LUEN THAI HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 311)

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2012

GROUP FINANCIAL HIGHLIGHTS

	For the year ended 31 December	
	2012	2011
	US$'000	*US$'000*
Revenue	**990,198**	956,489
Operating profit	**42,769**	28,592
Profit attributable to owners of the Company	**38,635**	34,310
Profit margin (ratio of profit attributable to owners of the Company to revenue)	**3.9%**	3.6%
Basic EPS *(US cents)*	**3.9**	3.5

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 2012.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2012

	Note	**2012** ***US$'000***	2011 *US$'000*
Continuing operations			
Revenue	3	**990,198**	956,489
Cost of sales		**(820,140)**	(795,556)
Gross profit		**170,058**	160,933
Other gains/(losses) – net	4	**5,973**	(989)
Impairment loss on goodwill		**(6,896)**	(357)
Gain on recognition of contingent consideration		**5,092**	—
Selling and distribution expenses		**(13,516)**	(14,742)
General and administrative expenses		**(117,942)**	(116,253)
Operating profit		**42,769**	28,592
Finance income	6	**1,899**	995
Finance costs	6	**(2,321)**	(1,558)
Finance costs – net	6	**(422)**	(563)
Share of profit of an associated company		**8**	41
Share of (losses)/profits of jointly controlled entities		**(180)**	269
Profit before income tax		**42,175**	28,339
Income tax expense	7	**(2,572)**	(5,160)
Profit for the year from continuing operations		**39,603**	23,179
Discontinued operations			
Profit for the year from discontinued operations	8	**—**	14,543
Profit for the year		**39,603**	37,722
Profit attributable to:			
Owners of the Company		**38,635**	34,310
Non-controlling interests		**968**	3,412
		39,603	37,722
Profit attributable to owners of the Company arises from:			
Continuing operations		**38,635**	19,767
Discontinued operations		**—**	14,543
		38,635	34,310

	Note	**2012**	2011
Earnings per share from continuing and discontinued operations attributable to owners of the Company during the year *(expressed in US cents per share)*			
Basic earnings per share			
From continuing operations		**3.9**	2.0
From discontinued operations		—	1.5
From profit for the year	9	**3.9**	3.5
Diluted earnings per share			
From continuing operations		**3.8**	2.0
From discontinued operations		—	1.5
From profit for the year	9	**3.8**	3.5

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	2012	2011
	US$'000	*US$'000*
Profit for the year	**39,603**	37,722
Other comprehensive income:		
Currency translation differences	**(1,088)**	4,225
Exchange reserve released upon disposal of subsidiaries	**—**	(1,835)
Share of foreign exchange differences arising from translation of a jointly controlled entity	**667**	—
Total comprehensive income for the year	**39,182**	40,112
Attributable to:		
Owners of the Company	**38,214**	36,700
Non-controlling interests	**968**	3,412
	39,182	40,112
Total comprehensive income attributable to owners of the Company arises from:		
Continuing operations	**38,214**	22,157
Discontinued operations	**—**	14,543
	38,214	36,700

CONSOLIDATED BALANCE SHEET

As at 31 December 2012

	Note	2012 US$'000	2011 US$'000
ASSETS			
Non-current assets			
Leasehold land and land use rights		**12,011**	8,787
Property, plant and equipment		**112,746**	98,117
Intangible assets		**61,985**	62,519
Interests in an associated company		**559**	551
Interests in jointly controlled entities		**43,918**	48,316
Deferred income tax assets		**726**	757
Other non-current assets		**4,255**	3,770
Total non-current assets		**236,200**	222,817
Current assets			
Inventories		**96,348**	79,795
Trade and other receivables	11	**184,340**	146,501
Prepaid income tax		**4,772**	4,722
Cash and bank balances		**165,588**	138,827
Total current assets		**451,048**	369,845
Total assets		**687,248**	592,662
EQUITY			
Equity attributable to owners of the Company			
Share capital		**9,998**	9,927
Other reserves	13	**136,029**	136,314
Retained earnings			
— Proposed final dividend		**7,927**	7,981
— Others		**182,161**	153,732
		336,115	307,954
Non-controlling interests		**8,859**	9,251
Total equity		**344,974**	317,205

	Note	2012 US$'000	2011 US$'000
LIABILITIES			
Non-current liabilities			
Bank borrowings		**4,643**	6,111
Retirement benefit obligations		**7,898**	6,480
Convertible bond		**5,020**	—
Deferred income tax liabilities		**5,160**	3,671
Total non-current liabilities		**22,721**	16,262
Current liabilities			
Trade and other payables	12	**199,884**	164,418
Bank borrowings		**108,415**	81,942
Derivative financial instruments		**1,174**	949
Current income tax liabilities		**10,080**	11,886
Total current liabilities		**319,553**	259,195
Total liabilities		**342,274**	275,457
Total equity and liabilities		**687,248**	592,662
Net current assets		**131,495**	110,650
Total assets less current liabilities		**367,695**	333,467

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

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 real estate development. The Group has manufacturing plants in Mainland China, the Philippines and Indonesia.

