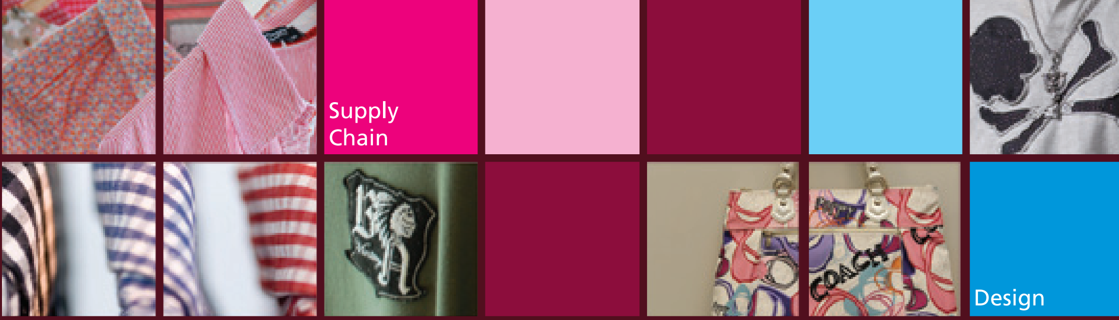
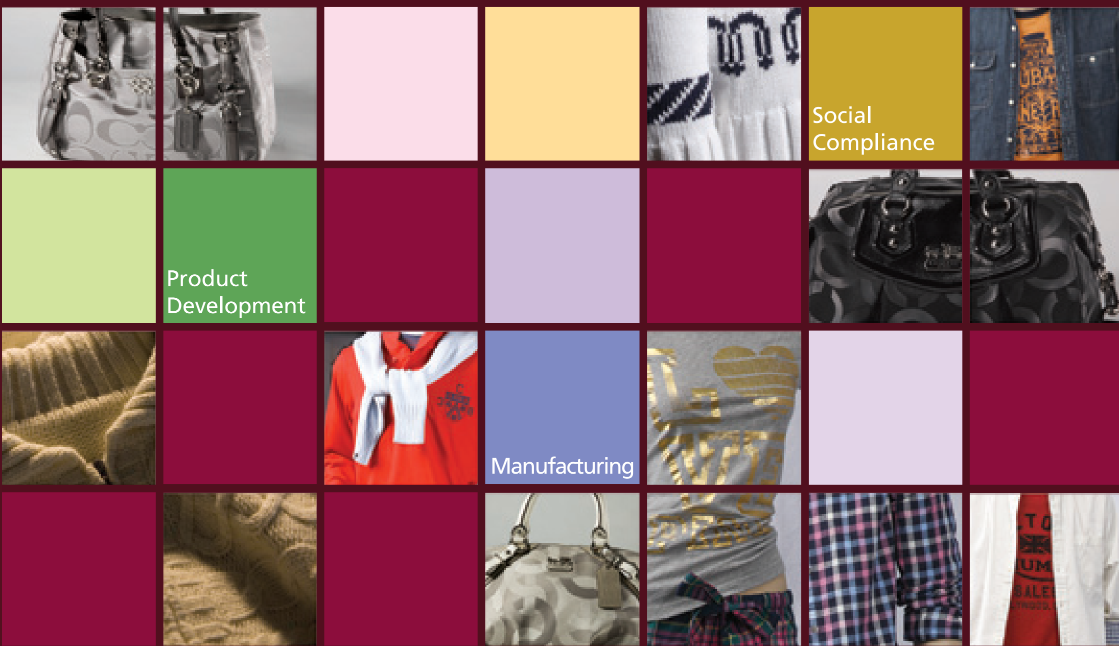


Luen Thai Holdings Limited

聯泰控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 311)



Interim Report 2012

CONTENTS

EXECUTIVE DIRECTORS

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

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 37, which comprises the condensed consolidated balance sheet of Luen Thai Holdings Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2012 and the related 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, 28 August 2012

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	7	**9,509**	8,787
Property, plant and equipment	7	**103,951**	98,117
Intangible assets	7	**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	8	**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	10	**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

CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

As at 30 June 2012

	Note	**As at 30 June 2012 US$'000 (Unaudited)**	As at 31 December 2011 US$'000 (Audited)
LIABILITIES			
Non-current liabilities			
Bank borrowings	12	**6,060**	6,111
Retirement benefit obligations		**6,665**	6,480
Convertible bond	13	**5,070**	—
Deferred income tax liabilities		**4,560**	3,671
Total non-current liabilities		**22,355**	16,262
Current liabilities			
Trade and other payables	14	**196,568**	164,418
Bank borrowings	12	**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

The notes on pages 10 to 37 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the period ended 30 June 2012

