LUEN THAI HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 311)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2006

GROUP FINANCIAL HIGHLIGHTS

	Six months ended 30 June	
	2006	2005
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Turnover	**275,309**	267,484
Operating profit	**8,562**	15,033
Profit attributable to equity holders of the Company	**6,146**	12,505
Profit margin (ratio of profit attributable to equity holders of the Company to turnover)	**2.23%**	4.68%
Basic EPS (US cents)	**0.62**	1.28

The board of directors (the "Board") of Luen Thai Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the "Group" or "Luen Thai") for the six months ended 30 June 2006.

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

For the period ended 30 June 2006

		Six months ended 30 June	
		2006	2005
	Note	***US$'000***	*US$'000*
		(Unaudited)	(Unaudited)
Sales	*3*	**275,309**	267,484
Cost of goods sold		**(218,284)**	(212,738)
Gross profit		**57,025**	54,746
Other gain (net)		**1,093**	1,833
Selling and distribution expenses		**(7,611)**	(4,312)
General and administrative expenses		**(41,945)**	(37,234)
Operating profit		**8,562**	15,033
Interest income		**1,409**	850
Finance costs	*4*	**(3,162)**	(1,396)
Share of profit/(loss) of associated companies		**64**	(1,745)
Share of (loss)/profit of jointly controlled entities		**(348)**	31
Profit before income tax	*5*	**6,525**	12,773
Income tax expense	*6*	**(406)**	(88)
Profit for the period		**6,119**	12,685
Attributable to:			
Equity holders of the Company		**6,146**	12,505
Minority interest		**(27)**	180
		6,119	12,685
Earnings per share for profit attributable to the equity holders of the Company, expressed in US cents per share	*7*		
– Basic		**0.62**	1.28
– Diluted		**0.62**	1.28
Dividends	*8*	**1,846**	2,422

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

	Note	**As at 30 June 2006** ***US$'000*** **(Unaudited)**	As at 31 December 2005 *US$'000* (Audited)
ASSETS			
Non-current assets			
Leasehold land and land use rights		**4,676**	4,727
Property, plant and equipment		**87,691**	84,309
Intangible assets		**23,977**	21,852
Interests in associated companies		**297**	231
Interests in jointly controlled entities		**29,263**	2,560
Deferred tax assets		**820**	792
Other non-current assets		**4,978**	4,558
Total non-current assets		**151,702**	119,029
Current assets			
Inventories		**85,162**	64,783
Trade receivables	*9*	**76,415**	71,318
Deposits, prepayments and other receivables		**10,955**	6,934
Amounts due from related companies		**1,936**	3,273
Amounts due from jointly controlled entities and associated companies		**3,728**	2,045
Cash and cash equivalents		**115,882**	148,038
Total current assets		**294,078**	296,391
Total assets		**445,780**	415,420
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital		**9,925**	9,925
Other reserves	*11*	**118,264**	117,726
Retained earnings	*11*	**95,661**	91,063
		223,850	218,714
Minority interest		**5,263**	5,290
Total equity		**229,113**	224,004
LIABILITIES			
Non-current liabilities			
Bank borrowings		**40,500**	386
Retirement benefit obligations		**2,330**	2,041
Deferred income tax liabilities		**555**	401
Other long-term liabilities		**6,460**	10,296
Total non-current liabilities		**49,845**	13,124
Current liabilities			
Trade and bills payables	*10*	**41,003**	31,558
Other payables and accruals		**79,625**	58,068
Amounts due to related companies		**427**	2,775
Amounts due to jointly controlled entities and associated companies		**223**	–
Bank borrowings		**42,947**	83,301
Current income tax liabilities		**2,597**	2,590
Total current liabilities		**166,822**	178,292
Total liabilities		**216,667**	191,416
Total equity and liabilities		**445,780**	415,420
Net current assets		**127,256**	118,099
Total assets less current liabilities		**278,958**	237,128

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. BASIS OF PRESENTATION

This condensed consolidated interim financial information for the six months ended 30 June 2006 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 2005.

2. ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of and as described in the annual financial statements for the year ended 31 December 2005.

The following new standards, amendments to standards and interpretations are mandatory for financial year ending 31 December 2006.

