Luenthai

Luen Thai Holdings Limited

聯泰控股有限公司

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

- Manufacturing
- Product Development
- Design
- Supply Chain
- Social Compliance

INTERIM REPORT 2013

CONTENTS

EXECUTIVE DIRECTORS

TAN Siu Lin, *Chairman*
TAN Henry, *Chief Executive Officer*
TAN Cho Lung Raymond
MOK Siu Wan Anne

NON-EXECUTIVE DIRECTORS

TAN Willie
LU Chin Chu

INDEPENDENT NON-EXECUTIVE DIRECTORS

CHAN Henry
CHEUNG Siu Kee
SEING Nea Yie

COMPANY SECRETARY

CHIU Chi Cheung

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

TO THE BOARD OF DIRECTORS OF LUEN THAI HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 3 to 40, which comprises the interim condensed consolidated balance sheet of Luen Thai Holdings Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2013 and the related interim condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated cash flow statement for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 27 August 2013

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2013

	Note	As at 30 June 2013 US$'000 (Unaudited)	As at 31 December 2012 US$'000 (Audited)
ASSETS			
Non-current assets			
Leasehold land and land use rights	7	**11,926**	12,011
Property, plant and equipment	7	**130,225**	112,746
Intangible assets	7	**77,468**	61,985
Interests in associated companies		**551**	559
Interests in joint ventures		**45,963**	43,918
Deferred income tax assets		**650**	726
Other non-current assets		**6,238**	4,255
Total non-current assets		**273,021**	236,200
Current assets			
Inventories	8	**165,382**	96,348
Trade and other receivables	9	**235,543**	184,340
Prepaid income tax		**5,370**	4,772
Cash and cash equivalents		**193,308**	165,588
Total current assets		**599,603**	451,048
Total assets		**872,624**	687,248
EQUITY			
Equity attributable to the owners of the Company			
Share capital	10	**10,159**	9,998
Other reserves	11	**136,470**	136,029
Retained earnings		**200,013**	190,088
		346,642	336,115
Non-controlling interests		**8,999**	8,859
Total equity		**355,641**	344,974

CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

As at 30 June 2013

	Note	As at 30 June 2013 US$'000 (Unaudited)	As at 31 December 2012 US$'000 (Audited)
LIABILITIES			
Non-current liabilities			
Bank borrowings	12	**6,617**	4,643
Retirement benefit obligations		**7,972**	7,898
Convertible bond	13	**2,729**	5,020
Deferred income tax liabilities		**7,780**	5,160
Total non-current liabilities		**25,098**	22,721
Current liabilities			
Trade and other payables	14	**286,167**	199,884
Bank borrowings	12	**194,574**	108,415
Derivative financial instruments		**450**	1,174
Current income tax liabilities		**10,694**	10,080
Total current liabilities		**491,885**	319,553
Total liabilities		**516,983**	342,274
Total equity and liabilities		**872,624**	687,248
Net current assets		**107,718**	131,495
Total assets less current liabilities		**380,739**	367,695

The notes on pages 9 to 40 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the period ended 30 June 2013

	Note	Six months ended 30 June 2013 US$'000 (Unaudited)	2012 US$'000 (Unaudited)
Revenue	6	**537,187**	409,996
Cost of sales		**(436,324)**	(336,332)
Gross profit		**100,863**	73,664
Other gains/(losses), net	15	**1,005**	(555)
Selling and distribution expenses		**(9,208)**	(6,135)
General and administrative expenses		**(72,334)**	(53,946)
Operating profit	16	**20,326**	13,028
Finance income	17	**2,895**	848
Finance costs	17	**(1,636)**	(883)
Finance income/(costs), net	17	**1,259**	(35)
Share of losses of associated companies		**(8)**	(15)
Share of (losses)/profits of joint ventures		**(427)**	972
Profit before income tax		**21,150**	13,950
Income tax expense	18	**(2,154)**	(1,386)
Profit for the period		**18,996**	12,564
Profit attributable to:			
Owners of the Company		**18,105**	12,205
Non-controlling interests		**891**	359
		18,996	12,564
Earnings per share attributable to owners of the Company, expressed in US cents per share			
— Basic	19	**1.80**	1.23
— Diluted	19	**1.76**	1.23

The notes on pages 9 to 40 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period ended 30 June 2013

	Six months ended 30 June	
	2013	2012
	US$'000	US$'000
	(Unaudited)	(Unaudited)
Profit for the period	**18,996**	12,564
Other comprehensive loss		
Item that may be reclassified to profit or loss:		
Currency translation differences	**(2,046)**	(224)
Total comprehensive income for the period	**16,950**	12,340
Total comprehensive income for the period attributable to:		
— Owners of the Company	**15,998**	11,917
— Non-controlling interests	**952**	423
	16,950	12,340

The notes on pages 9 to 40 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 30 June 2013

	Unaudited						
	Attributable to owners of the Company						
	Share capital US$'000	Share premium US$'000	Other reserves US$'000	Retained earnings US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
Balance at 1 January 2013	9,998	117,832	18,197	190,088	336,115	8,859	344,974
Profit for the period	–	–	–	18,105	18,105	891	18,996
Other comprehensive (loss)/income:							
Currency translation differences	–	–	(2,107)	–	(2,107)	61	(2,046)
Total comprehensive income for the period ended 30 June 2013	–	–	(2,107)	18,105	15,998	952	16,950
Transactions with owners in their capacity as owners:							
Exercise of share options by employees	46	514	(142)	–	418	–	418
Dividends paid	–	–	–	(8,180)	(8,180)	(812)	(8,992)
Convertible bond — equity conversion component *(Note 13)*	115	2,558	(382)	–	2,291	–	2,291
Total transactions with owners	161	3,072	(524)	(8,180)	(5,471)	(812)	(6,283)
Balance at 30 June 2013	10,159	120,904	15,566	200,013	346,642	8,999	355,641
Balance at 1 January 2012	9,927	117,018	19,296	161,713	307,954	9,251	317,205
Profit for the period	–	–	–	12,205	12,205	359	12,564
Other comprehensive (loss)/income:							
Currency translation differences	–	–	(288)	–	(288)	64	(224)
Total comprehensive income for the period ended 30 June 2012	–	–	(288)	12,205	11,917	423	12,340
Transactions with owners in their capacity as owners:							
Exercise of share options by employees	53	589	(159)	–	483	–	483
Forfeit/lapse of share options	–	–	(1,410)	1,410	–	–	–
Dividends paid	–	–	–	(8,024)	(8,024)	(1,600)	(9,624)
Convertible bond — equity conversion component *(Note 13)*	–	–	980	–	980	–	980
Total transactions with owners	53	589	(589)	(6,614)	(6,561)	(1,600)	(8,161)
Balance at 30 June 2012	9,980	117,607	18,419	167,304	313,310	8,074	321,384

The notes on pages 9 to 40 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the period ended 30 June 2013

	Six months ended 30 June	
	2013	2012
	US$'000	US$'000
	(Unaudited)	(Unaudited)
Net cash outflow from operating activities	**(12,120)**	(9,116)
Net cash(outlfow)/inflow from investing activities	**(24,464)**	6,724
Net cash inflow/(outflow) from financing activities	**73,014**	(4,586)
Net increase/(decrease) in cash and cash equivalents	**36,430**	(6,978)
Cash and cash equivalents at the beginning of the period	**160,283**	131,602
Effect of foreign exchange rate changes	**(4,000)**	224
Cash and cash equivalents at end of the period	**192,713**	124,848
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	**193,308**	125,157
Bank overdrafts	**(595)**	(309)
	192,713	124,848

The notes on pages 9 to 40 form an integral part of this condensed consolidated interim financial information.

