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 2013

GROUP FINANCIAL HIGHLIGHTS

	Six months ended 30 June	
	2013	2012
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Revenue	**537,187**	409,996
Operating profit	**20,326**	13,028
Profit attributable to owners of the Company	**18,105**	12,205
Profit margin (ratio of profit attributable to owners of the Company to revenue)	**3.4%**	3.0%
Basic EPS *(US cents)*	**1.80**	1.23

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 2013.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months period ended 30 June 2013

	Note	Six months ended 30 June	
		2013	2012
		US$'000	*US$'000*
		(Unaudited)	(Unaudited)
Revenue	3	**537,187**	409,996
Cost of sales		**(436,324)**	(336,332)
Gross profit		**100,863**	73,664
Other gains/(losses), net		**1,005**	(555)
Selling and distribution expenses		**(9,208)**	(6,135)
General and administrative expenses		**(72,334)**	(53,946)
Operating profit	4	**20,326**	13,028
Finance income		**2,895**	848
Finance costs		**(1,636)**	(883)
Finance income/(costs), net	5	**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	6	**(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	7	**1.80**	1.23
— Diluted	7	**1.76**	1.23
		US$'000	*US$'000*
Dividends	8	**5,439**	3,664

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months 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

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		**11,926**	12,011
Property, plant and equipment		**130,225**	112,746
Intangible assets		**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		**165,382**	96,348
Trade and other receivables	9	**235,543**	184,340
Prepaid income tax		**5,370**	4,772
Cash and bank balances		**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		**10,159**	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
LIABILITIES			
Non-current liabilities			
Bank borrowings		**6,617**	4,643
Retirement benefit obligations		**7,972**	7,898
Convertible bond		**2,729**	5,020
Deferred income tax liabilities		**7,780**	5,160
Total non-current liabilities		**25,098**	22,721

	Note	As at 30 June 2013 US$'000 (Unaudited)	As at 31 December 2012 US$'000 (Audited)
Current liabilities			
Trade and other payables	10	**286,167**	199,884
Bank borrowings		**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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months period ended 30 June 2013

1. 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").

2. 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.

2.1 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.

- 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 interests 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.

2.2 Amendment 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.

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 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.

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 and real estate development. Revenue consists of sales revenue from casual and fashion apparel, life-style apparel, sweater, accessories and 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 estates development 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 2013 and 2012 is as follows:

	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 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	**(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	**(1,013)**	**(557)**	**(289)**	**(205)**	**(90)**	**—**	**(2,154)**

	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 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	(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	(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.

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

	Six months ended 30 June	
	2013	2012
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Segment profit for the period	**24,001**	17,260
Unallocated corporate expenses *(Note)*	**(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.

4. 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	**166**	124
Amortization of intangible assets	**1,587**	1,045
Depreciation of property, plant and equipment	**9,121**	8,090
Gain on disposals of property, plant and equipment	**(134)**	(352)
Provision for/(reversal of) impairment of receivables	**637**	(217)
Provision for impairment of other receivables	**1,052**	—
(Reversal of)/provision for inventory obsolescence	**(682)**	556

5. 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)

6. 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

Note:

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.

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	
	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

(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.

	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

8. 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.

9. TRADE AND OTHER RECEIVABLES

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

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

10. 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	**1,746**	2,108
Amounts due to associated companies and joint ventures	**375**	113
	286,167	199,884

At 30 June 2013, the ageing analysis of the trade and bills payable based on 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

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	**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	—	—	—	—	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 interest equity being allocated to the parent equity and any difference between the amount by which the non-controlling interest are adjusted and the fair value of the consideration paid or received.

MANAGEMENT DISCUSSION & 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 and Social Responsibilities

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".

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.

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 will be 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.

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.

REVIEW OF INTERIM RESULTS

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.

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.

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, 27 August 2013

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