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 financial assets and financial liabilities (including derivative instruments and convertible bond) 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.

Changes in accounting policy and disclosures

(a) Amendments to existing standards effective in 2012 but not relevant to the Group

- Amendment to HKFRS 7, 'Financial instruments: Disclosures', is effective for annual periods beginning on or after 1 July 2011. This is not currently applicable to the Group, as it has not made any transfer of financial assets.

- Amendment to HKFRS 1, 'First time adoption', is effective for annual periods beginning on or after 1 July 2011. This is currently not applicable to the Group, as its functional currency is not subject to severe hyperinflation.

- Amendment to HKAS 12, 'Income taxes', is effective for annual periods beginning on or after 1 January 2012. This is not currently applicable to the Group, as the Group does not hold any investment property.

(b) New and revised standards and amendments to existing standards have been issued but are not effective for the financial year beginning 1 January 2012 and have not been early adopted

The Group's assessment of the impact of these new and revised standards and amendments to existing standards is set out below.

- Amendment to HKAS 1, 'Financial statements presentation', is effective for annual periods beginning on or after 1 July 2012. This is currently not applicable to the Group, as the Group does not hold any items which are subject to reclassification adjustments.

- HKAS 19 (Amendment), "Employee benefits" eliminates the corridor approach and calculates finance costs on a net funding basis. The Group is yet to assess HKAS 19 (Amendment)'s full impact and intends to adopt HKAS 19 (Amendment) no later than the accounting period beginning on or after 1 January 2013.

- HKAS 27 (Revised 2011) 'Separate financial statements' includes the provisions on separate financial statements that are left after the control provisions of HKAS 27 have been included in the new HKFRS 10. The Group is yet to assess HKAS 27's full impact and intends to adopt HKAS 27 (Revised 2011) no later than the accounting period beginning on or after 1 January 2013.

- HKAS 28 (Revised 2011), "Associates and joint ventures" includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of HKFRS 11. The Group is yet to assess HKAS 28 (Revised 2011)'s full impact and intends to adopt HKAS 28 (Revised 2011) no later than the accounting period beginning on or after 1 January 2013.

- Amendment to HKAS 32 'Financial instruments: Presentation' on asset and liability offsetting is to the application guidance in HKAS 32 clarifies some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. The Group is yet to assess Amendment to HKAS 32's full impact and intends to adopt Amendment to HKAS 32 no later than the accounting period beginning on or after 1 January 2014.

- HKFRS 9, 'Financial instruments' addresses the classification, measurement and recognition of financial assets and financial liabilities. HKFRS 9 was issued in November 2009 and October 2010. It replaces the parts of HKAS 39 that relate to the classification and measurement of financial instruments. HKFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortized cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the HKAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Group is yet to assess HKFRS 9's full impact and intends to adopt HKFRS 9 upon its effective date, which is for the accounting period beginning on or after 1 January 2015.

- HKFRS 7 and HKFRS 9 (Amendments) "Mandatory effective date and transition disclosures" delay the effective date to annual periods beginning on or after 1 January 2015, and also modify the relief from restating prior periods. As part of this relief, additional disclosures on transition from HKAS 39 to HKFRS 9 are required. The Group is yet to assess HKFRS 7 and HKFRS 9 (Amendments)'s full impact and intends to adopt HKFRS 7 and HKFRS 9 (Amendments) no later than the accounting period beginning on or after 1 January 2015.

- HKFRS 10 'Consolidated financial statements' builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Group has assessed HKFRS 10's full impact and considered there is no financial impact to the consolidated financial statements. The Group intends to adopt HKFRS 10 no later than the accounting period beginning on or after 1 January 2013.

- HKFRS 11, "Joint arrangements" is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed. The Group is yet to assess HKFRS 11's full impact and intends to adopt HKFRS 11 no later than the accounting period beginning on or after 1 January 2013.

- HKFRS 12 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Group is yet to assess HKFRS 12's full impact and intends to adopt HKFRS 12 no later than the accounting period beginning on or after 1 January 2013.

- HKFRS 13 'Fair value measurement' aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within HKFRSs. The Group is yet to assess HKFRS 13's full impact and intends to adopt HKFRS 13 no later than the accounting period beginning on or after 1 January 2013.

- Amendment to HKFRS 1, 'First time adoption', on government loans addresses how a first-time adopter would account for a government loan with a below-market rate of interest when transitioning to HKFRS. It also adds an exception to the retrospective application of HKFRS, which provides the same relief to first-time adopters granted to existing preparers of HKFRS financial statements when the requirement was incorporated into HKAS 20 in 2008. The Group is yet to assess Amendment to HKFRS 1's full impact and intends to adopt Amendment to HKFRS 1 no later than the accounting period beginning on or after 1 January 2013.

