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LUEN THAI HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 311)

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2010

GROUP FINANCIAL HIGHLIGHTS

	For the year ended 31 December	
	2010	2009
	US$'000	*US$'000*
Revenue	**794,017**	774,892
Operating profit	**17,662**	19,418
Profit attributable to owners of the parent	**18,052**	15,220
Profit margin (ratio of profit attributable to owners of the parent to revenue)	**2.3%**	2.0%
Basic EPS (US cents)	**1.8**	1.5

The board of directors (the "Board") of Luen Thai Holdings Limited (the "Company") is pleased to announce the consolidated result of the Company and its subsidiaries (collectively, the "Group" or "Luen Thai") for the year ended 31 December 2010.

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2010

	Note	**2010**	2009
		US$'000	*US$'000*
Revenue	3	**794,017**	774,892
Cost of sales		**(659,682)**	(631,872)
Gross profit		**134,335**	143,020
Other (losses)/gains — net		**(2,714)**	3,433
Selling and distribution expenses		**(15,885)**	(13,670)
General and administrative expenses		**(98,074)**	(113,365)
Operating profit		**17,662**	19,418
Finance income	5	**6,787**	4,982
Finance costs	5	**(1,488)**	(3,225)
Finance income — net	5	**5,299**	1,757
Share of losses of associated companies		**(8)**	(15)
Share of profits of jointly controlled entities		**402**	371
Profit before income tax		**23,355**	21,531
Income tax expense	6	**(4,092)**	(2,524)
Profit for the year		**19,263**	19,007
Profit attributable to:			
Owners of the parent		**18,052**	15,220
Non-controlling interests		**1,211**	3,787
		19,263	19,007
Earnings per share for profit attributable to owners of the parent during the year (expressed in US cents per share)			
— Basic	7	**1.8**	1.5
— Diluted	7	**1.8**	1.5

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

	2010	2009
	US$'000	*US$'000*
Profit for the year	**19,263**	19,007
Other comprehensive income		
Currency translation differences	**1,948**	(280)
Total comprehensive income for the year	**21,211**	18,727
Attributable to:		
— Owners of the parent	**19,942**	14,848
— Non-controlling interests	**1,269**	3,879
	21,211	18,727

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December **2010** *US$'000*	2009 *US$'000* (restated)	As at 1 January 2009 *US$'000* (restated)
ASSETS				
Non-current assets				
Leasehold land and land use rights		**8,788**	8,868	10,644
Property, plant and equipment		**105,479**	104,970	117,679
Intangible assets		**65,068**	67,002	68,870
Interests in associated companies		**494**	372	377
Interests in jointly controlled entities		**10,246**	9,813	9,531
Deferred income tax assets		**630**	991	230
Properties under development		**22,986**	—	—
Other non-current assets		**3,827**	4,346	4,955
Total non-current assets		**217,518**	196,362	212,286
Current assets				
Inventories		**79,230**	62,341	76,208
Properties under development		**—**	20,758	—
Trade and bills receivable	9	**115,243**	110,001	108,351
Amounts due from related companies		**2,339**	2,702	4,143
Amounts due from associated companies and jointly controlled entities		**4,395**	5,192	1,584
Deposits, prepayments and other receivables		**25,028**	18,423	19,876
Prepaid tax		**1,000**	370	—
Pledged bank deposit		**1,723**	1,564	1,509
Cash and cash equivalents		**81,907**	107,550	117,839
Total current assets		**310,865**	328,901	329,510
Total assets		**528,383**	525,263	541,796
EQUITY				
Equity attributable to owners of the parent				
Share capital		**9,927**	9,925	9,925
Other reserves	11	**133,911**	102,110	101,340
Retained earnings				
— Proposed final dividend		**3,167**	2,343	1,439
— Others		**129,716**	119,977	108,858
		276,721	234,355	221,562
Non-controlling interests		**10,839**	21,821	24,898
Total equity		**287,560**	256,176	246,460