1 GENERAL INFORMATION

Luen Thai Holdings Limited (the "Company") and its subsidiaries (together the "Group") are principally engaged in the manufacturing and trading of apparels and accessories, the provision of freight forwarding, logistics services and real estate development. The Group has manufacturing plants in Mainland China, Cambodia, Philippines, Vietnam and Indonesia.

The Company is a limited liability company incorporated in the Cayman Islands. The address of its registered office is 5/F, Nanyang Plaza, 57 Hung To Road, Kwun Tong, Kowloon, Hong Kong.

The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

This condensed consolidated interim financial information is presented in United States dollars ("US$"), unless otherwise stated. This condensed consolidated interim financial information has been approved for issue by the Board of Directors on 27 August 2013.

This condensed consolidated interim financial information has been reviewed, not audited.

2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2013 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim financial reporting". The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2012, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

3 ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2012, as described in those annual financial statements.

3 ACCOUNTING POLICIES (CONTINUED)

(a) The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2013.

- HKAS 1 (Amendment), 'Financial statements presentation' is effective for annual periods beginning on or after 1 July 2012. This is currently applicable to the Group and the Group has made the disclosures in the condensed consolidated statement of comprehensive income.

- HKAS 19 (Amendment), 'Employee benefits' eliminates the corridor approach and calculates finance costs on a net funding basis. The adoption of this amendment did not have a material impact on the Group's financial statements.

- 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 adoption of this amendment did not have a material impact on the Group's financial statements.

- 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 adoption of this amendment did not have a material impact on the Group's financial statements.

- HKFRS 7 (Amendment), '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 adoption of this amendment did not have a material impact on the Group's financial statements.

- 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 adoption of this amendment did not have a material impact on the Group's financial statements.

3 ACCOUNTING POLICIES (CONTINUED)

(a) The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2013. (Continued)

- 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 adoption of this amendment did not have a material impact on the Group's financial statements, other than that the Group's interest in jointly controlled entities as stated in the previous year's financial statement have now been reclassified as interests in joint ventures.

- 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 adoption of this amendment did not have a material impact on the Group's financial statements.

- 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 adoption of this amendment did not have a material impact on the Group's financial statements.

- 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 adoption of this amendment did not have a material impact on the Group's financial statements.

3 ACCOUNTING POLICIES (CONTINUED)

(b) Amendments to existing standard effective in 2013 but not relevant to the Group

- HKFRS 1 (Amendment), '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. This is not currently applicable to the Group, as it has no government loans.

(c) The following new standards and amendments to existing standards have been issued but are not effective for the interim period and have not been early adopted:

HKAS 32 (Amendment)	Financial instruments: Presentation — Offsetting financial assets and financial liabilities[1]
HKAS 36 (Amendment)	Recoverable amount disclosures for non-financial assets[1]
HKAS 39 (Amendment)	Novation of derivatives and continuation of hedge accounting[1]
HKFRS 9	Financial instruments[2]
HKFRS 10, 12 and HKAS 27 (2011) (Amendments)	Investment Entities[1]
HKIFRIC-Int 21	Levies[1]

Notes:

(1) Effective for financial periods beginning on or after 1 January 2014

(2) Effective for financial periods beginning on or after 1 January 2015

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

4 ESTIMATES

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

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements for the year ended 31 December 2012.

5 FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

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

The condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2012.

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

5.2 Fair value estimation

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

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

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

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.2 Fair value estimation (Continued)

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

The fair values of financial instruments that are not traded in an active market, which primarily represented the convertible bond and currency forward contracts, are determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. As all significant inputs required to fair value an instrument are observable, the instrument is included in level 2, except for the convertible bond which is included in level 3.

The following table presents the Group's liabilities that are measured at fair value as at 30 June 2013 and 31 December 2012.

	Level 1 US$'000	**Level 2 US$'000**	**Level 3 US$'000**	**Total US$'000**
As at 30 June 2013				
Liabilities				
— Derivative financial instruments	**—**	**450**	**—**	**450**
— Convertible bond	**—**	**—**	**2,729**	**2,729**
Total liabilities	**—**	**450**	**2,729**	**3,179**

	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
As at 31 December 2012				
Liabilities				
— Derivative financial instruments	—	1,174	—	1,174
— Convertible bond	—	—	5,020	5,020
Total liabilities	—	1,174	5,020	6,194

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.3 Valuation techniques used to derive Level 2 fair values

Level 2 trading and hedging derivatives comprise forward foreign exchange contracts. These forward foreign exchange contracts have been fair valued using forward exchange rates that are quoted in an active market.

5.4 Fair value measurements using significant unobservable inputs (Level 3)

	As at 30 June 2013 US$'000 (Unaudited)	As at 31 December 2012 US$'000 (Audited)
Liability component		
Liability component at 1 January 2013 and initial recognition at 31 May 2012	**5,020**	5,070
Conversion	**(2,250)**	—
Interest paid	**(130)**	(176)
Interest expense *(Note)*	**89**	126
Net liability component	**2,729**	5,020

Note: Change in interest expense for the period included in profit or loss was recognized under 'Finance income/(costs), net'.

The discount rate used to compute the fair value is 4.5%. If the change in the credit default rate for that derivative has increased or decreased by 50 basis points, the impact on profit or loss would be approximately US$10,000. The higher the discount rate, the lower the fair value.

The Group's policy is to recognize transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

There were no other changes in valuation techniques during the period.

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.5 Group's valuation processes

The Group's finance department includes a team that performs the valuations of financial assets required for financial reporting purposes, including Level 3 fair values. This team reports directly to the Executive Directors. Discussions of valuation processes and results are held between the Executive Directors and the valuation team semi-annually, in line with the Group's interim and annual reporting dates.