- Amendment to HKFRS 7 'Financial instruments: Disclosures' on asset and liability offsetting requires new disclosure requirements which focus on quantitative information about recognized financial instruments that are offset in the statement of financial position, as well as those recognized financial instruments that are subject to master netting or similar arrangements irrespective of whether they are offset. The Group is yet to assess Amendment to HKFRS 7's full impact and intends to adopt Amendment to HKFRS 7 no later than the accounting period beginning on or after 1 January 2013.

- Amendment to HKFRSs 10, 11 and 12 on transition guidance provide additional transition relief to HKFRSs 10, 11 and 12, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. For disclosures related to unconsolidated structured entities, the amendments will remove the requirement to present comparative information for periods before HKFRS 12 is first applied. The Group is yet to assess Amendment to HKFRS 10, 11 and 12's full impact and intends to adopt Amendment to HKFRSs 10, 11 and 12 no later than the accounting period beginning on or after 1 January 2013.

- HK (IFRIC) — Int 20 'Stripping costs in the production phase of a surface mine' sets out the accounting for overburden waste removal (stripping) costs that are incurred in surface mining activity during the production phase of a mine. The interpretation may require mining entities reporting under HKFRS to write off existing stripping assets to opening retained earnings if the assets cannot be attributed to an identifiable component of an ore body. The Group is yet to assess Amendment to HK (IFRIC) — Int 20's full impact and intends to adopt HK (IFRIC) — Int 20 no later than the accounting period beginning on or after 1 January 2013.

- Annual improvements 2011 address six issues in the 2009-2011 reporting cycle. The Group is yet to assess Annual improvements 2011's full impact and intends to adopt Annual improvements 2011 no later than the accounting period beginning on or after 1 January 2013.

There are no other HKFRSs or HK(IFRIC) interpretations that are not yet effective that would be expected to have a material impact on the Group.

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 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 development.

The segment information provided to the executive directors for the reportable segments for the year ended 31 December 2012 and 2011 are 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***
For the year ended 31 December 2012							
Total segment revenue	**647,422**	**148,472**	**152,072**	**339,316**	**18,924**	**—**	**1,306,206**
Inter-segment revenue	**(219,776)**	**(2,188)**	**(21,801)**	**(71,690)**	**(553)**	**—**	**(316,008)**
Revenue (from external customers)	**427,646**	**146,284**	**130,271**	**267,626**	**18,371**	**—**	**990,198**
Segment profit/(loss) for the year	**33,618**	**(4,817)**	**4,351**	**10,732**	**1,290**	**4,677**	**49,851**
Profit/(loss) for the year includes:							
Depreciation and amortization	**(9,483)**	**(1,964)**	**(2,044)**	**(4,555)**	**(970)**	**—**	**(19,016)**
Impairment loss on goodwill	**—**	**(6,896)**	**—**	**—**	**—**	**—**	**(6,896)**
Provision for inventory obsolescence	**(348)**	**—**	**—**	**(281)**	**—**	**—**	**(629)**
Provision for impairment of trade and bills receivable	**(20)**	**(219)**	**(40)**	**(464)**	**(304)**	**—**	**(1,047)**
Share of profit of an associated company	**—**	**—**	**—**	**—**	**8**	**—**	**8**
Share of profits/(losses) of jointly controlled entities	**235**	**—**	**—**	**—**	**—**	**(415)**	**(180)**
Gain on disposal of a subsidiary	**392**	**—**	**—**	**—**	**—**	**—**	**392**
Income tax (expense)/credit	**(900)**	**(342)**	**(1,772)**	**637**	**(195)**	**—**	**(2,572)**

	Casual and fashion apparel	Life-style apparel	Sweaters	Accessories	Freight forwarding/ logistics services	Real estate	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
For the year ended 31 December 2011							
Total segment revenue	702,469	207,702	123,447	205,670	17,775	—	1,257,063
Inter-segment revenue	(263,777)	(1,538)	(19,240)	(15,394)	(625)	—	(300,574)
Revenue (from external customers)	438,692	206,164	104,207	190,276	17,150	—	956,489
Segment profit for the year	14,588	8,106	3,226	5,521	461	14,543	46,445
Profit for the year includes:							
Depreciation and amortization	(10,178)	(2,205)	(1,589)	(3,829)	(975)	(926)	(19,702)
Impairment loss on goodwill	—	—	(357)	—	—	—	(357)
Reversal of provision/(provision) for inventory obsolescence	327	—	—	(213)	—	—	114
Reversal of provision / (provision) for impairment of trade and bills receivable	2	(2,939)	(494)	—	(981)	—	(4,412)
Share of profit of an associated company	—	—	—	—	41	—	41
Share of profits of jointly controlled entities	269	—	—	—	—	—	269
(Loss)/gain on disposal of subsidiaries	(3,870)	—	—	—	—	16,046	12,176
Income tax expense	(1,022)	(1,192)	(1,770)	(1,036)	(140)	—	(5,160)

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, gain on recognition of contingent consideration, effective interest expense on convertible bond 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:

	2012	2011
	US$'000	*US$'000*
Segment profit for the year	**49,851**	46,445
Corporate expenses *(Note)*	**(10,122)**	(8,967)
Effective interest expense on convertible bond	**(126)**	—
Change in estimates of financial liabilities – net	**—**	244
Profit for the year	**39,603**	37,722

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

	2012	2011
	US$'000	*US$'000*
Analysis of revenue by category		
Sales of garment, textile products and accessories	**969,081**	933,918
Freight forwarding and logistics service fee	**17,908**	16,752
Management fee income	**918**	793
Others	**2,291**	5,026
Total revenue	**990,198**	956,489

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, Macao, the PRC, the Philippines and the United States.

