LUEN THAI HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 311)

UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2012

GROUP FINANCIAL HIGHLIGHTS

	Six months ended 30 June	
	2012	2011
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Revenue	**409,996**	436,659
Operating profit	**13,028**	13,838
Profit attributable to owners of the Company	**12,205**	7,685
Profit margin (ratio of profit attributable to owners of the Company to revenue)	**3.0%**	1.8%
Basic EPS *(US cents)*		
— Continuing operations	**1.23**	0.85
— Discontinued operations	**—**	(0.08)

The board of directors (the "Board") of Luen Thai Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated result of the Company and its subsidiaries (collectively, the "Group" or "Luen Thai") for the six months ended 30 June 2012.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six month period ended 30 June 2012

	Note	Six months ended 30 June 2012 US$'000 (Unaudited)	2011 US$'000 (Unaudited)
Continuing operations			
Revenue	3	**409,996**	436,659
Cost of sales		**(336,332)**	(365,368)
Gross profit		**73,664**	71,291
Other (losses)/gains, net		**(555)**	1,512
Selling and distribution expenses		**(6,135)**	(6,066)
General and administrative expenses		**(53,946)**	(52,899)
Operating profit	4	**13,028**	13,838
Finance income		**848**	410
Finance costs		**(883)**	(718)
Finance costs, net	5	**(35)**	(308)
Share of (losses)/profits of associated companies		**(15)**	33
Share of profits/(losses) of jointly controlled entities		**972**	(458)
Profit before income tax		**13,950**	13,105
Income tax expense	6	**(1,386)**	(2,394)
Profit from continuing operations		**12,564**	10,711
Loss from discontinued operations		**—**	(775)
Profit for the period		**12,564**	9,936
Profit attributable to:			
Owners of the Company		**12,205**	7,685
Non-controlling interests		**359**	2,251
		12,564	9,936

	Note	Six months ended 30 June 2012 US$'000 (Unaudited)	2011 US$'000 (Unaudited)
Earnings per share from continuing operations and (losses) per shares from discontinued operations attributable to owners of the Company, expressed in US cents per share			
— Basic	7		
From continuing operations		**1.23**	0.85
From discontinued operations		**—**	(0.08)
— Diluted	7		
From continuing operations		**1.23**	0.85
From discontinued operations		**—**	(0.08)
Dividends	8	**3,664**	2,313

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six month period ended 30 June 2012

	Six months ended 30 June	
	2012	2011
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Profit for the period	**12,564**	9,936
Other comprehensive (loss)/income		
Currency translation differences	**(224)**	1,761
Total comprehensive income for the period	**12,340**	11,697
Total comprehensive income for the period attributable to:		
— Owners of the Company	**11,917**	9,446
— Non-controlling interests	**423**	2,251
	12,340	11,697
Total comprehensive income/(loss) attributable to owners of the Company arises from:		
— Continuing operations	**11,917**	10,221
— Discontinued operations	**—**	(775)
	11,917	9,446

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2012

	Note	As at 30 June 2012 US$'000 (Unaudited)	As at 31 December 2011 US$'000 (Audited)
ASSETS			
Non-current assets			
Leasehold land and land use rights		**9,509**	8,787
Property, plant and equipment		**103,951**	98,117
Intangible assets		**63,480**	62,519
Interests in associated companies		**536**	551
Interests in jointly controlled entities		**9,798**	16,633
Deferred income tax assets		**767**	757
Amount due from a jointly controlled entity		**28,985**	31,683
Other non-current assets		**3,666**	3,770
Total non-current assets		**220,692**	222,817
Current assets			
Inventories		**121,609**	79,795
Trade and other receivables	9	**180,332**	150,648
Prepaid income tax		**564**	575
Cash and cash equivalents		**125,157**	138,827
Total current assets		**427,662**	369,845
Total assets		**648,354**	592,662
EQUITY			
Equity attributable to the owners of the Company			
Share capital		**9,980**	9,927
Other reserves	11	**136,026**	136,314
Retained earnings		**167,304**	161,713
		313,310	307,954
Non-controlling interests		**8,074**	9,251
Total equity		**321,384**	317,205