5.6 Fair value of financial liabilities measured at amortized cost

The fair value of convertible bond is as follows:

	As at 30 June 2013 US$'000 (Unaudited)	As at 31 December 2012 US$'000 (Audited)
Non-current	**2,729**	5,020

6 SEGMENT INFORMATION

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

6 SEGMENT INFORMATION (CONTINUED)

The segment information provided to the Executive Directors for the reportable segments for the six months ended 30 June 2013 and 2012 is as follows:

	Casual and fashion apparel US$'000 (Unaudited)	Life-style apparel US$'000 (Unaudited)	Sweater US$'000 (Unaudited)	Accessories US$'000 (Unaudited)	Freight forwarding/ logistics services US$'000 (Unaudited)	Real estate US$'000 (Unaudited)	Total Group US$'000 (Unaudited)
Six months ended 30 June 2013							
Total segment revenue	414,167	63,772	34,718	191,163	9,163	–	712,983
Inter-segment revenue	(129,984)	(164)	(2,523)	(42,884)	(241)	–	(175,796)
Revenue (from external customers)	284,183	63,608	32,195	148,279	8,922	–	537,187
Segment profit/(loss) for the period	18,466	2,645	(3,390)	3,695	555	2,030	24,001
Profit/(loss) for the period includes:							
Depreciation and amortization *(Note 7)*	(5,539)	(777)	(1,303)	(2,772)	(483)	–	(10,874)
Share of losses from associated companies	–	–	–	–	(8)	–	(8)
Share of profit/(loss) of joint ventures	5	–	–	–	–	(432)	(427)
Income tax expense *(Note 18)*	(1,013)	(557)	(289)	(205)	(90)	–	(2,154)

6 SEGMENT INFORMATION (CONTINUED)

	Casual and fashion apparel US$'000 (Unaudited)	Life-style apparel US$'000 (Unaudited)	Sweater US$'000 (Unaudited)	Accessories US$'000 (Unaudited)	Freight forwarding/ logistics services US$'000 (Unaudited)	Real estate US$'000 (Unaudited)	Total Group US$'000 (Unaudited)
Six months ended 30 June 2012							
Total segment revenue	291,255	77,302	33,191	131,543	9,229	–	542,520
Inter-segment revenue	(102,966)	(194)	(3,323)	(25,807)	(234)	–	(132,524)
Revenue (from external customers)	188,289	77,108	29,868	105,736	8,995	–	409,996
Segment profit/(loss) for the period	14,237	1,119	(2,265)	3,602	715	(148)	17,260
Profit/(loss) for the period includes:							
Depreciation and amortization *(Note 7)*	(4,834)	(1,068)	(808)	(2,058)	(491)	–	(9,259)
Share of losses from associated companies	–	–	–	–	(15)	–	(15)
Share of profit/(loss) of joint ventures	1,077	–	–	–	–	(105)	972
Income tax expense *(Note 18)*	(534)	(304)	(387)	(94)	(67)	–	(1,386)

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 condensed consolidated income statement. The management assesses the performance of the operating segments based on a measure of profit before corporate expenses for the period.

6 SEGMENT INFORMATION (CONTINUED)

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

	Six months ended 30 June 2013 US$'000 (Unaudited)	2012 US$'000 (Unaudited)
Segment profit for the period	**24,001**	17,260
Unallocated corporate expenses	**(5,005)**	(4,696)
Profit for the period	**18,996**	12,564

Note:

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

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

	Intangible assets					
	Goodwill US$'000 (Unaudited)	Customer relationship US$'000 (Unaudited)	Total intangible assets US$'000 (Unaudited)	Property, plant and equipment US$'000 (Unaudited)	Leasehold land and land use rights US$'000 (Unaudited)	Total US$'000 (Unaudited)
Six months ended 30 June 2013						
Opening net book amount as at 1 January 2013	42,170	19,815	61,985	112,746	12,011	186,742
Acquisition of subsidiaries *(Note 21)*	3,880	13,190	17,070	19,826	–	36,896
Additions	–	–	–	6,114	–	6,114
Disposals	–	–	–	(626)	–	(626)
Depreciation and amortization	–	(1,587)	(1,587)	(9,121)	(166)	(10,874)
Exchange differences	–	–	–	1,286	81	1,367
Closing net book amount as at 30 June 2013	46,050	31,418	77,468	130,225	11,926	219,619

7 LEASEHOLD LAND AND LAND USE RIGHTS, PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS (CONTINUED)

	Intangible assets					
	Goodwill US$'000 (Unaudited)	Customer relationship US$'000 (Unaudited)	Total intangible assets US$'000 (Unaudited)	Property, plant and equipment US$'000 (Unaudited)	Leasehold land and land use rights US$'000 (Unaudited)	Total US$'000 (Unaudited)
Six months ended 30 June 2012						
Opening net book amount as at 1 January 2012	44,925	17,594	62,519	98,117	8,787	169,423
Acquisition of subsidiaries	936	1,070	2,006	12,323	879	15,208
Additions	–	–	–	3,319	–	3,319
Disposals	–	–	–	(1,137)	–	(1,137)
Depreciation and amortization	–	(1,045)	(1,045)	(8,090)	(124)	(9,259)
Exchange differences	–	–	–	(581)	(33)	(614)
Closing net book amount as at 30 June 2012	45,861	17,619	63,480	103,951	9,509	176,940

8 INVENTORIES

	As at 30 June 2013 US$'000 (Unaudited)	As at 31 December 2012 US$'000 (Audited)
Raw materials	**79,257**	50,141
Work in progress	**67,147**	34,457
Finished goods	**18,978**	11,750
	165,382	96,348

9 TRADE AND OTHER RECEIVABLES

	As at 30 June 2013 US$'000 (Unaudited)	As at 31 December 2012 US$'000 (Audited)
Trade and bill receivables, net	**191,772**	159,474
Deposits, prepayments and other receivables	**35,754**	21,476
Amounts due from related companies *(Note 23(c))*	**1,946**	1,876
Amounts due from an associated company and joint ventures *(Note 23(c))*	**6,071**	1,514
	235,543	184,340

	As at 30 June 2013 US$'000 (Unaudited)	As at 31 December 2012 US$'000 (Audited)
Trade and bill receivables	**196,037**	163,265
Less: provision for impairment of receivables	**(4,265)**	(3,791)
Trade and bill receivables, net	**191,772**	159,474

9 TRADE AND OTHER RECEIVABLES (CONTINUED)

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

	As at 30 June 2013 US$'000 (Unaudited)	As at 31 December 2012 US$'000 (Audited)
Current	**138,367**	113,728
1 to 30 days	**35,699**	32,373
31 to 60 days	**13,297**	8,313
61 to 90 days	**633**	1,056
91 to 120 days	**344**	796
Over 120 days	**3,432**	3,208
Amounts past due but not impaired	**53,405**	45,746
	191,772	159,474

The impairment provision was approximately US$4,265,000 as at 30 June 2013 (31 December 2012: US$3,791,000). The provision made during the period has been included in general and administrative expenses in consolidated income statement.

10 SHARE CAPITAL

	Number of shares '000 (Unaudited)	Nominal value US$'000 (Unaudited)
Authorized — ordinary shares of US$0.01 each		
As at 31 December 2012 and 30 June 2013	1,500,000	15,000
Issued and fully paid—ordinary shares of US$0.01 each		
As at 1 January 2013	999,816	9,998
Exercise of share options by employees	4,550	46
Conversion of convertible bond	11,500	115
As at 30 June 2013	1,015,866	10,159
As at 1 January 2012	992,666	9,927
Exercise of share options by employees	5,282	53
As at 30 June 2012	997,948	9,980

Options exercised during the period resulted in 4,550,000 shares being issued (30 June 2012: 5,282,000), with exercise proceeds of US$417,000 (30 June 2012: US$483,000). The related weighted average price at the time of exercise was US$0.35 (30 June 2012: US$0.14) per share.

Share option

The Company has adopted a share option scheme (the "Scheme") which is effective for a period of 10 years commencing 27 June 2004 pursuant to a written resolution of the then sole shareholder of the Company on 27 June 2004.