- Amendment to HKAS 19, "Actuarial gains and losses, group plans and disclosures", effective for annual periods beginning on or after 1 January 2006. The Group decided to retain its former accounting policy regarding the recognition of actuarial gains and losses.
- Amendment to HKAS 39, 'The fair value option', effective for annual periods beginning on or after 1 January 2006. This amendment does not have any impact on the classification and valuation of the Group's financial instruments classified as at fair value through profit or loss prior to 1 January 2006 as the Group is able to comply with the amended criteria for the designation of financial instruments at fair value through profit and loss.
- Amendment to HKAS 21, 'Net investment in a foreign operation', effective for annual periods beginning on or after 1 January 2006. The amendment to this standard does not result in substantial changes to the Group's accounting policies.
- Amendment to HKAS 39 and HKFRS 4, 'Financial guarantee contracts', effective for annual periods beginning on or after 1 January 2006. The amendment to this standard does not result in substantial changes to the Group's accounting policies.
- HK(IFRIC)-Int 4, 'Determining whether an arrangement contains a lease', effective for annual periods beginning on or after 1 January 2006. This interpretation does not result in substantial changes to the Group's accounting policies.

The following new standards, amendments to standards and interpretations have been issued but are not effective for 2006 and have not been early adopted:

- HK(IFRIC)-Int 7, 'Applying the Restatement Approach under HKAS 29', effective for annual periods beginning on or after 1 March 2006. Management do not expect the interpretation to be relevant for the Group; and
- HKFRS 7, 'Financial instruments: Disclosures', effective for annual periods beginning on or after 1 January 2007. HKAS 1, 'Amendments to capital disclosures', effective for annual periods beginning on or after 1 January 2007. The Group assessed the impact of HKFRS 7 and the amendment to HKAS 1 and concluded that the main additional disclosures will be the sensitivity analysis to market risk and capital disclosures required by the amendment of HKAS 1. The Group will apply HKFRS 7 and the amendment to HKAS 1 from annual periods beginning 1 January 2007.

3. SEGMENT INFORMATION

Primary reporting format – business segments

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

	For the six months ended 30 June 2006		
	Garment	**Freight forwarding/ logistics services**	**Group**
	US$'000	***US$'000***	***US$'000***
	(Unaudited)	**(Unaudited)**	**(Unaudited)**
Segment revenues			
Total segment revenue	**269,271**	**7,390**	**276,661**
Inter-segment revenue	**–**	**(1,352)**	**(1,352)**
Revenue	**269,271**	**6,038**	**275,309**
Operating profit/segment result	**7,963**	**599**	**8,562**
Interest income	**1,203**	**206**	**1,409**
Finance costs	**(3,162)**	**–**	**(3,162)**
Share of profit of associated companies	**–**	**64**	**64**
Share of loss of jointly controlled entities	**(348)**	**–**	**(348)**
Profit before income tax			**6,525**
Income tax expense	**(303)**	**(103)**	**(406)**
Profit for the period			**6,119**
Minority interest	**79**	**(52)**	**27**
Profit attributable to the equity holders of the Company			**6,146**

The segment results for the six months ended 30 June 2005 are as follows:

	For the six months ended 30 June 2005		
	Garment US$'000 (Unaudited)	Freight forwarding/ logistics services US$'000 (Unaudited)	Group US$'000 (Unaudited)
Segment revenues			
Total segment revenue	261,361	7,032	268,393
Inter-segment revenue	–	(909)	(909)
Revenue	261,361	6,123	267,484
Operating profit/segment result	13,848	1,185	15,033
Interest income	816	34	850
Finance costs	(1,396)	–	(1,396)
Share of loss of associated companies	–	(1,745)	(1,745)
Share of profit of jointly controlled entities	31	–	31
Profit before income tax			12,773
Income tax expense	(4)	(84)	(88)
Profit for the period			12,685
Minority interest	(159)	(21)	(180)
Profit attributable to the equity holders of the Company			12,505

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

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

	For the six months ended 30 June 2005		
	Garment US$'000 (Unaudited)	Freight forwarding/ logistics services US$'000 (Unaudited)	Group US$'000 (Unaudited)
Depreciation	5,063	288	5,351
Amortization	161	–	161
Impairment of trade receivables	248	34	282
Write-back for inventory obsolescence	(1,054)	–	(1,054)

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

	Garment ***US$'000*** **(Unaudited)**	**Freight forwarding/ logistics services** ***US$'000*** **(Unaudited)**	**Group** ***US$'000*** **(Unaudited)**
Segment assets	**390,694**	**24,706**	**415,400**
Associated companies	**8**	**289**	**297**
Jointly controlled entities	**29,263**	**–**	**29,263**
	419,965	**24,995**	**444,960**
Unallocated assets			**820**
Total assets			**445,780**
Segment liabilities	**203,711**	**9,804**	**213,515**
Unallocated liabilities			**3,152**
Total liabilities			**216,667**
Capital expenditure	**8,109**	**1,749**	**9,858**