	2012	2011
	US$'000	*US$'000*
Analysis of revenue by geographical location		
The United States	**496,451**	465,235
Europe	**256,176**	254,745
The PRC	**99,883**	78,177
Japan	**70,210**	59,339
Others	**67,478**	98,993
	990,198	956,489

Revenue is allocated based on the countries where the Group's customers are located.

Revenue of approximately US$144,804,000 (2011: US$151,400,000) and US$125,875,000 (2011: US$88,409,081) are derived from two single external customers. These revenues are attributable to the segments of casual and fashion apparels and accessories, respectively.

4. OTHER GAINS/(LOSSES) – NET

	2012	2011
	US$'000	*US$'000*
From continuing operations:		
Fair value (losses)/gains on derivative financial instruments		
— net (losses)/gains on currency forward contracts	**(530)**	96
— net losses on interest rate swap	**166**	(247)
Net gain on foreign exchange forward contracts	**926**	2,102
Net foreign exchange gains	**3,631**	930
Gain/(loss) on disposal of interest in a subsidiary	**392**	(3,870)
Gain on measuring equity in the jointly controlled entities held before the business combination	**336**	—
Indemnification income for income tax	**1,052**	—
	5,973	(989)
From discontinued operations:		
Gain on disposal of interests in subsidiaries	**—**	16,046

5. EXPENSES BY NATURE

	2012	2011
	US$'000	*US$'000*
From continuing operations:		
Auditors' remuneration	**1,078**	1,109
Amortization of land use rights	**277**	219
Amortization of intangible assets	**2,353**	2,192
Depreciation of property, plant and equipment	**16,386**	16,365
Provision for impairment of trade and bills receivable	**1,047**	4,412
Provision/(reversal of provision) for inventory obsolescence	**629**	(114)
From discontinued operations:		
Depreciation of property, plant and equipment	**—**	926

6. FINANCE COSTS — NET

	2012	2011
	US$'000	*US$'000*
From continuing operations:		
Interest expense on bank loans and overdrafts	**2,195**	1,558
Effective interest expenses on convertible bond	**126**	—
Finance costs	**2,321**	1,558
Interest income from bank deposits	**(1,899)**	(751)
Change in estimates of financial liabilities *(Note)*	**—**	(244)
Finance income	**(1,899)**	(995)
Finance costs — net	**422**	563
From discontinued operations:		
Interest expense on bank loans and overdrafts	**—**	51

Note:

The net effect of the change in estimates related to the financial liabilities in connection with the put options granted to the non-controlling interests of certain subsidiaries. Such change in estimates represented the changes in estimated final redemption amount.

7. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 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.

	2012	2011
	US$'000	*US$'000*
Current income tax	**3,929**	6,123
Over-provision in prior years	**(1,054)**	(500)
Deferred income tax	**(303)**	(463)
Income tax expense	**2,572**	5,160

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, 2009/10 and 2010/11 demanding for tax totalling US$3,960,000 in respect of certain income, which the directors have 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$3,572,000 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 2012.

(ii) In prior years, the IRD conducted tax audit on two other subsidiaries of the Group and had issued additional assessments for 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. Pursuant to the notices of revised assessment and notices for penalty issued by the IRD on 14 September 2012 and 20 February 2013, respectively, the IRD has agreed with the settlement proposed by these subsidiaries of US$2,897,000.

Pursuant to the sales and purchase agreement in relation to the acquisition of these subsidiaries, the former shareholder has indemnified the Group for the settlement of the additional tax provision in excess of the tax liabilities being provided in the subsidiaries' books and records as at the acquisition date as mentioned above. Therefore, the Group has recorded indemnification income from the former shareholder of the subsidiaries of US$1,052,000 during the year ended 31 December 2012.

8. DISCONTINUED OPERATIONS

Pursuant to a subscription and share purchase agreement signed on 9 June 2011, the Group entered into a transaction involving the disposal of the subsidiaries in the real estate segment (the "Disposal Group") to a jointly controlled entity.