Under the Scheme, the Company may grant options to selected full-time employees and Directors of the Company and its subsidiaries to subscribe for shares in the Company. Additionally, the Company may, from time to time, grant share options to eligible advisors and consultants to the Company and its subsidiaries at the discretion of the Board of Directors.

10 SHARE CAPITAL (CONTINUED)

Share option (Continued)

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue as at the date of the listing of the shares without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at the date of such grant, without prior approval from the Company's shareholders.

One-third of the options are vested after one year from the grant date, another one-third options are vested after two years from the grant date and the rest of the options are vested after three years from the grant date.

Options may be exercised at any time within the relevant exercise period. The exercise price is determined by the highest of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares.

Movements in the number of share options are as follows:

			Number of shares				
Date of grant	**Exercise period**	**Subscription price per share**	**Beginning of period '000**	**Granted '000**	**Forfeited/ lapsed '000**	**Exercised '000**	**End of period '000**
21 April 2008	From 21 April 2009 to 20 April 2013	HK$0.71	4,550	–	–	(4,550)	–

11 OTHER RESERVES

	Share premium US$'000 (Unaudited)	Capital reserve (Note (i)) US$'000 (Unaudited)	Other capital reserves (Note (ii)) US$'000 (Unaudited)	Share-based compensation reserve US$'000 (Unaudited)	Convertible bond equity conversion reserve US$'000 (Unaudited)	Exchange reserve US$'000 (Unaudited)	Total US$'000 (Unaudited)
As at 1 January 2013	**117,832**	**11,722**	**(4,799)**	**142**	**980**	**10,152**	**136,029**
Currency translation differences	**–**	**–**	**–**	**–**	**–**	**(2,107)**	**(2,107)**
Exercise of share options by employees	**514**	**–**	**–**	**(142)**	**–**	**–**	**372**
Convertible bond – equity conversion component *(Note 13)*	**2,558**	**–**	**–**	**–**	**(382)**	**–**	**2,176**
As at 30 June 2013	**120,904**	**11,722**	**(4,799)**	**–**	**598**	**8,045**	**136,470**
As at 1 January 2012	117,018	11,722	(4,799)	1,800	–	10,573	136,314
Currency translation differences	–	–	–	–	–	(288)	(288)
Exercise of share options by employees	589	–	–	(159)	–	–	430
Forfeit/lapse of share options	–	–	–	(1,410)	–	–	(1,410)
Convertible bond – equity conversion component *(Note 13)*	–	–	–	–	980	–	980
As at 30 June 2012	117,607	11,722	(4,799)	231	980	10,285	136,026

Notes:

(i) The capital reserve of the Group represents the difference between the nominal value of the shares of the subsidiaries acquired pursuant to the Initial Public Offerings ("IPO") reorganization and the nominal value of the Company's shares issued in exchange thereof.

(ii) Other capital reserves primarily represent the initial recognition of the financial liabilities in relation to the put options granted to the minority shareholders and the subsequent derecognition of such financial liabilities upon the put options are exercised, expired or terminated, the non-controlling interests being allocated to the parent equity and any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received.

12 BANK BORROWINGS

	As at 30 June 2013 US$'000 (Unaudited)	As at 31 December 2012 US$'000 (Audited)
Non-current		
Bank borrowings	**6,617**	4,643
Current		
Bank overdrafts	**595**	1,536
Trust receipt bank loans	**50,630**	38,212
Portion of bank borrowings from banks due for repayment within one year	**91,262**	51,816
Portion of bank borrowings from banks due for repayment after one year which contain a repayment on demand clause	**52,087**	16,851
	194,574	108,415
Total borrowings	**201,191**	113,058

The carrying amounts of the bank borrowings approximate their fair values.

13 CONVERTIBLE BOND

The Group issued a convertible bond with coupon rate of 6.5% per annum at a total principal value of US$4,600,000 on 27 April 2012 (the "date of issue") as the consideration to acquire an additional 50% equity interest in Yuen Thai Industrial Company Limited, Yuen Thai Holdings Limited and its subsidiary.

The convertible bond will mature in 2 years from the date of issue at its principal amount or can be converted into 29,746,666 shares at the bondholder's option at rate of HK$1.2 per share. The bondholder has an extension option to roll-over the outstanding principal amount for an additional 2 years with the same terms and conditions.

The fair value of the convertible bond of US$6,050,000 was valued by an independent valuer as at 31 May 2012. The convertible bond comprises of liability components and an equity conversion component.

13 CONVERTIBLE BOND (CONTINUED)

The fair value of the unlisted bond component was calculated by using a market interest rate of similar non-extendable and non-convertible bonds. The fair values of the convertible bond and the extension option components were valued by using the Binomial Option Pricing Model. The residual amount, representing the value of the equity conversion component, is included in the convertible bond-equity conversion reserve under equity attributable to owners of the Company.

The bondholder has converted portion of convertible bond into 11,500,000 shares during the period.

	As at 30 June 2013 US$'000 (Unaudited)	As at 31 December 2012 US$'000 (Audited)
Face value of convertible bond at initial recognition	**6,050**	6,050
Equity component		
Equity conversion component at 1 January 2013 and initial recognition at 31 May 2012	**980**	980
Conversion	**(382)**	—
Net equity conversion component *(Note 11)*	**598**	980
Liability component		
Liability component at 1 January 2013 and initial recognition at 31 May 2012	**5,020**	5,070
Conversion	**(2,250)**	—
Interest paid	**(130)**	(176)
Interest expense	**89**	126
Net liability component	**2,729**	5,020

14 TRADE AND OTHER PAYABLES

	As at 30 June 2013 US$'000 (Unaudited)	As at 31 December 2012 US$'000 (Audited)
Trade and bills payable	**156,296**	113,017
Other payables and accruals	**127,750**	84,646
Amounts due to related companies *(Note 23(c))*	**1,746**	2,108
Amounts due to associated companies and joint ventures *(Note 23(c))*	**375**	113
	286,167	199,884

As at 30 June 2013, the ageing analysis of the trade and bills payable based on the invoice date is as follows:

	As at 30 June 2013 US$'000 (Unaudited)	As at 31 December 2012 US$'000 (Audited)
0 to 30 days	**106,076**	102,230
31 to 60 days	**22,834**	4,411
61 to 90 days	**14,194**	768
Over 90 days	**13,192**	5,608
	156,296	113,017

15 OTHER GAINS/(LOSSES), NET

	Six months ended 30 June	
	2013	2012
	US$'000	US$'000
	(Unaudited)	(Unaudited)
Net fair value losses on derivative financial instruments	**(24)**	(177)
Net gains in foreign exchange forward contracts and interest rate swap	**589**	538
Net foreign exchange gains/(losses)	**440**	(1,252)
Gain on measuring equity in the joint ventures held before the business combination	**—**	336
	1,005	(555)