The segment assets and liabilities at 31 December 2005 and capital expenditure for the six months ended 30 June 2005 are as follows:

	Garment US$'000 (Unaudited)	Freight forwarding/ logistics services US$'000 (Unaudited)	Group US$'000 (Unaudited)
Segment assets	387,712	24,125	411,837
Associated companies	8	223	231
Jointly controlled entities	2,560	–	2,560
	390,280	24,348	414,628
Unallocated assets			792
Total assets			415,420
Segment liabilities	178,255	10,170	188,425
Unallocated liabilities			2,991
Total liabilities			191,416
Capital expenditure	31,412	667	32,079

Assets consist primarily of tangible and intangible assets, other non-current assets, current financial assets, inventories, receivables and operating cash. They exclude deferred taxation.

Segment liabilities comprise operating liabilities. They exclude items such as taxation.

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

Secondary reporting format – geographical segments

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

	Six months ended 30 June	
	2006 ***US$'000*** **(Unaudited)**	2005 US$'000 (Unaudited)
Sales		
The United States	**182,467**	184,930
Europe	**36,832**	30,661
Japan	**35,005**	27,211
Canada	**1,675**	1,663
Commonwealth of Northern Mariana Islands	**3,456**	3,200
Hong Kong	**2,059**	1,788
Korea	**2,672**	1,868
The Philippines	**726**	598
Australia	**1,044**	1,281
Mexico	**724**	1,295
Cambodia	**273**	62
Others	**8,376**	12,927
	275,309	267,484

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

	As at	
	30 June 2006 ***US$'000*** **(Unaudited)**	31 December 2005 US$'000 (Audited)
Total Assets		
Hong Kong	**198,711**	206,998
The United States	**39,970**	37,483
The PRC	**97,394**	87,402
Commonwealth of Northern Mariana Islands	**25,032**	23,772
The Philippines	**33,658**	37,784
Others	**21,455**	19,190
	416,220	412,629
Associated companies	**297**	231
Jointly controlled entities	**29,263**	2,560
	445,780	415,420

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

	Six months ended 30 June	
	2006 ***US$'000*** **(Unaudited)**	2005 US$'000 (Unaudited)
Capital expenditure		
Hong Kong	**1,358**	20,386
The United States	**758**	87
The PRC	**5,852**	9,909
Commonwealth of Northern Mariana Islands	**1,111**	705
The Philippines	**718**	752
Others	**61**	240
	9,858	32,079

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

4. FINANCE COSTS

	Six months ended 30 June	
	2006 ***US$'000*** **(Unaudited)**	2005 US$'000 (Unaudited)
Interest expense on bank borrowings	**1,832**	1,396
Change in estimates of financial liabilities	**1,330**	–
	3,162	1,396

5. PROFIT BEFORE INCOME TAX

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

	Six months ended 30 June	
	2006 ***US$'000*** **(Unaudited)**	2005 US$'000 (Unaudited)
Amortization of leasehold land and land use rights	**51**	39
Amortization of intangible assets	**367**	122
Amortization of intangible assets (included in share of loss of jointly controlled entities)	**165**	–
Depreciation of property, plant and equipment	**6,012**	5,351
Write-back of other payables	**(778)**	(5,407)
Employee benefit expenses	**55,447**	52,830

6. INCOME TAXES

Hong Kong profits tax has been provided at the rates of 17.5% (2005: 17.5%) on the estimated assessable profit for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

	Six months ended 30 June	
	2006 ***US$'000*** **(Unaudited)**	2005 US$'000 (Unaudited)
Current income tax:		
– Hong Kong profits tax	**134**	609
– Overseas taxation		
– Current period	**557**	2,538
– Over-provision in prior years	**(411)**	(3,338)
Deferred income tax	**126**	279
	406	88

7. EARNING 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	
	2006 ***US$'000*** **(Unaudited)**	2005 US$'000 (Unaudited)
Profit attributable to equity holders of the Company	**6,146**	12,505
Weighted average number of ordinary shares in issue	**992,500,000**	974,061,326
Basic earnings per share (US cents)	**0.62**	1.28