The results and the cash flows of the discontinued operations for the Disposal Group included in the consolidated income statement and the consolidated cash flow statement are set out below:

	2011 *US$'000*
Revenue	—
Expenses	(1,503)
Other gains	16,046
Profit before income tax from discontinued operations	14,543
Income tax expense	—
Profit after tax from discontinued operations	14,543
Profit for the year from discontinued operations attributed to:	
— Owners of the Company	14,543
— Non-controlling interests	—
Profit for the year from discontinued operations	14,543
Net cash outflow from operating activities	(526)
Net cash inflow from investing activity	12,555
Net cash outflow from financing activity	(51)
Net cash generated from discontinued operations	11,978

9. 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 year.

	2012	2011
	US$'000	*US$'000*
Profit from continuing operations attributable to owners of the Company	**38,635**	19,767
Profit from discontinued operation attributable to owners of the Company	**—**	14,543
Profit attributable to owners of the Company	**38,635**	34,310
Weighted average number of ordinary shares in issue *(thousands)*	**996,844**	992,666
Basic earnings per share *(US cents per share)*	**3.9**	3.5

(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 and convertible bond which have potential dilutive effect on its ordinary shares.

The dilutive effect of share option on number of shares is calculated 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 convertible bond is assumed to have been converted into ordinary shares, and the net profit is adjusted to eliminate the interest expense less the tax effect.

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.

	2012	2011
	US$'000	*US$'000*
Earnings		
Profit attributable to owners of the Company	**38,635**	19,767
Interest expense on convertible bond (net of tax)	**126**	—
Profit used to determine diluted earnings per share	**38,761**	19,767
Profit from discontinued operations attributable to owners of the Company	**—**	14,543
	38,761	34,310
Weighted average number of ordinary shares in issue *(thousands)*	**996,807**	992,666
Adjustments for:		
— Assumed conversion of convertible debt *(thousands)*	**17,330**	—
— Share options *(thousands)*	**1,860**	214
Weighted average number of ordinary shares for diluted earnings per share *(thousands)*	**1,015,997**	992,880
Diluted earnings per share *(US cents per share)*	**3.8**	3.5

10. DIVIDENDS

	2012	2011
	US$'000	*US$'000*
Interim dividend paid of US0.367 cent or equivalent to HK2.848 cents (2011: US0.233 cent) per ordinary share	**3,664**	2,313
Proposed final dividend of US0.791 cent or equivalent to HK6.140 cent (2011: US0.804 cent) per ordinary share	**7,927**	7,981
	11,591	10,294

The directors have recommended the payment of a final dividend of US0.791 cent of per share, totaling US$7,927,000. Such dividend is to be approved by the shareholders at the forthcoming Annual General Meeting. These financial statements do not reflect this dividend proposed.

11. TRADE AND OTHER RECEIVABLES

	2012	2011
	US$'000	*US$'000*
Current		
Trade and bills receivable — net	**159,474**	124,107
Deposits, prepayment and other receivables	**21,476**	17,350
Amounts due from related companies	**1,876**	1,306
Amounts due from an associated company and jointly controlled entities	**1,514**	3,738
	184,340	146,501

	2012	2011
	US$'000	*US$'000*
Trade and bills receivable	**163,265**	127,868
Less: provision for impairment	**(3,791)**	(3,761)
Trade and bills receivable — net	**159,474**	124,107

The carrying amounts of trade and bills receivable approximate their fair value.

The Group normally grants credit terms to its customers up to 120 days. At 31 December 2012 and 2011, the ageing analysis of the trade and bills receivable based on due date, net of provision, is as follows:

	2012	2011
	US$'000	*US$'000*
Current	**113,728**	94,719
1 to 30 days	**32,373**	20,877
31 to 60 days	**8,313**	2,305
61 to 90 days	**1,056**	1,974
91 to 120 days	**796**	216
Over 120 days	**3,208**	4,016
Amounts past due but not impaired	**45,746**	29,388
	159,474	124,107

12. TRADE AND OTHER PAYABLES

	2012	2011
	US$'000	*US$'000*
Trade and bills payables	**113,017**	82,720
Other payables and accruals	**84,646**	77,944
Amounts due to related companies	**2,108**	2,025
Amounts due to jointly controlled entities	**113**	1,729
	199,884	164,418

At 31 December 2012 and 2011, the ageing analysis of the trade and bills payable based on invoice date are as follows:

	2012	2011
	US$'000	*US$'000*
0 to 30 days	**102,230**	78,145
31 to 60 days	**4,411**	1,929
61 to 90 days	**768**	414
Over 90 days	**5,608**	2,232
	113,017	82,720