	Note	As at 31 December 2010 US$'000	2009 US$'000 (restated)	As at 1 January 2009 US$'000 (restated)
LIABILITIES				
Non-current liabilities				
Bank borrowings		**3,063**	—	—
Loan from a non-controlling shareholder of a subsidiary		**—**	3,097	3,097
Retirement benefit obligations		**5,687**	2,841	2,431
Deferred income tax liabilities		**6,557**	6,781	5,075
Consideration payable and financial liabilities		**—**	31,259	33,959
Total non-current liabilities		**15,307**	43,978	44,562
Current liabilities				
Trade and bills payable	10	**60,687**	50,242	66,196
Other payables and accruals		**90,810**	87,364	81,039
Amounts due to related companies		**1,852**	1,309	817
Amounts due to associated companies and jointly controlled entities		**1,308**	4,340	3,953
Borrowings		**61,189**	67,016	83,540
Derivative financial instruments		**727**	22	2,199
Current income tax liabilities		**8,943**	14,816	13,030
Total current liabilities		**225,516**	225,109	250,774
Total liabilities		**240,823**	269,087	295,336
Total equity and liabilities		**528,383**	525,263	541,796
Net current assets		**85,349**	103,792	78,736
Total assets less current liabilities		**302,867**	300,154	291,022

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

1. GENERAL INFORMATION

Luen Thai Holdings Limited (the "Company") is principally an investment holding company. 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.

2. BASIS OF PREPARATION

The consolidated financial statements of Luen Thai Holdings Limited have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of the financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies.

(a) New and amended standards adopted by the Group

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2010

- HKFRS 3 (revised), 'Business combinations', and consequential amendments to HKAS 27, 'Consolidated and separate financial statements', HKAS 28, 'Investments in associates', and HKAS 31, 'Interests in joint ventures', are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.

  The revised standard continues to apply the acquisition method to business combinations but with some significant changes compared with HKFRS 3. For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the statement of comprehensive income. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs are expensed. The Group has applied the revised standard to account for the business combination during the year to the financial statements.

  HKAS 27 (revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognized in profit or loss. Previously transactions with non-controlling interests were treated as transactions with parties external to the Group. Disposals therefore resulted in gains or losses in profit or loss and purchases resulted in the recognition of goodwill. On disposal or partial disposal, a proportionate interest in reserves attributable to the subsidiary was reclassified to profit or loss or directly to retained earnings.

- HKAS 17 (amendment), 'Leases', deletes specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating lease using the general principles of HKAS 17, i.e. whether the lease transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. Prior to the amendment, land interest which title is not expected to pass to the Group by the end of the lease term was classified as operating lease under "Leasehold land and land use rights", and amortised over the lease term. The change in accounting policy has no material impact on the Group's consolidated financial statements.

- In November 2010 the HKICPA issued Hong Kong Interpretation 5 'Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause'. The Interpretation is effective immediately and is a clarification of an existing standard, HKAS 1 'Presentation of Financial Statements'. It sets out the conclusion reached by the HKICPA that a bank loan which contains a clause which gives the lender the unconditional right to demand repayment at any time shall be classified as a current liability in accordance with paragraph 69(d) of HKAS 1 irrespective of the probability that the lender will invoke the clause without cause.

  In order to comply with the requirements of Hong Kong Interpretation 5, the Group has changed its accounting policy on the classification of bank loans that contain a repayment on demand clause. Under the new policy, bank loans with clauses which give the lender the unconditional right to call the loan at any time are classified as current liabilities in the consolidated balance sheet. Previously such bank loans were classified in accordance with the agreed repayment schedule unless the Group had breached any of the loan covenants set out in the agreement as of the reporting date or otherwise had reason to believe that the lender would invoke its rights under the immediate repayment clause within the foreseeable future.

  The new accounting policy has been applied retrospectively by re-presenting the opening balances at 1 January 2009, with consequential reclassification adjustments to comparatives for the year ended 31 December 2009. The reclassification has had no effect on reported profit or loss, total comprehensive income or equity for any period presented.

  Effect of adoption of Hong Kong Interpretation 5 on the consolidated balance sheet:

	31 December 2010	31 December 2009	1 January 2009
	US$'000	*US$'000*	*US$'000*
Increase/(decrease) in			
Current liabilities			
Bank borrowings	**21,134**	27,071	33,259
Non-current liabilities			
Bank borrowings	**(21,134)**	(27,071)	(33,259)

(b) New and amended standards, and interpretations mandatory for the first time for the financial year beginning 1 January 2010 but not currently relevant to the Group (although they may affect the accounting for future transactions and events)

- HK(IFRIC) 9, 'Reassessment of embedded derivatives and HKAS 39, Financial instruments: Recognition and measurement', effective 1 July 2009. This amendment to HK(IFRIC) 9 requires an entity to assess whether an embedded derivative should be separated from a host contract when the entity reclassifies a hybrid financial asset out of the 'fair value through profit or loss' category. This assessment is to be made based on circumstances that existed on the later of the date the entity first became a party to the contract and the date of any contract amendments that significantly change the cash flows of the contract. If the entity is unable to make this assessment, the hybrid instrument must remains classified as at fair value through profit or loss in its entirety. The adoption of this amendment did not have a material impact on the Group's financial statements.