16 OPERATING PROFIT

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

	Six months ended 30 June	
	2013	2012
	US$'000	US$'000
	(Unaudited)	(Unaudited)
Amortization of leasehold land and land use rights *(Note 7)*	**166**	124
Amortization of intangible assets *(Note 7)*	**1,587**	1,045
Depreciation of property, plant and equipment *(Note 7)*	**9,121**	8,090
Gain on disposals of property, plant and equipment	**(134)**	(352)
Provision for/(reversal of) impairment of receivables *(Note 9)*	**637**	(217)
Provision for impairment of other receivables	**1,052**	—
(Reversal of)/provision for inventory obsolescence	**(682)**	556

17 FINANCE INCOME/(COSTS), NET

	Six months ended 30 June	
	2013	2012
	US$'000	US$'000
	(Unaudited)	(Unaudited)
Interest expense on bank loans and overdrafts	**(1,547)**	(865)
Effective interest expense on convertible bond	**(89)**	(18)
Finance costs	**(1,636)**	(883)
Interest income from bank deposits	**1,051**	848
Effective interest income from amount due from a joint venture	**1,844**	—
Finance income	**2,895**	848
Finance income/(costs), net	**1,259**	(35)

18 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2012: 16.5%) on the estimated assessable profit for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

	Six months ended 30 June	
	2013	2012
	US$'000	US$'000
	(Unaudited)	(Unaudited)
Current income tax	**2,269**	1,101
Deferred income tax	**(115)**	285
	2,154	1,386

18 INCOME TAX EXPENSE (CONTINUED)

The Inland Revenue Department ("IRD") has been reviewing the 50:50 offshore claim made by a subsidiary of the Group since the years of assessment 2000/01 up to and including 2012/13. In prior years, the IRD has disallowed the 50:50 offshore claim and issued notices of additional assessments/assessments for the years of assessment 2000/01 to 2007/08 and 2009/10 to 2011/12. The Group has lodged objection on the assessments and the objection case is being reviewed by the Appeals Section of the IRD pending determination of the Commissioner of Inland Revenue.

The Group has paid the amount of US$3,752,000 in the form of Tax Reserve Certificate which the amount has been included in prepaid income tax in the consolidated balance sheet as at 30 June 2013 and the Group considers that sufficient tax provision has been made in the consolidated financial statements.

19 EARNINGS PER SHARE

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

(a) Basic

	Six months ended 30 June	
	2013	2012
	US$'000	US$'000
	(Unaudited)	(Unaudited)
Profit attributable to owners of the Company	**18,105**	12,205
Weighted average number of ordinary shares in issue (thousands)	**1,006,178**	989,650
Basic earnings per share (US cents per share)	**1.80**	1.23

19 EARNINGS PER SHARE (CONTINUED)

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

The Company has share options and convertible bond which have potential dilutive effect on its ordinary shares.

The dilutive effect of share options on number of shares is calculated to determine the number of share 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 and the conversion of the convertible bond.

19 EARNINGS PER SHARE (CONTINUED)

(b) Diluted (Continued)

	Six months ended 30 June	
	2013	2012
	US$'000	US$'000
	(Unaudited)	(Unaudited)
Earnings		
Profit from continuing operations attributable to owners of the Company	**18,105**	12,205
Interest expense on convertible bond (net of tax)	**89**	18
Profit used to determine diluted earnings per share	**18,194**	12,223
Weighted average number of ordinary shares in issue (thousands)	**1,006,178**	989,650
Assumed conversion of convertible bond (thousands)	**25,913**	4,903
Adjustment for share options (thousands)	**1,332**	1,244
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**1,033,423**	995,797
Diluted earnings per share (US cents per share)	**1.76**	1.23

20 DIVIDENDS

	Six months ended 30 June	
	2013	2012
	US$'000	US$'000
	(Unaudited)	(Unaudited)
Interim dividend — US0.526 cent or equivalent to HK4.08 cents (2012: US0.367 cent) per ordinary share	**5,439**	3,664

The interim dividend of US0.526 cent per share (2012: US0.367 cent per share) was proposed by the Board of Directors on 27 August 2013. This condensed consolidated interim financial information does not reflect this dividend payable.

21 BUSINESS COMBINATION

On 6 January 2013, the Group entered into a sale and purchase agreement to acquire 100% equity interest in Ocean Sky Global (S) Pte. Ltd. and its wholly owned subsidiaries (collectively, the "Ocean Sky Group"), which are principally engaged in the trading and manufacturing of apparels in Singapore, Vietnam and Cambodia, at a consideration of US$52,785,000. The transaction was completed on 30 April 2013.

Details of the consideration for the acquisition of Ocean Sky Group and the amounts of the net identifiable assets recognized at the 30 April 2013 are as follows:

	US$'000
	(Unaudited)
Purchase consideration	
— Cash consideration paid	35,751
— Consideration payable	17,034
	52,785
Less: Fair value of net assets acquired (as shown below)	(48,905)
Goodwill *(Note 7)*	3,880

21 BUSINESS COMBINATION (CONTINUED)

The initial carrying amount of the assets and liabilities, other than intangible assets arising from business combination, of the acquired business approximates their provisional fair values at respective acquisition date and are as follows:

	Provisional Fair values US$'000 (Unaudited)
Net assets acquired:	
Property, plant and equipment *(Note 7)*	19,826
Intangible assets *(Note 7)*	13,190
Trade and other receivables	14,723
Inventories	30,852
Cash and cash equivalents	11,743
Bank borrowings	(7,486)
Deferred income tax liabilities	(2,811)
Trade and other payables	(29,589)
Current income tax liabilities	(1,543)
	48,905

Note: The Group has appointed an independent valuer to estimate the fair values of the net assets acquired.

The goodwill is attributable to the synergy expected from combining the operations of the Group and the acquired business. The Group is in the process of making an allocation of the goodwill arising from the acquisition of Ocean Sky Group to the cash–generating units of the Group.

21 BUSINESS COMBINATION (CONTINUED)

Analysis of outflow of cash and cash equivalents in respect of the Ocean Sky Group acquisition:

	US$'000
Cash consideration paid	(35,751)
Less: cash and cash equivalents acquired	11,743
	(24,008)

The acquired Ocean Sky Group contributed revenue of US$30,775,000 and leading to a net gain of US$1,056,000 to the Group for the period from 1 May 2013 to 30 June 2013. If the acquisition had occurred on 1 January 2013, the Group's revenue would have been US$595,986,000, profit attributable to owners of the Company before allocations would have been US$18,386,000. These amounts have been calculated using the Group's accounting policies and by adjusting the results of the subsidiaries to reflect the additional depreciation and amortization that would have been charged assuming the fair value adjustments to property, plant and equipments and intangible asset had applied from 1 January 2013, together with the consequential tax effects.

22 COMMITMENTS

(a) Capital commitments

	As at 30 June 2013 US$'000 (Unaudited)	As at 31 December 2012 US$'000 (Audited)
Contracted but not provided for		
— Property, plant and equipment	**367**	1,792

22 COMMITMENTS (CONTINUED)

(b) Operating lease commitments

The future aggregate minimum lease payments under non-cancellable operating leases are as follow:

	As at 30 June 2013 US$'000 (Unaudited)	As at 31 December 2012 US$'000 (Audited)
Land and buildings		
— No later than 1 year	**5,320**	4,040
— Later than 1 year and no later than 5 years	**13,297**	6,787
— Later than 5 years	**18,134**	3,776
	36,751	14,603

23 RELATED-PARTY TRANSACTIONS

(a) Transactions with related parties

Capital Glory Limited, a company incorporated in the British Virgin Islands, owns 61.88% interests in the Company's equity. The Directors regard the ultimate holding company of the Company to be Helmsley Enterprises Limited, a company incorporated in Bahamas. The ultimate controlling party of the Group is Dr. Tan Siu Lin and his close family members.

