90,000,000) to Yuen Thai Industrial Co. Ltd., a jointly controlled entity of the Group.

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

As at 30 June 2011, the outstanding balances with the related companies, associated companies and jointly controlled entities are unsecured, interest-free and repayable on demand.

The credit quality of these balances that are neither past due nor impaired can be assessed by reference to historical information about counter party default rates. None of them have defaults and been renegotiated in the past.

(e) In accordance with the deed of the indemnity dated 27 June 2004 in connection with the group reorganization in contemplation of the listing of the Company's shares on the Stock Exchange of Hong Kong Limited, any claims, actions, losses, damages, tax and charges against the Group in relation to periods prior to July 2004 would, subject to the terms contained in the deed, be indemnified and reimbursed by certain of the then shareholders of the Company.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

24 CONTINGENT LIABILITIES AND LITIGATION

The Group is involved in various labor 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.

25 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

(a) Details of the interim dividend proposed are given in Note 20.

(b) The Transaction mentioned in Note 7 was in progress up to the date of this interim report. Management expected that the Transaction would be completed on or before 30 November 2011.

26 COMPARATIVE FIGURES

Comparative figures related to non-current assets held for sale have been reclassified to conform to the current period's presentation.

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 2011. 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 auditor, 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 recorded revenue of approximately US$436,659,000 for the six-month period ended 30 June 2011, representing a 30.3% increase when compared to the same period in 2010. The overall increase in revenue was mainly due to (i) the increase in units of production by approximately 11%; (ii) the increase in average selling price (ASP) due to the change of product mix and increase in product complexity and (iii) the increase in raw material cost which was partially absorbed by the customers. Though the cost of production remained at a high level, the Company was able to maintain an average gross margin at 16.3% when compared to 16% gross margin for the second half of 2010. Luen Thai's overall gross profit for the six months ended 30 June 2011 increased to approximately US$71,291,000, as compared to US$61,041,000 for the same period in 2010.

During the period under review, the operating environment was still challenging. Cotton price remained highly volatile, and operating cost kept increasing in the mainland China. The Group, however, has managed to grow the business through engaging in a product reengineering exercise with certain customers and continual close cooperation with our key vendors and customers. The Group has continued to implement cost control initiatives, and this was reflected by the decrease in the Group's selling and distribution expenses. The increase in the general and administrative expenses was however due mainly to the start up costs incurred for capacity expansion outside China.

The profit attributable to owners of the Company for the six months ended 30 June 2011 showed a slight increase of 2.5% to approximately US$7,685,000 when compared to that recorded for the same period last year.

Segmental Review

Apparel and Accessories businesses remained the major sources of the Group's revenue for the six months ended 30 June 2011, which accounted for approximately 79.4% and 18.7% respectively of the Group's total revenue for the period.

Apparel Supply Chain Management Services

The revenue and profit brought by the ladies wear business within the Casual and Fashion Apparel Division remained strong for the period under review. The customer base of our life-style apparel business has been successfully diversified, and such segment also benefited from the stabilization of Euro during the period under review, which resulted in an increase in revenue and net profit. The Sweater Division has reported a loss in the first half of 2011. This was mainly due to the seasonality nature of its business and the start-up costs for the production facilities acquired in Indonesia.

Accessory Supply Chain Management Services

The efficiency of the Accessories Division has continued to improve and the Division has also broadened its customer base and product lines. Despite the Division's incurrence of additional start up costs as a result of the increase in production capacity in the Philippines, it still recorded a profit of approximately US$711,000 for the six months ended 30 June 2011 as compared to a loss of US$1,748,000 for the same period last year. The Company expects that the Division will benefit from its recent increase in production capacity in the Philippines, taking into account the expansion plan of one of our major customers of the Division.

Real Estate and Logistics

As disclosed in the Company's circular dated 26 August 2011, Chang Jia International Limited ("**Chang Jia**"), an indirect wholly owned subsidiary of the Company, entered into a subscription and share purchase agreement on 9 June 2011 with, among other parties, Sunshine 100 Real Estate Group Co., Ltd. ("**Sunshine 100**") and Luen Thai Land Limited. Pursuant to the agreement, Chang Jia would (a) acquire from Shan Ying Limited, a wholly owned subsidiary of Luen Thai Land Limited, a property holding company which will on completion indirectly hold certain pieces of land located in Qingyuan, Guangdong Province, the PRC with a total area of approximately 428,272.9 square metres and (b) acquire from Shiny New Limited ("**Shiny New**"), an indirect wholly owned subsidiary of the Company, a property holding company which will on completion indirectly hold certain pieces of land located in Qingyuan with a total area of approximately 503,517.53 square metres and (c) Keyasia Investments Limited ("**Keyasia**"), an associated company of Sunshine 100, will subscribe shares in Chang Jia at a consideration of RMB180 million. Upon completion, Chang Jia will be owned as to 55%, 24% and 21% by Keyasia, Shiny New and Shan Ying respectively. This transaction effectively disposes the Company's Real Estate Division through the formation of a joint venture with Luen Thai Land Limited and Sunshine 100, and the expected gain on such disposal is approximately US$16.9 million.