	Note	As at 30 June 2012 US$'000 (Unaudited)	As at 31 December 2011 US$'000 (Audited)
LIABILITIES			
Non-current liabilities			
Bank borrowings		**6,060**	6,111
Retirement benefit obligations		**6,665**	6,480
Convertible bond		**5,070**	—
Deferred income tax liabilities		**4,560**	3,671
Total non-current liabilities		**22,355**	16,262
Current liabilities			
Trade and other payables	10	**196,568**	164,418
Bank borrowings		**96,331**	81,942
Derivative financial instruments		**94**	949
Current income tax liabilities		**11,622**	11,886
Total current liabilities		**304,615**	259,195
Total liabilities		**326,970**	275,457
Total equity and liabilities		**648,354**	592,662
Net current assets		**123,047**	110,650
Total assets less current liabilities		**343,739**	333,467

1. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2012 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 consolidated financial statements for the year ended 31 December 2011, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

2. ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the consolidated financial statements for the year ended 31 December 2011, as described in those consolidated financial statements.

2.1 Compound financial instruments

Compound financial instruments issued by the Group comprise convertible bond that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

In subsequent periods, the liability component — unlisted bond of the convertible bond is carried at amortised cost using the effective interest method. The liability component — extension option of the convertible bond is re-measured at fair value at each balance sheet date. The equity component will remain in convertible bond equity conversion reserve until the conversion option is exercised (in which case the balance stated in convertible bonds equity reserve will be transferred to share capital and share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible bonds equity reserve will be released to retained profits. No gain or loss is recognized in profit or loss upon conversion at maturity or expiration of the option.

2.2 New amendment to existing standard effective for the financial periods beginning on or after 1 January 2012 but not relevant to the Group

HKAS 12 (Amendment), 'Deferred tax: Recovery of underlying assets' — HKAS 12, 'Income taxes', currently requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in HKAS 40, 'Investment property'. This amendment therefore introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. As a result of the amendments, HK(SIC) 21, 'Income taxes — recovery of revalued non-depreciable assets', will no longer apply to investment properties carried at fair value. This is not currently relevant to the Group, as the Group does not hold any investment property.

2.3 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 1 (Amendment)	Presentation of financial statements[1]
HKAS 19 (Amendment)	Employee benefits[2]
HKAS 27 (2011)	Separate financial statement[2]
HKAS 28 (2011)	Investments in associates and joint ventures[2]
HKAS 32 (Amendment)	Financial instruments: Presentation — Offsetting financial assets and financial liabilities[3]
HKAS 34 (Amendment)	Interim financial reporting[2]
HKFRS 7 (Amendment)	Financial instruments: Disclosures — Offsetting financial assets and financial liabilities[2]
HKFRS 7 and HKFRS 9 (Amendments)	Mandatory effective date and transition disclosures[4]
HKFRS 9	Financial instruments[4]
HKFRS 10	Consolidated financial statements[2]
HKFRS 11	Joint arrangements[2]
HKFRS 12	Disclosures of interests in other entities[2]
HKFRS 13	Fair value measurements[2]

Notes:

(1) Effective for financial periods beginning on or after 1 July 2012
(2) Effective for financial periods beginning on or after 1 January 2013
(3) Effective for financial periods beginning on or after 1 January 2014
(4) 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.

3. SEGMENT INFORMATION

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

The segment information provided to the executive directors for the reportable segments for the six months ended 30 June 2012 and 2011 are as follows:

	Casual and fashion apparel	**Life-style apparel**	**Sweater**	**Accessories**	**Freight forwarding/ logistics services**	**Total Group**
	US$'000	***US$'000***	***US$'000***	***US$'000***	***US$'000***	***US$'000***
	(Unaudited)	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**	**(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	**14,089**	**1,119**	**(2,265)**	**3,602**	**715**	**17,260**
Profit/(loss) for the period includes:						
Depreciation and amortization	**(4,834)**	**(1,068)**	**(808)**	**(2,058)**	**(491)**	**(9,259)**
Share of losses from associated companies	**—**	**—**	**—**	**—**	**(15)**	**(15)**
Share of profits of jointly controlled entities	**972**	**—**	**—**	**—**	**—**	**972**
Income tax expense	**(534)**	**(304)**	**(387)**	**(94)**	**(67)**	**(1,386)**