- HK(IFRIC) 16, 'Hedges of a net investment in a foreign operation' effective 1 July 2009. This amendment states that, in a hedge of a net investment in a foreign operation, qualifying hedging instruments may be held by any entity or entities within the Group, including the foreign operation itself, as long as the designation, documentation and effectiveness requirements of HKAS 39 that relate to a net investment hedge are satisfied. In particular, the Group should clearly document its hedging strategy because of the possibility of different designations at different levels of the Group. The adoption of this amendment did not have a material impact on the Group's financial statements.

- HK(IFRIC) 17, 'Distribution of non-cash assets to owners' (effective on or after 1 July 2009). The interpretation was published in November 2008. This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. HKFRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable. This is not currently applicable to the Group, as it has not made any non-cash distributions.

- HK(IFRIC) 18, 'Transfers of assets from customers', effective for transfer of assets received on or after 1 July 2009. This interpretation clarifies the requirements of IFRSs for agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water). In some cases, the entity receives cash from a customer that must be used only to acquire or construct the item of property, plant, and equipment in order to connect the customer to a network or provide the customer with ongoing access to a supply of goods or services (or to do both). This is not currently applicable to the Group, as there is no transfers of assets from customers.

- HKAS 1 (amendment), 'Presentation of financial statements'. The amendment clarifies that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. The adoption of this amendment did not have a material impact on the Group's financial statements.

- HKAS 36 (amendment), 'Impairment of assets', effective 1 January 2010. The amendment clarifies that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment, as defined by paragraph 5 of HKFRS 8, 'Operating segments' (that is, before the aggregation of segments with similar economic characteristics). The adoption of this amendment did not have a material impact on the Group's financial statements.

- HKAS 39 (amendment), 'Eligible hedge items', effective 1 January 2010. It prohibits designating inflation as a hedgeable component of a fixed rate debt. Inflation is not separately identifiable and reliably measurable as a risk or a portion of a financial instrument, unless it is a contractually specified portion of the cash flows of a recognized inflation-linked bond whose other cash flows are unaffected by the inflation portion. It also prohibits including time value in a one-sided hedged risk when designating options as hedges. An entity may only designate the change in the intrinsic value of an option as the hedging instrument of a one-sided risk arising from a forecast transaction in a hedging relationship. A one-sided risk is that changes in cash flows or fair value of a hedged item is above or below a specified price or other variable. This is not currently applicable to the Group, as it has no hedging.

- HKFRS 2 (amendments), 'Group cash-settled share-based payment transactions', effective form 1 January 2010. In addition to incorporating IFRIC/HK(IFRIC) 8, 'Scope of HKFRS 2', and HK(IFRIC) 11, 'HKFRS 2—Group and treasury share transactions', the amendments expand on the guidance in HK(IFRIC) 11 to address the classification of Group arrangements that were not covered by that interpretation. This is not currently applicable to the Group, as it has no such share-based payment transactions.

- HKFRS 5 (amendment), 'Non-current assets held for sale and discontinued operations'. The amendment clarificaties that HKFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirement of HKAS 1 still apply, in particular paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of HKAS 1. The adoption of this amendment did not have a material impact on the Group's financial statements.

- First improvements to Hong Kong Financial Reporting Standards (2008) were issued in October 2008 by the HKICPA. The improvement related to HKFRS 5 "Non-current assets held for sale and discontinued operations" is effective for annual period on or after 1 July 2009.

- Second improvements to Hong Kong Financial Reporting Standards (2009) were issued in May 2009 by the HKICPA. All improvements are effective in the financial year of 2010.

(c) New standards, amendments and interpretations have been issued but are not effective for the financial year beginning 1 January 2010 and have not been early adopted

The Group's assessment of the impact of these new standards and interpretations is set out below.

- HKFRS 9, 'Financial instruments', issued in November 2009. This standard is the first step in the process to replace HKAS 39, 'Financial instruments: recognition and measurement'. HKFRS 9 introduces new requirements for classifying and measuring financial assets and is likely to affect the Group's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. The Group is yet to assess HKFRS 9's full impact. The Group has not yet decided when to adopt HKFRS 9.