The Group's freight forwarding and logistics services recorded a revenue of approximately US$8,239,000 for the period under review, representing an increase of 3.3% over the same period in 2010.

Markets

Geographically, Europe and the US remained as our key export markets for the six-month period ended 30 June 2011. The total revenue that we generated from the Europe and US markets collectively accounted for approximately 74.2% of the Group's total revenue in the first half of 2011.

Asia market (mainly Greater China and Japan) continued to be a growing one which accounted for approximately 13.7% of the Group's total revenue in the first half of 2011.

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.

The severe competition within the apparel and accessories markets has dwindled the room for survival of smaller players as evidenced by the reduction of production capacities available. Luen Thai will continue to look for value-enhancing acquisition and joint venture opportunities to further expand our product range, production capacity and diversify our geographical risk.

The Company is in preliminary discussions with different potential acquisition targets with a view to expanding capacities outside China and diversifying our product range on consumer products manufacturing. None of these discussions has materialized into any binding commitment to the Group at this stage.

Liquidity and Financial Resources

The financial position of the Group remained stable for the period under review. As at 30 June 2011, the total cash and cash equivalents of the Group approximately amounted to US$69,646,000, representing a decrease of US$12,195,000 over the balance as at 31 December 2010. Such decrease in cash and cash equivalent is mainly due to the seasonality nature of the business which required more working capital during the interim period. The Group's total bank borrowings as at 30 June 2011 was approximately US$91,608,000, representing an increase of approximately 42.6% as compared to approximately US$64,252,000 at 31 December 2010.

Gearing ratio is defined as net debt (representing by bank borrowings net of cash and cash equivalents) divided by shareholders' equity. As at 30 June 2011, the gearing ratio of the Group was 0.07 (30 June 2010: 0.04).

As at 30 June 2011, the maturity profile of the Group's bank borrowings spread over five years, with approximately US$88,594,000 repayable within one year or on demand, approximately US$203,000 in the second year and approximately US$2,811,000 in the third to fifth year.

Foreign Exchange Risk Management

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

It is expected that the labor cost in China will continue to increase at a rate of about 15% to 20% per year in the next few years. In view of the increasing costs in China, more and more customers have been requesting their strategic supply chain partners to formulate a non-China production strategy to cope with their business growth. With our D2S (or Design to Store) business model and the implementation of lean reengineering strategy in recent years, we have been recognized as the long term supply chain strategic partner by certain of our major apparel and accessories customers in the USA, Europe and Japan. These customers are sharing with us their respective growth plans and indicate their potential needs for our non-China production facilities.

Against this backdrop, we are actively seeking new production capacities outside mainland China (e.g. Cambodia) and expanding our current non-China production bases in the Philippines and Indonesia. Our current production and outsourcing capacities in mainland China account for approximately 65% to 70% of our current output. We plan to increase our non-China production capacities by 65% to 70% by the end of 2013. We shall maintain our current level of China production capacities while executing our non-China strategy to grow with our major customers.

We believe our non-China strategy will offer us a more cost-effective position so that we will be able to at least maintain our current margin in the apparel business. As to the accessories business, we currently target, subject to unforeseen changing market development and customers' requirements, to achieve a similar margin level with the apparel business by 2013.

In addition, we intend to continue to eliminate the non-profitable accounts and dispose of non-performing business lines in order to achieve our target cost saving of approximately US$3 million per year by 2013.

While we shall continue to focus on our core competence on apparel and accessories supply chain management, we believe that our recent disposal of the Qingyuan land through the formation of joint venture with Sunshine 100 and Luen Thai Land Limited shall contribute profit to the Group in the future. On the other hand, as the labor cost continues to increase in China and so as the value of the residential land, we shall consider conversion of the Dongguan industrial land for real estate development project.

Contingent Liabilities and Off-Balance Sheet Obligations

The Group is involved in various labor 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 2011, the Group has over 27,000 employees around the world. Luen Thai believes that employees are the most important and valuable asset of the Group, a critical success factor for the long-term growth and sustainability 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 promoting 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” programmes and initiatives across its global operations.

OTHER INFORMATION

Interim Dividend

The Board has resolved to declare an interim dividend of HK1.817 cents per Share (2010: HK1.764 cents) for the six months ended 30 June 2011 to be payable to shareholders whose names appear on the Register of Members of the Company on 7 October 2011.

The interim dividend will be paid on or around 21 October 2011.

Closure of Register of Members

The Register of Members of the Company will be closed from 4 October 2011 to 7 October 2011, 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 Rooms 1712–1716, 17th Floor, Hopewell Center, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on 3 October 2011 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.