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

8. DIVIDENDS

	Six months ended 30 June	
	2006 ***US$'000*** **(Unaudited)**	2005 US$'000 (Unaudited)
Proposed interim dividend – US 0.186 cent (or equivalent to HK1.45 cents) (2005: US 0.244 cent) per share	**1,846**	2,422

9. TRADE RECEIVABLES

	As at 30 June 2006 ***US$'000*** **(Unaudited)**	As at 31 December 2005 US$'000 (Audited)
Trade receivables	**78,394**	73,217
Less: provision for impairment of receivables	**(1,979)**	(1,899)
	76,415	71,318

The majority of the Group's sales are on letter of credit or documents against payment. The remaining amounts are with credit terms to its customers ranging from 30 to 60 days. At 30 June 2006, the ageing analysis of the trade receivables was as follows:

	As at 30 June 2006 ***US$'000*** **(Unaudited)**	As at 31 December 2005 US$'000 (Audited)
Current	**52,520**	41,851
0 to 30 days	**13,557**	15,831
31 to 60 days	**3,492**	4,902
61 to 90 days	**1,659**	2,704
Over 91 days	**7,166**	7,929
	78,394	73,217

10. TRADE AND BILLS PAYABLES

At 30 June 2006, the ageing analysis of the trade and bills payables was as follows:

	As at 30 June 2006 ***US$'000*** **(Unaudited)**	As at 31 December 2005 US$'000 (Audited)
Current	**18,049**	16,242
0 to 30 days	**8,785**	8,464
31 to 60 days	**5,322**	909
61 to 90 days	**3,610**	1,602
Over 91 days	**5,237**	4,341
	41,003	31,558

11. RESERVES

	Share premium *US$'000* (Unaudited)	Capital reserve *US$'000* (Unaudited)	Other reserve *US$'000* (Unaudited)	Exchange reserve *US$'000* (Unaudited)	Share based compensation reserve *US$'000* (Unaudited)	Retained earnings *US$'000* (Unaudited)	Total *US$'000* (Unaudited)
As at 1 January 2005	71,686	11,722	–	(3,609)	–	85,406	165,205
Issue of new shares	45,312	–	–	–	–	–	45,312
Profit attributable to equity holders of the Company	–	–	–	–	–	12,505	12,505
Recognition of financial liability arisen from acquisition of a subsidiary	–	–	(5,536)	–	–	–	(5,536)
Dividends	–	–	–	–	–	(5,163)	(5,163)
Exchange differences arising on translation of foreign subsidiaries	–	–	–	89	–	–	89
As at 30 June 2005	116,998	11,722	(5,536)	(3,520)	–	92,748	212,412
As at 1 January 2006	**116,998**	**11,722**	**(6,928)**	**(4,066)**	**–**	**91,063**	**208,789**
Profit attributable to equity holders of the Company	**–**	**–**	**–**	**–**	**–**	**6,146**	**6,146**
Share based compensation expenses	**–**	**–**	**–**	**–**	**221**	**–**	**221**
Dividends	**–**	**–**	**–**	**–**	**–**	**(1,548)**	**(1,548)**
Exchange differences arising on translation of foreign subsidiaries	**–**	**–**	**–**	**317**	**–**	**–**	**317**
As at 30 June 2006	**116,998**	**11,722**	**(6,928)**	**(3,749)**	**221**	**95,661**	**213,925**

12. COMPARATIVE FIGURES

Certain 2005 comparative figures have been reclassified to conform to the current period's presentation.

MANAGEMENT DISCUSSION & ANALYSIS

Results of Operations and Overview

The first few months of 2006 still brought some challenges not only to the Group but also to the whole apparel industry, an upshot from the trade disputes between China and the United States resulting from the reinstatement of quota in certain product categories, which was only settled at the end of 2005. Those challenges plus the unexpected high prices of quota in the first half of the year required the Group to continue effecting certain adjustments in its production plans, which inevitably affected our operational efficiency. We had to incur additional logistics and labor costs in order to meet production deadlines that caused our margins to adjust downward. The Group is currently in the process of re-balancing its production base and rationalizing its product categories and customers to further improve its operational efficiency.

Luen Thai's core business remains intact despite the challenges that we had to overcome from uncertainties brought about by changes in trade regulations. For the six months ended 30 June 2006, the Group recorded a turnover of approximately US$275 million, representing an increase of 2.9 % compared to the corresponding period last year, resulting from the proportionate 3.0% increase in apparel turnover.