- HKAS 12 (amendment), 'Deferred tax: Recovery of underlying assets', effective 1 January 2012. It introduces an exception to the principle for the measurement of deferred tax assets or liabilities arising on an investment property measured at fair value. No early adoption is made by the Group and it is not relevant to the Group.

- HKAS 24 (revised), 'Related party disclosures', issued in November 2009. It supersedes HKAS 24, 'Related party disclosures', issued in 2003. HKAS 24 (revised) is mandatory for periods beginning on or after 1 January 2011. Earlier application, in whole or in part, is permitted.

  The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The Group will apply the revised standard from 1 January 2011. When the revised standard is applied, the Group and the parent will need to disclose any transactions between its subsidiaries and its associates. The Group is currently putting systems in place to capture the necessary information. It is, therefore, not possible at this stage to disclose the impact, if any, of the revised standard on the related party disclosures.

- 'Classification of rights issues' (amendment to HKAS 32), issued in October 2009. The amendment applies to annual periods beginning on or after 1 February 2010. Earlier application is permitted. The amendment addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities. The amendment applies retrospectively in accordance with IAS 8 'Accounting policies, changes in accounting estimates and errors'. The Group will apply the amended standard from 1 January 2011.

- Prepayments of a minimum funding requirement' (amendments to HK (IFRIC) — Int 14). The amendments correct an unintended consequence of HK (IFRIC) — Int 14, 'HKAS 19 — The limit on a defined benefit asset, minimum funding requirements and their interaction'. Without the amendments, entities are not permitted to recognize as an asset some voluntary prepayments for minimum funding contributions. This was not intended when HK (IFRIC) — Int 14 was issued, and the amendments correct this. The amendments are effective for annual periods beginning 1 January 2011. Earlier application is permitted. The amendments should be applied retrospectively to the earliest comparative period presented. This is not currently applicable to the Group.

- HK (IFRIC) — Int 19, 'Extinguishing financial liabilities with equity instruments', effective 1 July 2010. The interpretation clarifies the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability (debt for equity swap). It requires a gain or loss to be recognized in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments should be measured to reflect the fair value of the financial liability extinguished. The Group will apply the interpretation from 1 January 2011. The adoption of this standard did not have a material impact on the Group's financial statements.

- Third improvements to Hong Kong Financial Reporting Standards (2010) were issued in May 2010 by the HKICPA. All improvements are effective in the financial year of 2011.

3. 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 year ended 31 December 2010 is as follows:

	Casual and fashion apparel	Life-style apparel	Sweaters	Accessories	Freight forwarding/ logistics services	Real estate	Total Group
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Total segment revenue	589,940	170,896	122,375	131,836	15,295	—	1,030,342
Inter-segment revenue	(219,664)	(745)	(15,130)	—	(786)	—	(236,325)
Revenue (from external customers)	370,276	170,151	107,245	131,836	14,509	—	794,017
Segment profit/(loss) for the year	13,783	3,989	3,313	1,328	316	(1,590)	21,139
Profit/(loss) for the year includes:							
Depreciation and amortization	(10,753)	(2,387)	(1,092)	(3,810)	(1,020)	(967)	(20,029)
Share of losses of associated companies	—	—	—	—	(8)	—	(8)
Share of profits of jointly controlled entities	402	—	—	—	—	—	402
Income tax expense	(1,549)	(904)	(1,006)	(460)	(173)	—	(4,092)

The segment information provided to the executive directors for the reportable segments for the year ended 31 December 2009 is as follows:

	Casual and fashion apparel US$'000	Life-style apparel US$'000	Sweaters US$'000	Accessories US$'000	Freight forwarding/ logistics services US$'000	Real estate US$'000	Total Group US$'000
Total segment revenue	350,696	197,730	128,888	108,606	13,621	—	799,541
Inter-segment revenue	(8,159)	(726)	(14,050)	(1,096)	(618)	—	(24,649)
Revenue (from external customers)	342,537	197,004	114,838	107,510	13,003	—	774,892
Segment profit/(loss) for the year	15,824	14,550	4,319	(7,394)	1,575	(2,134)	26,740
Profit/(loss) for the year includes:							
Depreciation and amortization	(11,721)	(2,520)	(927)	(3,947)	(873)	(236)	(20,224)
Share of losses of associated companies	—	—	—	—	(15)	—	(15)
Share of profits/(losses) of jointly controlled entities	506	—	(135)	—	—	—	371
Income tax (expense)/credit	(1,072)	828	(1,012)	(1,752)	484	—	(2,524)

Revenues between segments are carried out 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 consolidated income statement. The management assesses the performance of the operating segments based on a measure of profit before corporate expenses, write-off on property, plant and equipment and change in estimates of financial liabilities and the amortized interest costs of the financial liabilities for the year.