13. OTHER RESERVES

	Share premium *US$'000*	Capital reserve *US$'000*	Other capital reserves *US$'000*	Share based compensation reserves *US$'000*	Convertible bond equity conversion reserve *US$'000*	Exchange reserve *US$'000*	Total *US$'000*
At 1 January 2011	117,018	11,722	(4,799)	1,787	—	8,183	133,911
Share-based payment expenses	—	—	—	13	—	—	13
Exchange differences arising on translation of foreign subsidiaries	—	—	—	—	—	4,225	4,225
Exchange reserve released upon disposal of subsidiaries	—	—	—	—	—	(1,835)	(1,835)
At 31 December 2011	117,018	11,722	(4,799)	1,800	—	10,573	136,314
At 1 January 2012	**117,018**	**11,722**	**(4,799)**	**1,800**	**—**	**10,573**	**136,314**
Exchange differences arising on translation of foreign subsidiaries	**—**	**—**	**—**	**—**	**—**	**(1,088)**	**(1,088)**
Share of exchange differences arising from translation of a jointly controlled entity	**—**	**—**	**—**	**—**	**—**	**667**	**667**
Exercise of share options by employees	**814**	**—**	**—**	**(232)**	**—**	**—**	**582**
Forfeiture/lapse of share options	**—**	**—**	**—**	**(1,426)**	**—**	**—**	**(1,426)**
Convertible bond-equity conversion component	**—**	**—**	**—**	**—**	**980**	**—**	**980**
At 31 December 2012	**117,832**	**11,722**	**(4,799)**	**142**	**980**	**10,152**	**136,029**

14. EVENTS AFTER THE BALANCE SHEET DATE

On 6 January 2013, the Group entered into a sale and purchase Agreement with Capital Glory, an independent third party to acquire the entire issued capital of Ocean Sky Global (S) Pte. Ltd and its wholly-owned subsidiaries (the "Ocean Sky Group") at an estimated consideration of US$55,000,000.

Ocean Sky Group is principally engaged in manufacturing and trading of apparels in Singapore, Vietnam and Cambodia. The Group is in the progress of assessing the financial impact to the Group's financial statements as a result of this acquisition.

MANAGEMENT DISCUSSION & ANALYSIS

Result Review

For the year ended 31 December 2012, the Group's revenue amounted to approximately US$990,198,000, representing an increase of approximately 3.5% over 2011. The Group produced about 90 million units of apparel and accessory products in 2012 representing an increase of 13.9% over 2011. The slight increase in revenue is mainly due to (1) the consolidation of the operations of Yuen Thai Group, (2) the acquisition of footwear business during the year, (3) the continuous growth of luxury bags business during the year, (4) the decrease in average selling price as a result of the decrease in cotton price and (5) the decline in the European business under the Life-style Division. Luen Thai's overall gross profit for 2012 was approximately US$170,058,000, representing an increase of approximately US$9,125,000 over 2011.

The overall gross profit margin in 2012 was approximately 17.2%, representing a slight increase of 0.4 percentage point over 2011. The increase in gross profit was mainly due to the elimination of non-profitable accounts, cost savings for production in Southeast Asia countries and the continuous growth in Accessories Division. The Group's operating expenses (including the selling and distribution expenses and the general and administrative expenses) remained relatively stable in 2012 with a slight increase of approximately 0.4% over 2011.

As a result, the profit attributable to the owners of the Company increased to approximately US$38,635,000 as compared to approximately US$34,310,000 in 2011, representing a year-on-year increase of approximately US$4,325,000 or 12.6%.

Segmental Review

Apparel businesses, comprising our Casual and Fashion Apparel Division, Sweater Division and Life-style Division, are the Group's major source of revenue. These include the Group's OEM apparel manufacturing, apparel sourcing and trading business, which accounted for approximately 71.1% of the Group's total revenue in 2012.

Apparel Supply Chain Management Services

Despite the consolidation of Yuen Thai Group's results in 2012, the revenue of the Casual and Fashion Apparel Division in 2012 decreased by 2.5% to approximately US$427,646,000 when compared to 2011. Such decrease was mainly due to the decrease in average selling price as a result of the decrease in cotton price. The segment profit of Casual and Fashion division is approximately US$33,618,000 representing an increase of 130.4% over 2011. The segment profit margin of 7.9% in 2012 is about 4.6 percentage point over 2011. The good segment results is due to (1) the recovery of orders from a substantial Japan customer, the orders from which was affected negatively as a result of the Japan earthquake in March 2011; (2) cost saving due to the wage differential between China and the Philippines and (3) the continuous strong performance of the ladies wear business within the Casual and Fashion Apparel Division.

The apparel business from the Life-style Division experienced a tough time for the year, which recorded a segment loss of approximately US$4,817,000. In view of the unstable economic environment in Europe and the shrinking demand from one of our major European customers, a goodwill of approximately US$6,896,000 was written down from Life-style Division with reference to a valuation performed by an independent valuer. If this one-time impairment of goodwill were not taken into account, the Life-style Division should have been making a profit of approximately US$2,079,000 in 2012.

The Sweater Division has reported a segment profit of approximately US$4,351,000 for 2012, representing an increase of 34.9% over 2011. The acquisition of Tien-Hu Knitting Company (Hong Kong) Limited and its operating subsidiary in Dongguan during the year has streamlined the operations and improved its flexibility and production efficiency in taking customers orders.