During the six-month period ended 30 June 2011, 5,946,500 share options granted on 26 January 2006 were lapsed and 15,000 share options granted on 10 November 2006 were forfeited.

The following is a summary of options outstanding as of 30 June 2011:

	Note	**Date of grant (dd/mm/yyyy)**	**Exercisable period (dd/mm/yyyy)**	**Exercise price per share**	**No. of share options**
TAN Henry	4	10/11/2006	10/11/2007–09/11/2011	HK$1.28	250,000
TAN Cho Lung, Raymond	4	10/11/2006	10/11/2007–09/11/2011	HK$1.28	150,000
MOK Siu Wan, Anne	4	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
					2,700,000
TAN Sunny	4	10/11/2006	10/11/2007–09/11/2011	HK$1.28	400,000
Other employees		10/11/2006	10/11/2007–09/11/2011	HK$1.28	4,923,000
		21/04/2008	21/04/2009–20/04/2013	HK$0.71	10,300,000
					15,223,000
Total		10/11/2006	10/11/2007–09/11/2011	HK$1.28	6,423,000
		21/04/2008	21/04/2009–20/04/2013	HK$0.71	12,300,000
					18,723,000

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. None of the share options granted and outstanding as at 30 June 2011 has been exercised or lapsed/forfeited up to the date of approval of the Company's 2011 Interim Report.

4. Mr. Tan Henry, Mr. Tan Cho Lung, Raymond, Ms. Mok Siu Wan, Anne and Mr. Tan Sunny are executive Directors of the Company.

Directors' and Chief Executives' Interests in Shares

As at 30 June 2011, 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)*	5,987,000	0.60%
	Interest of controlled corporation *(Note 1)*	10,000,000	1.01%
TAN Henry	Beneficial owner *(Note 3)*	250,000	0.03%
	Interest of controlled corporation *(Note 2)*	677,000,000	68.20%
TAN Cho Lung, Raymond	Beneficial owner *(Notes 3 & 5)*	1,853,000	0.19%
MOK Siu Wan, Anne	Beneficial owner *(Notes 3 & 4)*	2,700,000	0.27%
TAN Sunny	Beneficial owner *(Notes 3 & 7)*	722,000	0.07%
TAN Willie	Beneficial owner *(Note 6)*	1,000,000	0.10%

Notes:

1. Mr. Tan Siu Lin as a trustee indirectly controls the entire issued capital of Wincare International Company Limited, which in turn holds directly 5,987,000 shares of the Company (or approximately 0.60% of the issued share capital of the Company). Mr. Tan Siu Lin also controls and is a subscriber and founding member of Tan Siu Lin Foundation Limited, which in turn owns directly 10,000,000 shares of the Company (or approximately 1.01% of the issued share capital of the Company).

2. Mr. Tan Henry is the beneficial owner of 3,500 issued shares (representing 70% interest) in Helmsley Enterprises Limited ("Helmsley"), a company incorporated in the Commonwealth of the Bahamas. Helmsley wholly owns Capital Glory Limited and indirectly owns Hanium Industries Limited, which own 614,250,000 Shares and 17,100,000 Shares respectively or approximately 63.60% aggregate interest in the issued share capital of the Company.

   Mr. Tan Henry is the beneficial owner of 5,543,668 issued shares (representing 35% interest) in Tan Holdings Corporation. Tan Holdings Corporation wholly owns Union Bright Limited, which in turn owns 43,650,000 Shares, or approximately 4.40% interest in the issued share capital of the Company.

   Mr. Tan Henry also controls and has the interest in Double Joy Investment Limited, a company incorporated in the British Virgin Islands, which directly owns 2,000,000 shares of the Company (or approximately 0.20% of the issued share capital of the Company).

3. 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.

4. Ms. Mok Siu Wan, Anne is a grantee of the share options granted by the Company on 21 April 2008.

5. A total of 1,703,000 shares of the Company were acquired by an associate of Mr. Tan Cho Lung, Raymond between 2006 and 2011. He is therefore deemed under Part XV of the SFO to be interested in all of the 1,703,000 shares acquired by his associate.

6. A total of 1,000,000 shares of the Company were acquired by an associate of Mr. Tan Willie, in 2011. He is therefore deemed under Part XV of the SFO to be interested in all of the 1,000,000 shares acquired by his associate.

7. Mr. Tan Sunny acquired a total of 322,000 shares of the Company in 2006.

Substantial Shareholders

As at 30 June 2011, 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 & b)	Beneficial owner	614,250,000	61.88%
Helmsley	(a & b)	Interest of controlled corporation	631,350,000	63.60%
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%

Notes:

(a) Capital Glory Limited ("Capital Glory"), a company incorporated in the British Virgin Islands ("BVI") 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) Both of Mr. Tan Siu Lin and Mr. Tan Henry are directors in each of Capital Glory Limited and Helmsley Enterprises Limited, companies which have interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

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 2011, 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 2011.

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, 30 August 2011