	Casual and fashion apparel	Life-style apparel	Sweater	Accessories	Freight forwarding/ logistics services	Real estate	Total Group
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Six months ended 30 June 2011							
Total segment revenue	315,516	107,439	36,407	81,681	8,451	—	549,494
Inter-segment revenue	(106,799)	(507)	(5,157)	(160)	(212)	—	(112,835)
Revenue (From external customers)	208,717	106,932	31,250	81,521	8,239	—	436,659
Segment profit/(loss) for the period	9,192	5,768	(1,151)	711	36	(775)	13,781
Profit/(loss) for the period includes:							
Depreciation and amortization	(5,239)	(1,118)	(856)	(1,814)	(492)	(497)	(10,016)
Share of profits of associated companies	—	—	—	—	33	—	33
Share of losses of jointly controlled entities	(458)	—	—	—	—	—	(458)
Income tax expense	(766)	(1,138)	(145)	(284)	(61)	—	(2,394)

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.

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

	Six months ended 30 June	
	2012	2011
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Segment profit for the period	**17,260**	13,781
Unallocated corporate expenses	**(4,696)**	(3,845)
Profit for the period	**12,564**	9,936

4. OPERATING PROFIT

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

	Six months ended 30 June	
	2012	2011
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
From continuing operations		
Amortization of leasehold land and land use rights	**124**	109
Amortization of intangible assets	**1,045**	1,145
Depreciation of property, plant and equipment	**8,090**	8,265
Gain on disposal of property, plant and equipment	**(352)**	(206)
(Reversal of)/provision for impairment of receivables	**(217)**	187
Provision for inventory obsolescence	**556**	12
From discontinued operations		
Depreciation of property, plant and equipment	**—**	497

5. FINANCE COSTS, NET

	Six months ended 30 June	
	2012	2011
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Interest expense on bank loans and overdrafts	**(883)**	(718)
Finance costs	**(883)**	(718)
Interest income from bank deposits	**848**	166
Change in estimates of financial liabilities, net *(Note)*	**—**	244
Finance income	**848**	410
Finance costs, net	**(35)**	(308)

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

6. 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 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	
	2012	2011
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Current income tax	**1,101**	1,961
Deferred income tax	**285**	433
	1,386	2,394

Notes:

(i) In prior years, a Hong Kong subsidiary received notices of additional assessments/assessments from the Hong Kong Inland Revenue department (the "IRD") for the years of assessment 2000/01 to 2007/08, 2009/10 and 2010/11 demanding for tax totaling US$3,960,000 in respect of certain income, which the directors has regarded as not subject to Hong Kong Profits Tax. The directors have thoroughly revisited the situations and have concluded that the subsidiary company has grounds to defend that the relevant profits are not subject to Hong Kong Profits Tax. In these circumstances, the directors have filed objections to these additional assessments/ assessments and consider that sufficient tax provision has been made in the financial statements. The subsidiary company has paid the amount of US$3,571,000 in the form of Tax Reserve Certificates. The Tax Reserve Certificates amount paid was included in prepayments in the consolidated balance sheet as at 30 June 2012.

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

7. EARNINGS PER SHARE

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

(a) Basic

	Six months ended 30 June	
	2012	2011
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Profit/(loss) attributable to owners of the Company		
— Continuing operations	**12,205**	8,460
— Discontinued operations	**—**	(775)
	12,205	7,685
Weighted average number of ordinary shares in issue *(thousands)*	**994,553**	992,666
Basic earnings/(losses) per share *(US cents per share)*		
— Continuing operations	**1.23**	0.85
— Discontinued operations	**—**	(0.08)
	1.23	0.77

(b) Diluted

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

	Six months ended 30 June	
	2012	2011
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares in issue *(thousands)*	**994,553**	992,666
Adjustment for share options *(thousands)*	**1,244**	1,463
Weighted average number of ordinary shares for diluted earnings per share *(thousands)*	**995,797**	994,129
Diluted earnings/(losses) per share *(US cents per share)*		
— Continuing operations	**1.23**	0.85
— Discontinued operations	**—**	(0.08)
	1.23	0.77

8. DIVIDENDS

	Six months ended 30 June	
	2012	2011
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Interim dividend — US0.367 cent or equivalent to HK2.848 cents (2011: US0.233 cent) per ordinary share	**3,664**	2,313

The interim dividend of US0.367 cent per share (2011: US0.233 cent per share) was proposed by the Board of Directors on 28 August 2012. This condensed consolidated interim financial information does not reflect this dividend payable.