	Note	Six months ended 30 June 2012 US$'000 (Unaudited)	2011 US$'000 (Unaudited)
Continuing operations			
Revenue	6	**409,996**	436,659
Cost of sales		**(336,332)**	(365,368)
Gross profit		**73,664**	71,291
Other (losses)/gains, net	15	**(555)**	1,512
Selling and distribution expenses		**(6,135)**	(6,066)
General and administrative expenses		**(53,946)**	(52,899)
Operating profit	16	**13,028**	13,838
Finance income	17	**848**	410
Finance costs	17	**(883)**	(718)
Finance costs, net	17	**(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	18	**(1,386)**	(2,394)
Profit from continuing operations		**12,564**	10,711
Loss from discontinued operations	19	**—**	(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

CONDENSED CONSOLIDATED INCOME STATEMENT (CONTINUED)

For the period ended 30 June 2012

	Note	Six months ended 30 June 2012 (Unaudited)	2011 (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	20		
From continuing operations		**1.23**	0.85
From discontinued operations		**—**	(0.08)
— Diluted	20		
From continuing operations		**1.23**	0.85
From discontinued operations		**—**	(0.08)

The notes on pages 10 to 37 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the 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

The notes on pages 10 to 37 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 30 June 2012

	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 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 (loss)/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**
Balance at 1 January 2011	9,927	117,018	16,893	132,883	276,721	10,839	287,560
Profit for the period	–	–	–	7,685	7,685	2,251	9,936
Other comprehensive income:							
Currency translation differences	–	–	1,761	–	1,761	–	1,761
Total comprehensive income for the period ended 30 June 2011	–	–	1,761	7,685	9,446	2,251	11,697
Transactions with owners in their capacity as owners:							
Share-based payment expenses	–	–	13	–	13	–	13
Dividends paid	–	–	–	(3,166)	(3,166)	(1,200)	(4,366)
Total transactions with owners	–	–	13	(3,166)	(3,153)	(1,200)	(4,353)
Balance at 30 June 2011	9,927	117,018	18,667	137,402	283,014	11,890	294,904

The notes on pages 10 to 37 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the period ended 30 June 2012

	Six months ended 30 June	
	2012	2011
	US$'000	US$'000
	(Unaudited)	(Unaudited)
Net cash outflow from continuing operations	**(9,116)**	(31,539)
Net cash outflow from discontinued operations	**—**	(94)
Net cash outflow from operating activities	**(9,116)**	(31,633)
Net cash inflow/(outflow) from continuing operations	**6,724**	(3,486)
Net cash outflow from discontinued operations	**—**	(41)
Net cash inflow/(outflow) from investing activities	**6,724**	(3,527)
Net cash (outflow)/inflow from continuing operations	**(4,586)**	22,836
Net cash outflow from discontinued operations	**—**	—
Net cash (outflow)/inflow from financing activities	**(4,586)**	22,836
Net decrease in cash and cash equivalents	**(6,978)**	(12,324)
Cash and cash equivalents at the beginning of the period	**131,602**	81,392
Effect of foreign exchange rate changes	**224**	(49)
Cash and cash equivalents included in assets of Disposal Group classified as held for sales	**—**	(40)
Cash and cash equivalents at end of the period	**124,848**	68,979
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	**125,157**	69,646
Bank overdrafts	**(309)**	(667)
	124,848	68,979

The notes on pages 10 to 37 form an integral part of this condensed consolidated interim financial information.

NOTES TO THE 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 and logistics services. The Group has manufacturing plants in Mainland China, the Philippines 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 28 August 2012.

This condensed consolidated interim financial information has not been audited.

2 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").

3 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

3 ACCOUNTING POLICIES (CONTINUED)

3.1 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 amortized 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 bond equity conversion reserve will be transferred to share capital and share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible bond equity conversion reserve will be released to retained earnings. No gain or loss is recognized in profit or loss upon conversion at maturity or expiration of the option.

3.2 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

3 ACCOUNTING POLICIES (CONTINUED)

3.3 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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 consolidated financial statements for the year ended 31 December 2011.

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 consolidated financial statements as at 31 December 2011.

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.2 Fair value estimation (Continued)

The fair values of financial instruments that are not traded in an active market, which primarily represented the convertible bond, currency forward contracts and interest rate swaps, 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.