During the period, other than the transactions and balances with related parties as disclosed in respective notes in this condensed consolidated interim financial information, the Group had the following significant transactions with related companies, associated companies and joint ventures. Related companies are companies which are beneficially owned, or controlled, by Dr. Tan Siu Lin, Dr. Tan Henry and Mr. Tan Cho Lung, Raymond, Executive Directors of the Company, individually, jointly or collectively, or together with their close family members (collectively referred to as the "Tan's Family").

23 RELATED-PARTY TRANSACTIONS (CONTINUED)

(a) Transactions with related parties (Continued)

(i) Provision of goods and services

	Six months ended 30 June	
	2013	2012
	US$'000	US$'000
	(Unaudited)	(Unaudited)
Management fee income from		
— related companies	**71**	206
— a joint venture	**–**	178
	71	384
Freight forwarding and logistics service income from related companies	**410**	456
Subcontracting income from a joint venture	**–**	355
Service income from joint ventures	**1,595**	298
Sale of apparels textile products and accessories to a related company *(Note)*	**–**	723
Recharge of material costs and other expenses from		
— related companies	**720**	645
— joint ventures	**11**	5,423
	731	6,068

Note: The related company is beneficially owned by a key management of the Group.

23 RELATED-PARTY TRANSACTIONS (CONTINUED)

(a) Transactions with related parties (Continued)

(ii) Purchases of goods and services

	Six months ended 30 June	
	2013	2012
	US$'000	US$'000
	(Unaudited)	(Unaudited)
Professional and technological support service fees to related companies	**1,096**	1,050
Subcontracting fee charged by joint ventures	**7,825**	5,289
Commission expense charged by joint ventures	**–**	812
Rental expenses charged by related companies	**724**	729
Recharge of material costs and other expenses		
— related companies	**399**	400
— joint ventures	**933**	2,397
	1,332	2,797

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

23 RELATED-PARTY TRANSACTIONS (CONTINUED)

(b) Key management compensation

	Six months ended 30 June	
	2013	2012
	US$'000	US$'000
	(Unaudited)	(Unaudited)
Salaries and allowances	**3,722**	3,726
Others	**348**	314
	4,070	4,040

(c) Amounts due from/(to) related companies, associated companies and joint ventures

As at 30 June 2013, the outstanding balances with the related companies, associated companies and joint ventures are unsecured, interest-free and repayable on demand, except for an amount due from joint ventures currently classified under interests in joint ventures of US$41,868,000 is wholly repayable within the next 5 years, of which, amount of US$34,860,000 is interest bearing at 12%.

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

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

24 CONTINGENT LIABILITIES AND LITIGATION

The Group is involved in various labour lawsuits and claims arising from the normal course of business. The directors believe that the Group has substantial legal and factual bases for their position and are of the opinion that losses arising from these lawsuits, if any, will not have a material adverse impact on the results of the operations or the financial position of the Group. Accordingly, no provision for such liabilities has been made in the financial statements.

The board of directors (the "Board" or "Directors") of Luen Thai Holdings Limited (the "Company") is pleased to present the interim report together with the unaudited condensed consolidated financial information of the Company and its subsidiaries (collectively, the "Group" or "Luen Thai") for the six months ended 30 June 2013.

MANAGEMENT DISCUSSION AND ANALYSIS

Results of Operations and Overview

For the six months period ended 30 June 2013, the Group recorded a revenue of approximately US$537,187,000, representing an increase of 31.0% over the corresponding period in last year. The strong increase in revenue was mainly attributable to (1) the consolidation of the operations of Yuen Thai Group in May 2012, (2) the acquisition of the footwear business in the second half of 2012, (3) the continuous organic growth of other strategic business units during the period under review and (4) the completion of the acquisition of the Ocean Sky Group as at 30 April 2013. In line with the growth of the revenue, the gross profit of the Group for the six months period ended 30 June 2013 increased by approximately US$27,199,000 to approximately US$100,863,000 representing a period-on-period increase of 36.9%. The gross profit percentage for the period under review is 18.8% as compared to 18.0% for the same period last year.

Due mainly to the consolidation of Yuen Thai Group and the acquisition of footwear business and the Ocean Sky Group, the operating expenses (including the general administration and the selling and distribution expenses) increased to US$81,542,000 representing an increase of 35.7% over the same period in 2012.

Despite the uncertainty of the global economy, particularly in Europe, the Company continued to deliver a solid return to the shareholders. The profit attributable to the owners of the Company increased to approximately US$18,105,000, as compared to approximately US$12,205,000 for the same period in 2012, representing an increase of approximately US$5,900,000 or 48.3%.

Segmental Review

Apparel and Accessories businesses remained the main sources of the Group's revenue for the six months ended 30 June 2013, which accounted for approximately 70.7% and 27.6% respectively of the Group's total revenue for the period.

Apparel Supply Chain Management Services

The Casual and Fashion Apparel Division attained a very good performance for the six-month period ended 30 June 2013 with a segment profit of about US$18,466,000, representing a considerable increase of 29.7% over the previous period in 2012. Notable growth in the profit was contributed by the strong performance of the ladies wear business and the rapid growth of our business with one Japan based customer. With continuous improvement of manufacturing operations, other strategic business units within the Division also improved their performance in the first half of 2013.

Due to the economic instability in Europe during the period under review, the revenue of Life-style Apparel Division decreased by approximately 17.5% to approximately US$63,608,000. However, despite such decrease in revenue, the net profit of the Division increased to US$2,645,000 due to its strategic increase in provision of product design and development services to some of its customers and the implementation of certain effective cost control initiatives.

The Sweater Division has reported a loss of approximately US$3,390,000 in the first half of 2013 due primarily to the seasonal nature of its business. This loss is higher than that of the same period last year because there was also loss of orders from one of its customers which affected the level loading and efficiency of one of the factories under the Division. As this sudden loss of orders is only a one-off event and the Division will have sufficient orders to fill the factories, the Board has confidence in the long-term development and prospect of the Sweater Division.

Accessories Supply Chain Management Services

For the first half of 2013, the Accessories Division has reported segment profit of approximately US$3,695,000, representing an increase of 2.6% as compared to the same period last year. The slight increase was mainly due to the continuous growth of the luxury bag business with an offsetting effect on the start-up loss incurred by the footwear and travel goods business outside China.

Real Estate

As disclosed in our 2012 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"), 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 first phase pre-sale of this real estate project was launched in May and June 2013 and most of the saleable units were sold. The Board expects that this real estate project could possibly bring in additional income stream to the Group commencing from 2015.

During the period under review, the Real Estate Division has reported a segment profit of approximately US$2,030,000 which is mainly attributable to the interest income accrued from the consideration receivable arisen from the disposal of the real estate project in Qingyuan to Sunshine 100.