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

	2010 ***US$'000***	2009 *US$'000*
Segment profit for the year	**21,139**	26,740
Corporate expenses *(Note)*	**(8,330)**	(7,575)
Write-off of property, plant and equipment	**—**	(3,646)
Change in estimates of financial liabilities — net	**6,454**	4,042
Interest expense on financial liabilities carried at amortized cost	**—**	(1,179)
Excess of the Group's interest in the fair values of identifiable net assets acquired over the cost of the acquisition	**—**	625
Profit for the year	**19,263**	19,007

Note: Corporate expenses represent general corporate expenses such as executive salary and other unallocated general and administrative expenses.

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

	2010	2009
	US$'000	*US$'000*
Analysis of revenue by geographical location		
The United States	**412,857**	390,965
Europe	**209,708**	236,258
Japan	**38,532**	61,907
The PRC	**60,125**	29,654
Others	**72,795**	56,108
	794,017	774,892

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

Revenue of approximately US$108,500,000 (2009: US$162,600,000) and US$122,500,000 (2009: US$147,500,000) are derived from two single external customers. These revenues are attributable to the life-style and casual and fashion apparels, respectively.

4. EXPENSES BY NATURE

	2010	2009
	US$'000	*US$'000*
Amortization of leasehold land and land use rights	**206**	229
Amortization of intangible assets	**2,291**	2,291
Depreciation of property, plant and equipment	**17,532**	17,704
Write-off of property, plant and equipment	**—**	3,646
Provision for impairment of trade receivables	**688**	902
Provision for inventory obsolescence	**1,808**	916
Employee benefit expense	**137,072**	126,691

5. FINANCE INCOME AND COSTS

	2010	2009
	US$'000	*US$'000*
Interest expense on bank loans and overdrafts	**1,488**	2,046
Interest expense on financial liabilities carried at amortized costs	**—**	1,179
Finance costs	**1,488**	3,225
Interest income	**(333)**	(940)
Change in estimates of financial liabilities	**(6,454)**	(4,042)
Finance income	**(6,787)**	(4,982)
Net finance income	**(5,299)**	(1,757)

6. TAXATION

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

	2010	2009
	US$'000	*US$'000*
Current income tax	**4,150**	6,059
Over-provision in prior years	**(195)**	(1,930)
Deferred income tax	**137**	(1,605)
	4,092	2,524

Note:

(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 has regarded as not subject to Hong Kong Profits Tax. The directors have thoroughly revisited the situations and have concluded that the subsidiary company 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$3,453,000 in the form of Tax Reserve Certificates. The Tax Reserve Certificates amount paid was included in prepayments in the consolidated balance sheet as at 31 December 2010.

(ii) In prior years, two other subsidiaries were under tax audit conducted by the IRD and have received additional 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 the assessments. The directors consider that sufficient tax provision has been made in the consolidated financial statements in this regard.

7. EARNINGS PER SHARE

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

(a) Basic

	2010	2009
	US$'000	*US$'000*
Profit attributable to owners of the parent	**18,052**	15,220
Weighted average number of ordinary shares in issue *(thousands)*	**992,613**	992,500
Basic earnings per share *(US cents per share)*	**1.8**	1.5

(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 (determined as 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.

	2010	2009
Weighted average number of ordinary shares in issue *(thousands)*	**992,613**	992,500
Adjustment for share options *(thousands)*	**927**	—
Weighted average number of ordinary shares for diluted earnings per share *(thousands)*	**993,540**	992,500
Diluted earnings per share *(US cents per share)*	**1.8**	1.5

There was no dilutive effect on earnings per share for the year ended 31 December 2009 since all outstanding share options were anti-dilutive.

8. DIVIDENDS

	2010	2009
	US$'000	*US$'000*
Interim dividend paid of US0.227 cent or equivalent to HK1.764 cents (2009: US0.224 cents) per ordinary share	**2,253**	2,223
Proposed final dividend of US0.319 cent or equivalent to HK2.488 cents (2009: US0.236 cents) per ordinary share	**3,167**	2,343
	5,420	4,566

The directors have recommended the payment of a final dividend of US cent of 0.319 per share, totaling US$3,167,000. Such dividend is to be approved by the shareholders at the forthcoming Annual General Meeting. These financial statements do not reflect this dividend payable.