9. TRADE AND OTHER RECEIVABLES

	As at 30 June 2012	As at 31 December 2011
	US$'000	*US$'000*
	(Unaudited)	(Audited)
Trade and bills receivables, net	**148,210**	124,107
Deposits, prepayments and other receivables	**29,490**	21,497
Amounts due from related companies	**1,414**	1,306
Amounts due from associated companies and jointly controlled entities	**1,218**	3,738
	180,332	150,648

	As at 30 June 2012 *US$'000* (Unaudited)	As at 31 December 2011 *US$'000* (Audited)
Trade and bills receivables	**151,687**	127,868
Less: provision for impairment of receivables	**(3,477)**	(3,761)
Trade and bills receivables, net	**148,210**	124,107

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

	As at 30 June 2012 *US$'000* (Unaudited)	As at 31 December 2011 *US$'000* (Audited)
Current	**114,739**	94,719
1 to 30 days	**19,511**	20,877
31 to 60 days	**7,019**	2,305
61 to 90 days	**858**	1,974
91 to 120 days	**1,883**	216
Over 120 days	**4,200**	4,016
Amounts past due but not impaired	**33,471**	29,388
	148,210	124,107

10. TRADE AND OTHER PAYABLES

	As at 30 June 2012 *US$'000* (Unaudited)	As at 31 December 2011 *US$'000* (Audited)
Trade and bills payables	**110,405**	82,720
Other payables and accruals	**83,459**	77,944
Amounts due to related companies	**2,023**	2,025
Amounts due to associated companies and jointly controlled entities	**681**	1,729
	196,568	164,418

At 30 June 2012, the ageing analysis of the trade and bills payables is based on invoice date as follows:

	As at 30 June 2012 US$'000 (Unaudited)	As at 31 December 2011 US$'000 (Audited)
0 to 30 days	**99,842**	78,145
31 to 60 days	**4,595**	1,929
61 to 90 days	**2,675**	414
Over 90 days	**3,293**	2,232
	110,405	82,720

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 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	—	—	—	—	**980**	—	**980**
As at 30 June 2012	**117,607**	**11,722**	**(4,799)**	**231**	**980**	**10,285**	**136,026**
As at 1 January 2011	117,018	11,722	(4,799)	1,787	—	8,183	133,911
Currency translation differences	—	—	—	—	—	1,761	1,761
Share-based payment expenses	—	—	—	13	—	—	13
As at 30 June 2011	117,018	11,722	(4,799)	1,800	—	9,944	135,685

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.

MANAGEMENT DISCUSSION & ANALYSIS

Results of Operations and Overview

Despite the volatility of the economic environment, particularly in Europe, the profit attributable to owners of the Company for the six months ended 30 June 2012 showed an increase of 58.8% to approximately US$12,205,000 when compared to that recorded for the same period last year.

The Group recorded revenue of approximately US$409,996,000 for the six-month period ended 30 June 2012, representing a 6.1% decrease when compared to the same period in 2011. The overall decrease in revenue was mainly due to the decrease in European business as a result of unfavorable economic climate in Europe and the elimination of certain non-profitable accounts. However, the overall average selling price remained relatively stable for the six-month period ended 30 June 2012 when compared to the same period in 2011. Through certain manufacturing cost control initiatives, the Company was able to improve our average gross margin to 18%, representing an increase of 1.7 percentage point over the same period in 2011. As a result, Luen Thai's overall gross profit for the six months ended 30 June 2012 increased to approximately US$73,664,000, as compared to US$71,291,000 for the same period in 2011.