Accessory Supply Chain Management Services

The Accessory Division recorded a high profit of approximately US$10,732,000 for 2012, representing an increase of approximately 94.4% over 2011. Credit for this remarkable performance should mainly go to the continued support and commitment of a major USA luxury bag customer of the Division in increasing its orders in our factory in the Philippines and the completion of the acquisition of a footwear business in July 2012, which constituted part of the Division's result for the year under review.

Real Estate

As disclosed in our 2011 Annual Report, the Company disposed of its controlling interest in the real estate project in Qingyuan to Sunshine 100 Real Estate Group Co., Limited ("**Sunshine 100**"), thereby resulting in the formation of a joint venture between Sunshine 100, the Group and Luen Thai Land Limited. This real estate project site is near to the Guangzhou-Qingyuan Light Rail ("**Light Rail**") system which will connect Qingyuan with the Guangzhou Metro. The Light Rail system should be able to enhance the value of this real estate project which could possibly bring in additional income stream to the Group starting from 2015. In addition, the Group has recognized an additional gain of approximately US$5,092,000 on disposal of the real estate project due to the fulfillment of certain conditions as stated in the subscription and share purchase agreement with Sunshine 100.

Logistics

The Group's freight forwarding and logistics services recorded a revenue of approximately US$18,371,000 for the year under review, representing an increase of approximately 7.1% over 2011.

Markets

Geographically, the US market was still the Group's key export market in 2012, accounting for approximately 50.1% of the Group's total revenue in 2012. The revenue derived from customers in the USA is approximately US$496,451,000, representing an increase of approximately US$31,216,000 over 2011. Such increase represents mainly the increase of sales recorded by Accessories Division in 2012.

Europe continued to be the second largest export market of the Group in 2012. Europe accounted for approximately 25.9% of the Group's total revenue in 2012. The revenue derived from customers in Europe is approximately US$256,176,000, representing an increase of approximately US$1,431,000 over that recorded for 2011. This slight increase is mainly due to the consolidation of the operations of Yuen Thai Group with the offsetting effect on the decline in the European business under the Life-style Division.

Asia market (mainly the Greater China and Japan) is still a growing market in 2012, which accounted for approximately 17.2% of the Group's total revenue representing a 2.8 percentage points increase over that of 2011.

Acquisitions and Joint Ventures

It has been one of the Group's strategies to strengthen its core business by way of selective value-enhancing acquisitions and joint ventures. During the year under review, the Group has completed the following significant transactions:

On 1 February 2012, the Company, through its subsidiary, entered into a sale and purchase agreement to acquire the entire interests in Tien-Hu Knitting Company (Hong Kong) Limited, which has a wholly-owned operating subsidiary in Dongguan, from an independent third party at a consideration of HK$46,500,000. We believe that this acquisition has not only streamlined Tien Hu's operation, but also increased our operational efficiency.

As disclosed in the Company's announcement dated 27 April 2012, the Company entered into a sale and purchase agreement on the same date to acquire the remaining 50% equity interests in Yuen Thai Group through the issuance of a convertible bond at a principal amount of US$4,600,000. Before the acquisition, the Yuen Thai Group was a 50/50 joint venture between the Group and Yue Yuen Industrial (Holdings) Limited. After the acquisition, Yuen Thai Group has now become wholly owned by Luen Thai. The acquisition has given the Group more flexibility in the management and decision-making matters of the Yuen Thai Group.

As disclosed in the Company's circular dated 20 June 2012, the Company, through its subsidiary, entered into a sale and purchase agreement on 30 May 2012 with Luen Thai Enterprises Limited, to acquire the entire interests in Luen Thai Industrial Company Limited and its subsidiaries, which are principally engaged in the development, manufacture, sale and trading of footwear. This acquisition has further enriched the Group's product range on consumer products manufacturing and enhanced the cross selling opportunities and enlarged its customer base. The acquisition was completed in July 2012.

Luen Thai will continue to seek for value-enhancing acquisition and joint venture opportunities to maximize the return to shareholders.

Future Plans and Prospect

Increase Production Capacities Outside China

As disclosed in the Company's announcement dated 7 January 2013, the Company, through its indirect wholly owned subsidiary, entered into a share purchase agreement on 6 January 2013 with Ocean Sky International Limited to acquire the entire interests in Ocean Sky Global (S) Pte Ltd. and its subsidiaries ("**Ocean Sky Group**"), which are primarily engaged in the business of designing, manufacturing, sales and marketing of apparel in Vietnam, Cambodia, Singapore and Hong Kong. The Board believes that through this proposed acquisition, the Group can further diversify its production bases outside China in other Southeast Asia countries (i.e. Cambodia and Vietnam).

Though the operating cost in China has not increased significantly during the year under review, the statutory minimum labour wage in Guangdong province will be increased effective from May 2013. It is also expected that the wage in Guangdong Province will increase at an annual rate of at least 13% per annum in the next three years according to the 12th Five Year Plan for National Economic and Social Development of the People's Republic of China. To maintain our competitive strength, it is our strategy to continue our development of future production capacities in the Philippines, Vietnam and Cambodia while keeping the current production capacity in Indonesia and China stable. With the support of our strategic supply chain partners to formulate and implement our strategy of diversification of production bases in the Southeast Asian region, we should be able to keep our labour cost under reasonable control, which will be beneficial to our business operations and maintaining our performance in the next few years.