9. TRADE AND BILLS RECEIVABLE

	2010	2009
	US$'000	*US$'000*
Trade and bills receivable	**116,016**	111,322
Less: provision for impairment of trade and bills receivable	**(773)**	(1,321)
Trade and bills receivable — net	**115,243**	110,001

The carrying amount of trade and bills receivable approximates its fair value.

The Group normally grants credit terms to its customers up to 120 days. At 31 December 2010 and 2009, the ageing analysis of the trade and bills receivable based on due date is as follows:

	2010	2009
	US$'000	*US$'000*
Current	**88,783**	75,905
1 to 30 days	**16,432**	23,876
31 to 60 days	**3,097**	4,218
61 to 90 days	**2,037**	2,234
91 to 120 days	**228**	881
Over 120 days	**4,666**	2,887
Amounts past due but not impaired	**26,460**	34,096
	115,243	110,001

10. TRADE AND BILLS PAYABLE

At 31 December 2010, the ageing analysis of the trade and bills payable were as follows:

	2010	2009
	US$'000	*US$'000*
0 to 30 days	**53,346**	41,564
31 to 60 days	**2,401**	2,010
61 to 90 days	**205**	1,548
Over 90 days	**4,735**	5,120
	60,687	50,242

11. RESERVES

	Share premium *US$'000*	Capital reserve *US$'000*	Other capital reserves *US$'000*	Share based compensation reserves *US$'000*	Exchange reserve *US$'000*	Total *US$'000*
At 1 January 2009	116,998	11,722	(35,572)	1,527	6,665	101,340
Derecognition of financial liabilities upon acquisition of remaining interest in a subsidiary from a non-controlling shareholder	—	—	939	—	—	939
Share-based payment expenses	—	—	—	203	—	203
Exchange differences arising on translation of foreign subsidiaries	—	—	—	—	(372)	(372)
At 31 December 2009	116,998	11,722	(34,633)	1,730	6,293	102,110
At 1 January 2010	116,998	11,722	(34,633)	1,730	6,293	102,110
Derecognition of financial liabilities upon termination of the put options	—	—	20,383	—	—	20,383
Acquisition of remaining interest in a subsidiary from a non-controlling shareholder	—	—	9,451	—	—	9,451
Exercise of share options by employees	20	—	—	(6)	—	14
Share-based payment expenses	—	—	—	63	—	63
Exchange differences arising on translation of foreign subsidiaries	—	—	—	—	1,890	1,890
At 31 December 2010	117,018	11,722	(4,799)	1,787	8,183	133,911

MANAGEMENT DISCUSSION & ANALYSIS

Result Review

For the year ended 31 December 2010, the Group's revenue increased by 2.5% to approximately US$794,017,000 when compared to 2009. The increase in revenue is mainly due to the increase in business with certain customers, particularly those under the Accessories Division amid the gradual stabilization of the global economy.

Luen Thai's overall gross profit for 2010 was approximately US$134,335,000, representing an decrease of 6.1% over 2009. The overall gross profit margin in 2010 was approximately 16.9% as compared to 18.5% in 2009. The decrease in gross profit margin was mainly due to the constant rise in raw material costs, in particular the increase in the world cotton price. The Group's operating expenses (including the selling and distribution expenses and the general and administrative expenses) decreased from US$127,035,000 in 2009 to approximately US$113,959,000 in 2010, representing a decrease of 10.3% over 2009 as a result of our continuous success in certain cost cutting initiatives.

As mentioned in the 2010 interim report of the Company, the significant increase in finance income during the year under review was mainly due to the de-recognition of financial liabilities as a result of the termination of an option deed entered into with one of the Group's joint venture partners back in 2006 relating to the joint venture business in On Time International Limited, a 60%-owned subsidiary of the Group. Details of such termination of option deed were stated in the Company's announcement dated 24 May 2010. The Board believes that the cancellation of the option deed would ensure the stable management structure, which is conducive to the long term development of the joint venture business.

The profit attributable to the owners of the parent increased to US$18,052,000 as compared to US$15,220,000 in 2009.

Segmental Review

Apparel businesses, comprising our Causal and Fashion Apparel Division, Sweater Division and Life Style Division, accounted for approximately 81.6% of the Group's total revenue in 2010. These apparel businesses include the Group's OEM garment manufacturing, garment sourcing and trading. The challenges that the apparel businesses were facing in 2010 were mainly the fluctuation of Euro, the increase in raw material price as a result of the increasing cotton price and the increase in labour costs.