6 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

6 SEGMENT INFORMATION (CONTINUED)

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 US$'000 (Unaudited)	Life-style apparel US$'000 (Unaudited)	Sweater US$'000 (Unaudited)	Accessories US$'000 (Unaudited)	Freight forwarding/ logistics services 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	14,089	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 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 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)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

6 SEGMENT INFORMATION (CONTINUED)

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

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

	Intangible assets					
	Goodwill	Customer relationship	Total intangible assets	Property, plant and equipment	Leasehold land and land use rights	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(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 *(Note 22)*	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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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 2011						
Opening net book amount as at 1 January 2011	45,282	19,786	65,068	105,479	8,788	179,335
Additions	—	—	—	5,863	—	5,863
Disposals	—	—	—	(4,603)	—	(4,603)
Depreciation and amortization	—	(1,145)	(1,145)	(8,762)	(109)	(10,016)
Exchange differences	—	—	—	2,083	106	2,189
Closing net book amount as at 30 June 2011	45,282	18,641	63,923	100,060	8,785	172,768

8 INVENTORIES

	As at 30 June 2012 US$'000 (Unaudited)	As at 31 December 2011 US$'000 (Audited)
Raw materials	**51,655**	33,923
Work in progress	**50,795**	29,045
Finished goods	**19,159**	16,827
	121,609	79,795

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

9 TRADE AND OTHER RECEIVABLES

	As at 30 June 2012 US$'000 (Unaudited)	As at 31 December 2011 US$'000 (Audited)
Trade and bills receivables, net	**148,210**	124,107
Deposits, prepayments and other receivables	**29,490**	21,497
Amounts due from related companies *(Note 24(d))*	**1,414**	1,306
Amounts due from associated companies and jointly controlled entities *(Note 24(d))*	**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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

10 SHARE CAPITAL

	Number of shares '000 (Unaudited)	Nominal value US$'000 (Unaudited)
Authorized — ordinary shares of US$0.01 each		
At 31 December 2011 and 30 June 2012	1,500,000	15,000
Issued and fully paid — ordinary shares of US$0.01 each		
At 1 January 2011 and 30 June 2011	992,666	9,927
At 1 January 2012	992,666	9,927
Exercise of share options by employees	5,282	53
At 30 June 2012	**997,948**	**9,980**

Options exercised during the period resulted in 5,282,000 shares being issued (30 June 2011: Nil), with exercise proceeds of US$483,000 (30 June 2011: Nil). The related weighted average price at the time of exercise was US$0.14 (30 June 2011: Nil) 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.

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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

10 SHARE CAPITAL (CONTINUED)

Share option (Continued)

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	12,300	–	(300)	(5,282)	6,718

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 *(Note 13)*	**–**	**–**	**–**	**–**	**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 TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

11 OTHER RESERVES (CONTINUED)

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 2012 US$'000 (Unaudited)	As at 31 December 2011 US$'000 (Audited)
Non-current		
Bank borrowings	**6,060**	6,111
Current		
Bank overdrafts	**309**	135
Trust receipt bank loans	**43,004**	26,724
Collateralized borrowings	**1,290**	3,613
Portion of bank borrowings from banks due for repayment within one year	**38,228**	35,720
Portion of bank borrowings from banks due for repayment after one year which contain a repayment on demand clause	**13,500**	15,750
	96,331	81,942
Total borrowings	**102,391**	88,053

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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 31 May 2012 (the "date of issue") as the consideration to acquire the remaining 50% equity interests in Yuen Thai Industrial Company Limited, Yuen Thai Holdings Limited and its subsidiary (together, the "Yuen Thai Group") from a shareholder of the Group (the "bondholder") as detailed in Note 22(a).

The convertible bond matures two years from the date of issue at its principal amount or can be converted into 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 additional two years with the same terms and conditions and an event of default put option.

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.

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 component 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 convertible bond liability components are classified under non-current liabilities.

	As at 30 June 2012 US$'000 (Unaudited)	As at 31 December 2011 US$'000 (Audited)
Convertible bond liability components		
— unlisted bond component, at amortized cost	**4,766**	—
— embedded derivatives, at fair value	**304**	—
	5,070	—
Convertible bond equity conversion component *(Note 11)*	**980**	—
	6,050	—

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

14 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 *(Note 24(d))*	**2,023**	2,025
Amounts due to associated companies and jointly controlled entities *(Note 24(d))*	**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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

15 OTHER (LOSSES)/GAINS, NET

	Six months ended 30 June	
	2012	2011
	US$'000	US$'000
	(Unaudited)	(Unaudited)
From continuing operations		
Net fair value losses on derivative financial instruments	**(177)**	(257)
Net gains in foreign exchange forward contracts and interest rate swap	**538**	740
Net foreign exchange (losses)/gains	**(1,252)**	1,029
Gain on measuring equity in the jointly controlled entities held before the business combination	**336**	—
	(555)	1,512
From discontinued operations		
Net exchange losses	**—**	(7)

16 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 *(note 7)*	**124**	109
Amortization of intangible assets *(note 7)*	**1,045**	1,145
Depreciation of property, plant and equipment *(note 7)*	**8,090**	8,265
Gain on disposals 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 *(note 7)*	**—**	497

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

17 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.

18 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 TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

18 INCOME TAX EXPENSE (CONTINUED)

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 condensed 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 condensed consolidated financial statements in this regard.