During the period under review, the operating environment was still challenging despite the drop in cotton price. The economic climate in Europe substantially affected our customers' sentiment to place order, and the operating costs in the mainland China remained high. The Group, however, had managed to improve its margin. The Group's effort in developing strategic relationship with our customers, diversification of production sites and changing in product mix in the past few years yield such desired result. The selling and distribution expenses remained relatively stable. However, due mainly to the start-up costs incurred for capacity expansion outside China, there was an increase in the general and administrative expenses. The Group shall continue to implement cost control initiatives to contain its operating expenses.

Segmental Review

Apparel and Accessories businesses continued to be the major sources of the Group's revenue for the six months ended 30 June 2012, which accounted for approximately 72% and 25.8% respectively of the Group's total revenue for the period.

Apparel Supply Chain Management Services

The Casual and Fashion Apparel Division recorded a strong result for the six-month ended 30 June 2012 with a segment profit of about US$14,089,000, representing an increase of 53.3% over the same period in 2011. The profit contribution brought by the ladies wear business within the Division remained strong. Other strategic business units within the Division also improved their performance in the first half of 2012 through continuous improvement of manufacturing operations.

The life-style apparel business was adversely affected by the economic instability in Europe and the depreciation of Euro, which resulted in a decrease in revenue and net profit.

The Sweater Division has reported a loss in the first half of 2012. This was not only due to the seasonality nature of its business but also the delay of certain customers' orders. The management is confident that the Sweater Division will pick up its pace in the second half of 2012.

Accessory Supply Chain Management Services

With the support and commitment of a USA luxury bag customer of the Accessories Division, the Division recorded a profit of approximately US$3,602,000 for the six months ended 30 June 2012 representing an increase of 406.6% over the same period last year.

In addition, the Division has broadened its customer base and product lines to include camera bags business.

Logistics

The Group's freight forwarding and logistics services recorded a segment profit of approximately US$715,000 for the period under review, representing an increase of US$679,000 over the same period in 2011.

Markets

Geographically, despite the economic downturn in Europe, Europe and the US remained our key export markets for the period under review. The total revenue that we generated from the Europe and US markets collectively accounted for approximately 78.2% of the Group's total revenue in the first half of 2012.

Asia market (mainly Greater China and Japan) continued to grow which accounted for approximately 16.3% of the Group's total revenue in the first half of 2012.

Acquisitions and Joint Ventures

Acquisitions and joint ventures are one of Luen Thai's core competencies considering our strong customer bases, scale and management.

On 1 February 2012, the Company entered into a sale and purchase agreement to acquire the entire interest 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. The Board believes that through this acquisition, the Group could not only streamline its operation, but it could also increase its 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% of equity interest 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 Board believes that the acquisition will give the Group more flexibility in the management and decision-making matters of the Yuen Thai Group. It will also help the Company to rationalize Yuen Thai Group's operation through investing in other production capacities outside China and the Philippines in the future.

As disclosed in the Company's circular dated 20 June 2012, the Company entered into a sale and purchase agreement on 30 May 2012 with Luen Thai Enterprises Limited to acquire the entire interest in Luen Thai Industrial Company Limited and its subsidiaries, which are principally engaged in the development, manufacture, sale and trading of footwear. The Board believes that this acquisition can further enrich the Group's product range on consumer products manufacturing and enhance the cross selling opportunities and enlarge its customer base. The acquisition was completed in July 2012.

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 2012, the total cash and cash equivalents of the Group approximately amounted to US$125,157,000, representing a decrease of US$13,670,000 over the balance as at 31 December 2011. Such decrease in cash and cash equivalent is mainly due to the seasonality nature of the business which required more working capital during the interim period. The Group's total bank borrowings as at 30 June 2012 was approximately US$102,391,000, representing an increase of approximately 16.3% as compared to approximately US$88,053,000 at 31 December 2011.

Gearing ratio is defined as net debt (representing by bank borrowings net of cash and cash equivalents) divided by shareholders' equity. As at 30 June 2012, the Group is in net cash position. Hence, no gearing ratio is presented.

As at 30 June 2012, the maturity profile of the Group's bank borrowings spreads over six years, with approximately US$96,331,000 repayable within one year or on demand, approximately US$217,000 in the second year, approximately US$5,756,000 in the third to fifth year, and approximately US$87,000 in more than five years.