Apparel Supply Chain Management Services

One major Japan customer from our Casual and Fashion Apparel Division will continue to place more orders in our Philippines factory to cope with its rapid growth.

With an aim to sustain the growth of the Casual and Fashion Apparel Division, the Company has acquired the remaining 50% equity interest of Yuen Thai Group during the year under review. The Board expects Yuen Thai Group will expand other production capacities outside China and the Philippines with more flexibility.

In addition, if the proposed acquisition of Ocean Sky Group proceeds to completion, we believe that it will enable the Group to extend its customer base and geographical market coverage. It is anticipated that the Group is able to strengthen its knit production with the expertise and capacities of Ocean Sky Group.

Accessory Supply Chain Management Services

The Board believes that the Accessories Division will still be the major growth driver of the Company in the few years ahead due to the persistent strong demand from a major USA luxury bag customer and its increase in production capacity in the Philippines. In addition, the Board expects the acquisition of the footwear business during the year will be another driver for the growth of the Company.

The Group's existing manufacturing facility in the Philippines for the accessory production is operating at close to full capacity. To cope with the development strategy, the Group has leased several new production facilities in the Philippines with floor area of approximately 49,000 sq.m.. This additional production space shall allow the Group to acquire more machinery and equipment along with employing additional skill personnel to expand its accessory production capability.

Against the backdrop of continuous increasing cost in China, the Group's strong commitment to increase our capacities outside China was supported by our major customers from both the apparel and accessories divisions. As a result, the Board has set a management goal of revenue growth for the Group to be around an average of 10% per year in the next few years.

Investor Relations and communications

The Group acknowledges the importance of communication with our shareholders. The Group has a policy of proactively promoting investor relations through meetings with analysts and investors, and participation in investors' conferences, company interviews and manufacturing plant visits. The Annual General Meeting will be called by not less than 21 days' notice or 20 clear business days' notice (whichever is longer) and our Directors shall be available in the Annual General Meeting to answer questions on the Group's businesses.

The Group encourages dual communication with both private and institutional investors and responds to their enquiries in an informative and timely manner. The Group has established various forms of communication channels to improve its transparency, including proactive and timely issuance of press releases so as to inform investors of our latest corporate developments. The Group regularly updates its corporate information on the Company's website (www.luenthai.com) in both English and Chinese on a timely basis to all concerned parties.

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 33,000 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 2012, the total amount of cash and bank deposit of the Group was approximately US$165,588,000, representing an increase of approximately US$26,761,000 as compared to that as at 31 December 2011. The Group's total bank borrowings as at 31 December 2012 was approximately US$113,058,000, representing an increase of approximately US$25,005,000 as compared to that as at 31 December 2011.

As at 31 December 2012, 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 six years with approximately US$91,564,000 repayable within one year, approximately US$7,555,000 in the second year, approximately US$13,725,000 in the third to fifth year, and approximately US$214,000 in after fifth year.

Gearing ratio of the Company is defined as the net debt (represented by bank borrowings net of cash and bank balances) divided by shareholders' equity. As at 31 December 2012, 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 2012.

CORPORATE GOVERNANCE

The Group 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.

Throughout the year ended 31 December 2012, the Company was in compliance with the Code as set out in the Appendix 14 of the Listing Rules.

Full details on the subject of corporate governance are set out in the Company's 2012 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 2012.

FINAL DIVIDEND

An interim dividend of US0.367 cent per share was paid to the shareholders during the year and the Directors recommend the payment of a final dividend of US0.791 cent per share (or equivalent to HK6.140 cents) to the shareholders on the register of members on 6 June 2012 totaling to approximately US$7,927,000.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 22 May 2013 to 27 May 2013 (both days inclusive), during which period no transfers of shares will be registered. To determine the entitlement to attend and vote at the Annual General Meeting of the Company, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's Branch Share Registrars in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 21 May 2013.

In addition, the Board has resolved to recommend the payment of a final dividend of HK6.140 cents per share for members whose names appear on the Register of Members of the Company on 6 June 2013. The Register of Members of the Company will also be closed from 4 June 2013 to 6 June 2013 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, subject to approval at the Annual General Meeting of the Company, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's Branch Share Registrars in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 3 June 2013.

PUBLICATION OF FINAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The Company's annual results announcement is published on the website of the Stock Exchange at http://www.hkexnews.hk and the Company's website at http://luenthai.quamir.com.

The annual report of the Company for year ended 31 December 2012 containing the information required by Appendix 16 of the Listing Rules will be dispatched to the shareholders in due course.

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

Hong Kong, 26 March 2013

As at the date of this announcement, the Board of Directors comprises Mr. Tan Siu Lin, Mr. Tan Henry, Mr. Tan Cho Lung, Raymond 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.