Logistics

The Group's freight forwarding and logistics services recorded a segment profit of approximately US$555,000 for the period under review, representing a decrease of approximately US$160,000 over the same period in 2012.

Markets

Geographically, Europe and the US continued to be our key export markets for the period under review despite the economic downturn in Europe. The total revenue derived from customers in Europe and US markets collectively accounted for approximately 75.4% of the Group's total revenue in the first half of 2013.

Asia market (mainly Greater China and Japan) increased from approximately US$66,742,000 to approximately US$94,752,000 which accounted for approximately 17.6% of the Group's total revenue in the first half of 2013.

Acquisitions and Joint Ventures

It has been one of the Group's strategies to strengthen the competiveness of the Group by way of selective value-enhancing acquisitions and joint ventures. During the period under review, the Group has completed the following significant transaction.

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 interest 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 with operations in Vietnam, Cambodia, Singapore and Hong Kong. The acquisition was completed in April 2013. The operations and transition have been stable and smooth.

The Board believes that through the acquisition of Ocean Sky Group, the Group can further diversify its production bases outside China in other Southeast Asia countries (i.e. Cambodia and Vietnam) with lower labour costs and expand its customer base.

Luen Thai will continue to look for value-enhancing acquisition and joint venture opportunities to further expand our product range, production capacity and diversify our geographical risk.

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

Liquidity and Financial Resources

The financial position of the Group remained stable. As at 30 June 2013, the total cash and bank balance of the Group amounted to approximately US$193,308,000, representing an increase of approximately US$27,720,000 over the balance as at 31 December 2012. The Group's total bank borrowings as at 30 June 2013 was approximately US$201,191,000, representing an increase of approximately 78.0% as compared to approximately US$113,058,000 at 31 December 2012. The significant increase in bank borrowings during the period under review is due mainly to the additional financing and working capital requirements as a result of the acquisition of the Ocean Sky Group.

Gearing ratio is defined as net debt (representing bank borrowings net of cash and cash equivalents) divided by shareholders' equity. As at 30 June 2013, the Group's gearing ratio is 0.02.

As at 30 June 2013, the maturity profile of the Group's bank borrowings spreads over five years, with approximately US$194,574,000 repayable within one year, approximately US$2,525,000 repayable in the second year, and approximately US$4,092,000 repayable in the third to fifth year.

Foreign Exchange Risk Management

The Group adopts a prudent policy to hedge against the fluctuations in exchange rates. Most of the Group's operating activities are denominated in US dollar, Euro, Hong Kong dollar, Chinese Yuan, and Philippine Peso. For those activities denominated in other currencies, the Group may enter into forward contracts or any other financial derivatives to hedge its receivables and payables denominated in foreign currencies to reduce the risks involved in exchange rate fluctuations.

Future Plans and Prospect

During the period under review, the recovery of the global economy is far from secure and the operating conditions remained challenging. Nevertheless, the Group will continue to strengthen its position in the industry and at the same time to proactively increase our market share with certain of our existing customers.

Since Cambodia is entitled to exemption of customs duties for importing of apparel products to the European Union market, the Group shall continue to broaden the production base in Cambodia with an aim to enhance its integrated competitive strength to service its European customers.

In addition, the Group shall use its expertise to improve the efficiency of the newly acquired factories in Cambodia and Vietnam so as to increase the production capacities with minimal capital expenditure. These newly acquired facilities shall play an important part of the growth of Luen Thai in the next few years.

The operating costs in China are still surging and the minimum wage in Guangdong Province, the People's Republic of China increased at an average rate of about 19% effective from 1 May 2013. In view of such cost increase, the Group will ensure the most effective use of the Group's current capacities in China and continue to search for appropriate new low cost facilities in the Asian Region.

The Board is confident that the Group will be able to sustain its development and growth through the above mentioned strategies.

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 and valid legal and factual bases for its position and are of the opinion that losses arising from these lawsuits, if any, will not have any material adverse impact on the results of the operations or the financial position of the Group. Accordingly, no provision for such liabilities has been made in the condensed consolidated interim financial information.

Human Resources, Social Responsibilities and Corporate Citizenship

As at 30 June 2013, the Group had about 46,000 employees around the world. Luen Thai believes that employees are the most important and valuable asset of the Group, a critical success factor for the long-term growth and sustainability of the Group. In addition to providing a safe workplace, Luen Thai continuously strives to provide the best employee care with great emphasis on work-life balance and wellness. Luen Thai also has a long-standing commitment to diversity as demonstrated by its multi-cultural workforce. This commitment to fairness is also shown through competitive remuneration package, as well as its employee recognition and awards.

Luen Thai remains committed to corporate social responsibility by promoting transparent and ethical business practices, employee care and environment stewardship. In addition, Luen Thai rallies its employees in caring for the environment, female workforce and the community through numerous programmes, such as "go green", "HERproject" and "I serve, I give back".

OTHER INFORMATION

Interim Dividend

The Board has resolved to declare an interim dividend of HK4.08 cents per share (2012: HK2.848 cents) for the six months ended 30 June 2013 to be payable to shareholders whose names appear on the Register of Members of the Company on 10 October 2013.

The interim dividend will be paid on or around 25 October 2013.

Closure of Register of Members

The Register of Members of the Company will be closed from 8 October 2013 to 10 October 2013, both days inclusive, during which period no transfer of shares will be registered. 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 7 October 2013 in order to qualify for the interim dividend mentioned above.

Purchase, Sale or Redemption of Listed Securities of the Company

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares for the period under review. Reference is made to the announcement of the Company dated 27 April 2012 in relation to, among others, the issuance of a convertible bond in the aggregate principal amount of US$4,600,000 (the "Convertible Bond") to Great Pacific Investments Limited ("CB Holder"). During the period under review, the CB Holder had exercised the conversion rights attached to the Convertible Bond to the extent of US$1,778,351 of the principal amount outstanding thereunder at the conversion price of HK$1.200 per share ("Conversion"), and the Company issued and allotted to the CB Holder 11,500,000 shares of the Company pursuant to the Conversion on 26 April 2013.

Share Options

A share option scheme was adopted by the sole shareholder of the Company at the general meeting held on 27 June 2004, pursuant to which options may be granted to Eligible Participants ("Eligible Participants") to subscribe for shares in the Company (the "Share Option Scheme"). The purposes of the Share Option Scheme are to recognize and acknowledge the contributions that the Eligible Participants have made or may make to the Group and provide them an opportunity to acquire proprietary interests in the Company with the view of achieving the following principal objectives:

a) motivate the Eligible Participants to optimize their performance and efficiency for the benefit of the Group; and

b) attract and retain or otherwise maintain ongoing business relationship with the Eligible Participants whose contributions are or will be beneficial to the Group.

The Share Option Scheme will remain in force until 26 June 2014, unless otherwise determined in accordance with its term. An option may be exercised at any time during a period to be notified by the Board to each grantee. The Board may also provide restrictions on the exercise of an option during the period an option may be exercised.

During the six-month period ended 30 June 2013, 4,550,000 share options granted on 21 April 2008 were exercised.

Each grantee shall pay a consideration of HK$10 at the option is granted. The exercise price of the share options is subject to the adjustment in the event of any alteration in the capital structure of the Company.