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

Though the cost in China has not increased significantly during the period under review, it is still expected that the cost will continue to increase in the next few years. With the support of our strategic supply chain partners to formulate a non-China strategy, the Group will continue to expand non China production base while keeping the current China production capacity stable.

The Board expects that the Casual and Fashion Apparel Division will have a strong second half result in 2012 when compared to the same second half in 2011 due to the fact that (i) the acquisition of Yuen Thai Group will contribute additional revenue and profit to the Group; (ii) recovery of orders from a major Japan customer, the orders from which was affected negatively as a result of the Japan earthquake in March 2011.

The Board is confident that Accessories Division will be the growth driver in the next few years. The revenue growth of the Accessories Division shall be at a double digit growth rate next year benefiting from its increase in production expansion in the Philippines and the support and commitment of a major USA luxury bag customer. The acquisition of the footwear business in July 2012 will constitute part of the Accessories Division result in the second half of the year. However, there could be startup losses for the Philippine manufacturing of travel goods business under the Accessories Division.

We shall continue to focus on our core competencies on apparel and accessories supply chain management.

Contingent Liabilities and Off-Balance Sheet Obligations

The Group is involved in various labor lawsuits and claims arising from the normal course of business. The Directors believe that the Group has substantial 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 and Social Responsibilities

As at 30 June 2012, the Group had over 31,000 employees around the world. Luen Thai believes that employees are the most important and valuable asset of the Group, a critical success factor for the long-term growth and sustainability of the Group. In addition to providing a safe workplace, Luen Thai continuously strives to provide the best employee care with great emphasis on work-life balance and wellness. Luen Thai also has a long-standing commitment to diversity as demonstrated by its multi-cultural workforce. This commitment to fairness is also shown through competitive remuneration package, as well as its employee recognition and awards.

Luen Thai remains committed to corporate social responsibility by promoting transparent and ethical business practices, employee care and environment stewardship. In addition, Luen Thai rallies its employees in caring for the environment through numerous "go green" programmes and initiatives across its global operations.

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.

CORPORATE GOVERNANCE PRACTICES

Throughout the six-month period ended 30 June 2012, the Company has been in compliance with the code provisions in the Code on Corporate Governance Practices (for the period from 1 January 2012 to 31 March 2012) as well as the code provisions in the Corporate Governance Code (for the period from 1 April 2012 to 30 June 2012) as set out in Appendix 14 to the Listing Rules.

Luen Thai acknowledges the need and importance of corporate governance as one of the key elements in creating shareholders' value. It is committed to ensuring high standards of corporate governance in the interests of shareholders and takes care to identify practices designed to achieve effective oversight, transparency and ethical behavior. As at the date of this 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. Mr. Tan Henry and the three independent non-executive directors of the Company namely: Mr. Chan Henry, Mr. Cheung Siu Kee, and Mr. Seing Nea Yie as the Committee Chairman, comprise the Remuneration Committee.

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. Mr. Tan Henry and the three independent non-executive directors of the Company namely: Mr. Chan Henry, Mr. Cheung Siu Kee, and Mr. Seing Nea Yie as the Committee Chairman, comprise the 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. Dr. Tan Siu Lin as the Committee Chairman, Mr. Tan Henry and Mr. Tan Sunny comprise the Bank Facility Committee.

MODEL CODE

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standards set out in the Model Code for Securities Transactions (the "Model Code"). After having made specific enquiry of all Directors, the Directors confirmed that they have complied with the required standards as set out in the Model Code and its code of conduct regarding securities transactions by Directors during the six months ended 30 June 2012.

REVIEW OF INTERIM RESULTS

The unaudited interim financial reports for the six months ended 30 June 2012 have been reviewed by the Company's audit committee, and the Company's auditors, 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.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of 2.848 HK cents per share (2011: 1.817 HK cents) for the six months ended 30 June 2012 to be payable to shareholders whose names appear on the Register of Members of the Company on 11 October 2012.

The interim dividend will be paid on or around 26 October 2012.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 9 October 2012 to 11 October 2012, both days inclusive, during which period no transfer of shares will be effected. All transfers, accompanied by the relevant share certificates, must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Center, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on 8 October 2012 in order to qualify for the interim dividend mentioned above.

DISCLOSURE OF INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

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

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

Hong Kong, 28 August 2012

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