Ladies fashion and intimate apparel remain to be the leading segment contributor within the Casual and Fashion Apparel Division, registering strong revenue and profit for the year under review. As mentioned in our 2010 Interim report, the decrease in segment profit of the Casual and Fashion Apparel Division versus 2009 was due mainly to the reduction in orders from one major customer in Japan. True to management expectations, such orders stabilized by fourth quarter of 2010 which effectively narrowed down the decrement of segment profit of the Division.

The profit of the Sweater Division decreased also mainly due to the increase in raw material costs and the labour costs in mainland China. As a strategic move to mitigate the increasing cost in the mainland China, Sweater Division acquired certain manufacturing facilities in Indonesia during 2010 to enhance its production capabilities outside China.

With the successful application of the "lean reengineering" strategy, Accessories Division has turned around its business and operations resulting in a segment profit of approximately US$1,328,000 for the year under review despite the increase in operating costs in 2010.

The Real Estate segment was still at the development stage and did not record any revenue in 2010.

The segment profit of the Group's freight forwarding and logistics services was approximately US$316,000 in 2010.

Markets

Geographically, the US market was still the Group's key export market in 2010, accounting for approximately 52.0% of the Group's total revenue in 2010 and representing an increase of 3.0 percentage points when compared to that of 2009. Such increase represents mainly the increase of sales recorded by Casual and Fashion Apparel Division and Accessories Division in 2010.

Europe continued to be the second largest export market of the Group in 2010. Europe accounted for approximately 26.4% of the Group's total revenue in 2010 representing approximately 13.4 percentage points decrease over that recorded for 2009. This decrease was mainly due to the fluctuation of Euro exchange rate and the decrease in business with one major Europe-based customer.

Asia market (mainly the Greater China and Japan) is a growing market in 2010 which accounted for approximately 12.4% of the Group's total revenue representing an 5.1 percentage points increase over that of 2009.

The Group shall continue to further diversify its customer and production bases/outsourcing platforms through organic growth and value-enhancing acquisitions.

Acquisitions and Joint Ventures

It is the Group's strategy to strengthen its supply chain capabilities by way of selective value-enhancing acquisitions and joint ventures. In addition, the Group shall continue its merger and acquisition strategies to strengthen the operational efficiency of our existing business units and further diversify its geographical risks.

In June 2010, Fortune Investment Overseas Limited, a subsidiary of the Company, which owned 60% shareholding interest of Trinew Limited (which is the holding company of our Accessories Division), acquired the remaining 40% shareholding interest of Trinew Limited from Ospella International Limited, the joint venture partner at that time. Trinew Limited has then become a wholly owned subsidiary of the Group. The acquisition would help to streamline the operations of the Accessories Division through the implementation of the lean re-engineering strategy, which aims at cutting production costs and increasing the productivity of the Group.

As disclosed in the Company's announcement dated 9 July 2010, the Company, through its subsidiary, has entered into an agreement to acquire the entire shareholding in three target companies with operating subsidiaries in Indonesia which mainly specialize in manufacturing of sweaters and possess special manufacturing techniques for production of sweaters. The acquisition was completed in August 2010. In view of the rising production costs in mainland China, the management believes that the acquisition would widen its production base outside China and would better serve the Group's customers.

Riding on the success of the acquisitions and implementation of lean reengineering strategy that we conducted in the past, the Group is committed to taking calculated risk and will continue looking for acquisition targets not only in garment related industries but also on manufacturing of other consumer products.

Future Plans and Prospect

As the global economy has been picking up gradually and the market consolidation continues due to close down of small factories, the Directors expect that barring any unforeseen circumstances, the Company will be able to gain market share through continuous customer partnership in the years to come.

We shall expect the cotton price will still maintain at high level and the operating costs in the mainland China will still be increasing as a result of the appreciation of Chinese Yuan and the possibility of further increase in minimum wage. As for the labour recruitment, though this is a well known fact that there is a labour shortage in the Guangdong province, the Company has not encountered any problem in recruitment of workers and the worker return rate after the Chinese New Year was high.

While we will maintain the current production capacities in mainland China, we shall however remain competitive by exploring the possibilities of adding more production facilities outside China through joint venture or acquisition in Southeast Asia countries. Meanwhile, the management has decided to expand the production capacities of casual apparel, sweaters and accessories in Indonesia and the Philippines in 2011.