As at 30 June 2013, none of the share options were outstanding.

Directors' and Chief Executives' Interests in Shares

As at 30 June 2013, the interests of the Directors and Chief Executives of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register maintained by the Company under Section 352 of the SFO, or otherwise notified to the Company and Stock Exchange pursuant to the Model Code contained in the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") were as follows:

Long position in the shares of the Company ("Shares")

Name of Director	Capacity	Ordinary Shares (no. of shares)	Derivative Shares (no. of shares)	Total number of Shares	Approximate percentage of the share capital of the Company
TAN Siu Lin	Trustee *(Note 1)*	6,500,000	–	6,500,000	0.64%
	Interest of controlled corporation *(Note 1)*	26,300,000	–	26,300,000	2.59%
TAN Henry	Interest of controlled corporation *(Note 2)*	685,500,000	–	685,500,000	67.48%
TAN Cho Lung, Raymond	Beneficial owner *(Note 3)*	2,103,000	–	2,103,000	0.21%
MOK Siu Wan, Anne	Beneficial owner *(Note 4)*	2,000,000	–	2,000,000	0.20%
TAN Willie	Beneficial owner *(Note 5)*	1,000,000	–	1,000,000	0.10%

Notes:

1. Dr. Tan Siu Lin as a trustee indirectly controls the entire issued capital of Wincare International Company Limited, which in turn holds directly 6,500,000 Shares. Dr. Tan Siu Lin also controls and is a subscriber and founding member of Tan Siu Lin Foundation Limited, which in turn owns directly 26,300,000 Shares.

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

   Dr. Tan Henry is the beneficial owner of 5,543,668 issued shares (representing 35% interests) in Tan Holdings Corporation. Tan Holdings Corporation wholly owns Union Bright Limited, which in turn owns 43,650,000 Shares.

Dr. Tan Henry also controls and has the interests in Double Joy Investment Limited, a company incorporated in the British Virgin Islands ("BVI"), which directly owns 10,500,000 Shares.

3. A total of 2,103,000 Shares were acquired by an associate of Mr. Tan Cho Lung, Raymond between 2006 and 2013. He is therefore deemed under Part XV of the SFO to be interested in all of the 2,103,000 Shares acquired by his associate.

4. Ms. Mok Siu Wan, Anne has 2,000,000 Shares through the exercise of share options granted by the Company on 21 April 2008.

5. A total of 1,000,000 Shares were acquired by an associate of Mr. Tan Willie in 2012. He is therefore deemed under Part XV of the SFO to be interested in all of the 1,000,000 Shares acquired by his associate.

Substantial Shareholders

As at 30 June 2013, the register of substantial shareholders maintained pursuant to Section 336 of the SFO showed that other than the interests disclosed in "Directors' and Chief Executives' Interests in Shares", the following shareholders had notified the Company of their relevant interests in the issued capital of the Company.

Long position in the Shares

Name of shareholder	Note	**Capacity**	**Ordinary Shares (no. of shares)**	**Derivative Shares (no. of shares)**	**Total number of shares held**	**Approximate percentage of the share capital of the Company**
Capital Glory Limited	(a & b)	Beneficial owner	614,250,000	–	614,250,000	60.47%
Helmsley	(a & b)	Interest of controlled corporation	631,350,000	–	631,350,000	62.15%
Pou Chen Corporation	(c)	Interest of controlled corporation	82,500,000	18,246,666	100,746,666	9.92%
Wealthplus Holdings Limited	(c)	Interest of controlled corporation	82,500,000	18,246,666	100,746,666	9.92%
Yue Yuen Industrial (Holdings) Limited	(c)	Interest of controlled corporation	82,500,000	18,246,666	100,746,666	9.92%
Pou Hing Industrial Co. Ltd.	(c)	Interest of controlled corporation	82,500,000	18,246,666	100,746,666	9.92%
Great Pacific Investments Limited	(c)	Beneficial owner	82,500,000	18,246,666	100,746,666	9.92%

Notes:

(a) Capital Glory Limited ("Capital Glory"), a company incorporated in the BVI with limited liability, is a wholly owned subsidiary of Helmsley. Helmsley is therefore deemed to be interested in the interests of Capital Glory held in the Company.

(b) Both of Dr. Tan Siu Lin and Dr. Tan Henry are directors in each of Capital Glory and Helmsley, companies which have interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

(c) Based on the information recorded in the register required to be kept under section 336 of the SFO, Great Pacific Investments Limited directly holds 100,746,666 Shares. Great Pacific Investments Limited is 100% directly owned by Pou Hing Industrial Co. Ltd. In turn, Pou Hing Industrial Co. Ltd. is 100% directly owned by Yue Yuen Industrial (Holdings) Limited. Wealthplus Holdings Limited directly holds 46.88% interests in Yue Yuen Industrial (Holdings) Limited. In turn, Wealthplus Holdings Limited is 100% directly owned by Pou Chen Corporation.

Save as disclosed above, so far as is known to the Directors, there are no other person (not being a Director or Chief Executive of the Company) who has interest or a short position in the Shares or underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings or any other members of the Group.

Corporate Governance Practices

Throughout the six-month period ended 30 June 2013, the Company has been in compliance with the code provisions in the Corporate Governance Code as set out in Appendix 14 of the Listing Rules.

In addition, in compliance with a new code provision of the Corporate Governance Code on the board diversity (which will be effective from 1 September 2013), the Board has adopted a board diversity policy in August 2013. The Board Diversity Policy is published on the website of the Company for public information.

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

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

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

Nomination Committee: The Nomination Committee was set up in March 2012 with responsibility of making recommendation to the Board on the appointment or re-appointment of Directors. Dr. Tan Henry and the three independent non-executive Directors of the Company namely: Mr. Chan Henry, Mr. Cheung Siu Kee, and Mr. Seing Nea Yie as the Committee Chairman, comprise the Nomination Committee.

Bank Facility Committee: The Bank Facility Committee was set up in December 2005 to review and approve any banking facility of the Group, to ensure that each facility is in the best commercial interest of the Group as a whole. The Bank Facility Committee comprises two members, namely Dr. Tan Siu Lin and Dr. Tan Henry, with Dr. Tan Siu Lin as the Chairman.

Audit Committee

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and has discussed with the management regarding the auditing, internal control and financial reporting matters. The Audit Committee has discussed and reviewed the unaudited interim financial information and the interim report for the six months ended 30 June 2013.

The Group's unaudited interim financial information has been reviewed by the Company's audit committee. Such unaudited interim financial information has also been reviewed by the Company's auditor, PricewaterhouseCoopers, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

Model Code

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standards set out in the Model Code for Securities Transactions (the "Model Code"). After having made specific enquiry of all Directors, the Directors confirmed that they have complied with the required standards as set out in the Model Code and its code of conduct regarding securities transactions by Directors during the six months ended 30 June 2013.

Disclosure of Information on the Company and the Stock Exchange's Website

This interim report will be published on the websites of the Company (http://www.luenthai.com) and the Stock Exchange (http://www.hkex.com.hk).

By order of the Board
Tan Henry
Chief Executive Officer

Hong Kong, 27 August 2013