We have again increased our business in Europe and in Japan by approximately US$6.2 million or 20.1% and US$7.8 million or 28.6%, respectively, which is still significant compared to approximately US$10.2 million and US$2.5 million increase in the same period of 2005. This supports the Group's multi-country, multi-product strategy that is expected to continue to help insulate it from other uncertainties that may result from possible anti-surge measures and other trade regulations of major markets.

During the period under review, gross margin recorded a slight increase of 0.2% point to 20.7% whereas the operating margin decreased from 5.6% to 3.1% when compared to the same period last year. The Group's selling and distribution expenses increased by 76.5% or approximately US$3.3 million during the first six months of 2006, mainly due to the increase in freight costs. General and administrative expenses also increased by 12.7% or approximately US$4.7 million over the same period last year as a result of the expansion and acquisition.

The profit attributable to equity holders of the Company for the six months ended 30 June 2006 therefore suffered a decline of 50.9% to approximately US$6.1 million when compared to that recorded for the same period last year.

The increase in effective tax rate is mainly due to the decrease in derecognition of certain tax provision as compared to the same period last year.

Apparel Operations

The first half of 2006 showed a continued growth in the apparel business of the Group. We have been successful in enhancing our business in Europe and in Japan, as shown by the significant increase in sales this year, thereby reducing the Group's reliance in the US market and would enable us to effectively sustain mitigation of geographical risks. During the period under review, casual wear division was faced with operational challenges resulting from the trade disputes and structural changes on the global apparel trade regulations. On the other hand, sleepwear/fashion division performed very well continuing its success from 2005. Also, Partner Joy Group Limited ("Partner Joy"), in which we acquired 71% interests in 2005, has been operating well and developing some cross-selling opportunities in accordance with the Group's expectations. Partner Joy is principally engaged in manufacturing and trading of sweaters through its three wholly owned subsidiaries in Hong Kong.

Moreover, to further enhance Luen Thai's design capabilities and expand our European business to further consolidate our industry leadership, the Group entered into an agreement in March 2006 to acquire 50% stake in On Time International Limited ("On Time Group"), which is principally engaged in the design, sourcing and distribution on a worldwide basis of garments and other textile products.

In Cebu, Philippines, our newly acquired facility through a joint venture company, Yuenthai Philippines, Inc., has completed its renovation and started to operate also in March 2006. This expands our active wear operations and would reinforce our market reach in the US, Europe and Japan.

In Dongguan, China, where our first supply chain city is located, a development center for On Time Group was recently set up. Also, we have opened another 32,000-square-meter building in the same location, which is all set to accommodate the projected growth of our China production starting with the ladies' suits and fashion wear. It will house certain subsidiaries' offices and technical center as well.

These developments confirm our capability for multi-product development and manufacturing, as well as delivery of fashion-forward goods to customers. We will remain competitive through rebalancing our production facilities and rationalizing our product categories and customers.

Logistics and Freight Forwarding Operations

For the six months ended 30 June 2006, the logistics division recorded a turnover of US$6.0 million representing a 1.4% decrease from US$6.1 million for the same period last year. The Management expects the logistics division to improve its operations in the second half of 2006.

The opening of our distribution centre in Los Angeles in 2004 has indeed enhanced the Group's capability to provide better logistics services and has been showing positive impact in the overall operation of the logistics division.

Liquidity and Financial Resources

The financial position of the Group remains strong. As at 30 June 2006, the Group's total cash and cash equivalents approximately amounts to US$104.6 million, an increase of US$24.6 million over the balance as at 31 December 2005.

Gearing ratio is defined as net debt (representing by bank borrowings net of cash and bank balances) divided by shareholders' funds. As at 30 June 2006, the Group is in a net cash position and hence no gearing ratio is presented.

As at 30 June 2006, the maturity profile of the Group's bank borrowings spread over ten years with approximately US$60.9 million repayable within one to five years and US$22.5 million repayable over five years.

Foreign Exchange Risk Management

The Group adopts a prudent policy to hedge the fluctuation of exchange rates. Most of the Group's operating activities are denominated in US dollars and Hong Kong dollars. For those activities denominated in other currencies, the Group may enter into forward contracts with large and reputable financial institutions to hedge its receivable and payable denominated in foreign currencies to reduce the risks involved in exchange rate fluctuations. As at 30 June 2006, the Group has no outstanding foreign currency exchange contract.

Acquisitions and Joint Ventures

Acquisitions and joint ventures remain an important part of the Group's growth strategy, with the proven success of certain acquisitions and joint ventures particularly in the past three years, allowing the Group to expand into other apparel product categories such as sleepwear, ladies career wear, active wear and sweaters, which accordingly increased the Group's market share in the apparel business.