The Company has a residential development project under development in Qingyuan, Guangdong, the PRC. According to the latest public information, the Chinese government will start to build a Guangzhou-Qingyuan Light Rail system by the end of 2011 which will connect Qingyuan with the Guangzhou Railway Station which is major transportation hub in Guangzhou City. The management still believes that the plan of a Guangzhou-Qingyuan Light Rail system would enhance the value of our residential project. Therefore, apart from following the original development plan, the management is assessing the feasibility of all other alternatives for the development of this project site, including joint venture with other experienced developers or industry players so as to further enhance the value of this project.

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 financial statements.

Human Resources, Social Responsibilities and Corporate Citizenship

Luen Thai continues to be an employer of choice through focused and strategic human resources strategies and social responsibility programmes that are aligned with the Company's growth and changing needs.

Improved governance and strengthened partnership serve as the foundation for all these initiatives as Luen Thai maintains its position as a leader in the fashion industry.

With over 27,000 employees around the world, Luen Thai continuously strives to foster open communication with employees through various channels.

Under its employee care initiatives, Luen Thai has provided safe and enjoyable work and living environments, equitable compensation and benefit schemes, and opportunities for career growth through a variety of formal and informal learning and development programmes; and a strong corporate culture where employees' contributions are recognized and rewarded. In addition, Luen Thai aims to become a healthy employer, taking an active role in wellness advocacy.

Financial Results and Liquidity

As at 31 December 2010, the total amount of cash and cash equivalents of the Group was approximately US$81,907,000, representing a decrease of approximately US$25,643,000 as compared to that as at 31 December 2009. The Group's total bank borrowings as at 31 December 2010 was approximately US$64,252,000, representing a decrease of approximately US$2,764,000 as compared to the Group's total bank borrowings of approximately US$67,016,000 as at 31 December 2009.

As at 31 December 2010, based on the scheduled repayments set out in the relevant loan agreements with banks, the maturity profile of the Group's bank borrowings spread over ten years with approximately US$40,054,000 repayable within one year or on demand, approximately US$5,432,000 in the second year, approximately US$14,241,000 in the third to fifth year, and approximately US$4,525,000 in more than five years.

Gearing ratio of the Company is defined as the net debt (represented by bank borrowings net of cash and cash equivalents) divided by shareholders' equity. As at 31 December 2010, the Group is in a net cash position. Hence, no gearing ratio is presented.

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 to hedge its receivables and payables denominated in foreign currencies against the exchange rate fluctuations.

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 year ended 31 December 2010.

CORPORATE GOVERNANCE

The Group acknowledges the need and importance of corporate governance as one of the key elements in enhancing shareholders' value. The Group is committed to improving its corporate governance policies in compliance with regulatory requirements and in accordance with international recommended practices. As at the date of this report, the Company has formed the Audit Committee, Remuneration Committee and Bank Facility Committee all at the Board of Directors' (the "Board") level, to provide assistance, advice and recommendations on the relevant matters that aim to ensure protection of the Group and the interest of the Company's shareholders as a whole.

The Board has reviewed the Company's corporate governance practices and is satisfied that the Company has been in compliance with the code provisions set out in the Code on Corporate Governance Practices contain in Appendix 14 of the Listing Rules throughout the year ended 31 December 2010.

Full details on the subject of corporate governance are set out in the Company's 2010 annual report.

AUDIT COMMITTEE

The Audit Committee was established with written terms of reference that set out the authorities and duties of the Committee adopted by the Board.

The Audit Committee's review covers the accounting principles and practices adopted by the Group, audit plans and findings of the internal and external auditors, and financial matters including the review of consolidated financial statements of the Group for the year ended 31 December 2010.

FINAL DIVIDEND

An interim dividend of US0.227 cent per share was paid to the shareholders during the year and the Directors recommend the payment of a final dividend of US0.319 cent per share to the shareholders on the register of members on 26 May 2011 totaling to approximately US$3,167,000.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 24 May 2011 to 26 May 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 Shops 1712-1716, 17th Floor, Hopewell Center, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on 23 May 2011 in order to qualify for the final 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
Chief Executive Officer and President

Hong Kong, 30 March 2011

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 and Mr. Lu Chin Chu as non-executive Directors; Mr. Chan Henry, Mr. Cheung Siu Kee and Mr. Seing Nea Yie as independent non-executive Directors.