In January 2006, Luen Thai entered into a 50%-50% joint venture agreement with Guangdong Foreign Trade Group Co., Ltd., to establish Shenzhen Guangthai International Co. Ltd., which is expected to give Luen Thai a strong outsourcing platform in various products in China.

In March 2006, Luen Thai entered into an agreement to acquire 50% stake in On Time Group, which is expected to further enhance Luen Thai's design capabilities, which along with its production scale, will speed up turnaround times and bring in more European business to the Group.

Acquisitions and joint ventures are one of Luen Thai's core competencies considering our scale, management and strong customer relationships. We will continue to capitalize on these to become one of the major consolidators and beneficiaries in the "quota-free" era in the apparel industry. The Group is currently in different stages of negotiation on acquisitions and joint ventures opportunities.

Future Plans and Prospects

Looking ahead, we expect our business to improve as order flow has started to stabilize due to effective enforcement of trade agreements between major markets and with the implementation of China's quota allocation system. The stabilization of order flow will eventually increase our operational efficiency. Furthermore, we expect to gain on the current developments in the apparel industry on the strength of our product innovation capabilities and value-added services from design support, fabric development to logistics services.

Along with our organic growth, the Group will continue to expand through acquisitions and joint ventures where we would balance our portfolio globally on customers/markets, product categories and countries of production. We expect the Group to benefit from its post-acquisition synergies, which are consistent with the Group's multi-country and multi-product strategy. With newly acquired companies such as Partner Joy and On Time Group, Luen Thai will further expand through outsourcing, in addition to internal capacity expansion.

Operation of diversified manufacturing base in different countries is still important in servicing our customers in view of possible regulatory measures against China. However, as we recognize the importance of quality and lead-time to our customers, we expect our China operations to continue to play an important role in providing customer satisfaction. We believe that it has the required efficiency that will continue to aid Luen Thai's global competitiveness.

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

Luen Thai has a current manpower of approximately 25,000 located in various locations worldwide. A professional and multicultural management team whose specialties have been honed in the industry manages the operation of the Group. This executive and management team complements the Group's strategic objectives, business model and corporate values. As part of our commitment to being a learning organization, Luen Thai set up technical training schools to support its expansion of facilities. The schools train new hires in basic sewing machine operations and aid existing operators in learning new methods for diversified product ranges. We also conduct supervisory and management training for supervisors and managers to assist them in realizing their leadership and management potentials. The Group offers its staff competitive remuneration schemes. In addition, share options are granted to eligible employees as incentive for their contribution to the Group.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period under review.

CORPORATE GOVERNANCE

Throughout the period ended 30 June 2006, the Company has been in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules.

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

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

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

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

MODEL CODE

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standards set out in the Model Code for Securities Transactions ("the "Model Code"). After having made specific enquiry of all Directors, the Directors confirmed that they have complied with the required standards as set out in the Model Code and its code of conduct regarding securities transactions by Directors during the six months ended 30 June 2006.

REVIEW OF INTERIM RESULTS

The Group's unaudited interim financial information for the six months ended 30 June 2006 have been reviewed by the Company's audit committee, and the Company's auditors, PricewaterhouseCoopers, in accordance with Statement of Auditing Standard 700 "Engagements to review interim financial reports" issued by the Hong Kong Institute of Certified Public Accountants.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of 1.45 HK cents per Share (2005: 1.9 HK cents) for the six months ended 30 June 2006 to be payable to shareholders whose names appear on the Register of Members of the Company on 25 October 2006.

The interim dividend will be paid on or around 1 November 2006

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 23 October 2006 to 25 October 2006, both days inclusive, during which period no transfer of shares will be effected. All transfers, accompanied by the relevant share certificates, must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:00 p.m. on 20 October 2006 in order to qualify for the interim dividend mentioned above.

DISCLOSURE OF INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

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

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

Hong Kong, 21 September 2006

As at the date of this announcement, the Board of Directors comprises Mr. Tan Siu Lin, Mr. Tan Henry, Mr. Tan Cho Lung, Raymond, Mr. Tan Sunny and Ms. Mok Siu Wan, Anne as executive Directors; Mr. Tan Willie as non-executive Director; Mr. Chan Henry, Mr. Cheung Siu Kee and Mr. Seing Nea Yie as independent non-executive Directors.