19 DISCONTINUED OPERATIONS

Pursuant to a subscription and share purchase agreement signed on 9 June 2011, the Group entered into a transaction ("Transaction") involving the disposal of the subsidiaries in the real estate segment ("Disposal Group") to a company which was a subsidiary of the Group but would upon completion become a jointly controlled entity for a consideration of RMB354,699,000 (equivalent to US$54,738,000) in cash (of which RMB4,500,000 has been received as deposit, an amount of approximately RMB92,768,000 will be received upon completion and the remaining amount will be receivable by instalments) and 24% equity interests in the jointly controlled entity. The Transaction was completed on 30 November 2011.

For the comparative period ended 30 June 2011, the results of the Disposal Group were presented as discontinued operations as the assets and liabilities related to the Disposal Group were presented as assets and liabilities classified as held for sale as at 30 June 2011.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

19 DISCONTINUED OPERATIONS (CONTINUED)

An analysis of the results of the Disposal Group is as follows:

	Six months ended 30 June	
	2012	2011
	US$'000	US$'000
	(Unaudited)	(Unaudited)
Revenue	**—**	—
Expenses	**—**	(775)
Loss before tax from discontinued operations	**—**	(775)
Income tax expense	**—**	—
Loss after tax from discontinued operations	**—**	(775)

	Six months ended 30 June	
	2012	2011
	US$'000	US$'000
	(Unaudited)	(Unaudited)
Loss for the period from discontinued operations attributable to:		
— Owners of the Company	**—**	(775)
— Non-controlling interests	**—**	—
Loss for the period from discontinued operations	**—**	(775)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

20 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

20 EARNINGS PER SHARE (CONTINUED)

(b) Diluted (Continued)

	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

21 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.

22 BUSINESS COMBINATIONS

(a) Acquisition of remaining equity interests in jointly controlled entities

On 27 April 2012, the Group entered into a sale and purchase agreement to acquire the remaining 50% equity interests in Yuen Thai Group, which are engaged in trading and manufacturing of sports and active wear in Mainland China and the Philippine (the "Sportswear Business"), from a shareholder of the Group by issuing a convertible bond with fair value of US$6,050,000 as the consideration. The transaction was completed on 31 May 2012.

Details of the consideration for the acquisition of the Sportswear Business and the amounts of the net identifiable assets recognized at the 31 May 2012 are as follows:

	US$'000 (Unaudited)
Purchase consideration — convertible bond *(Note 13)*	6,050
Fair value of 50% equity interests in the Sportswear Business previously held	5,664
	11,714
Less: Fair value of net assets acquired (as shown below)	(11,454)
Goodwill	260

The net assets of the Sportswear Business are as follows:

	Carrying value US$'000 (Unaudited)	**Fair value US$'000 (Unaudited)**
Property, plant and equipment	7,123	7,431
Intangible assets	—	1,070
Trade and other receivables	28,903	28,903
Inventories	12,623	12,623
Cash and cash equivalent	1,264	1,264
Bank borrowings	(9,609)	(9,609)
Deferred income tax liabilities	—	(177)
Trade and other payables	(28,195)	(28,765)
Current income tax liabilities	(1,286)	(1,286)
	10,823	11,454

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

22 BUSINESS COMBINATIONS (CONTINUED)

(a) Acquisition of remaining equity interests in jointly controlled entities (Continued)

The goodwill is attributable to the economies of scale 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 the remaining equity interests in jointly controlled entities to the cash-generating units of the Group.

The acquired Sportswear Business contributed revenue of US$8,088,000 and net profit of US$76,000 to the Group for the period from 1 June 2012 to 30 June 2012. If the acquisition had occurred on 1 January 2012, the Group's revenue would have been US$453,045,000, and profit attributable to owners of the Company before allocations would have been US$13,319,000. 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 equipment and intangible assets had applied from 1 January 2012, together with the consequential tax effects.

(b) Acquisition of subsidiaries

On 1 February 2012, the Group entered into a sale and purchase agreement to acquire 100% equity interests in Tien-Hu Knitting Company (Hong Kong) Limited and its subsidiary (the "Dongguan Tien-Hu Group"), which are engaged in the manufacturing of sweaters in Mainland China, at a cash consideration of HK$46,500,000 (equivalent to US$6,000,000). The transaction was completed on 1 February 2012.

Details of the consideration for the acquisition of Dongguan Tien-Hu Group and the amounts of the net identifiable assets recognized at the 1 February 2012 are as follows:

	US$'000 (Unaudited)
Cash consideration paid	6,000
Less: Fair value of net assets acquired (as shown below)	(5,324)
Goodwill	676

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

22 BUSINESS COMBINATIONS (CONTINUED)

(b) Acquisition of subsidiaries (Continued)

The net assets of Dongguan Tien-Hu Group are as follows:

	Carrying value US$'000 (Unaudited)	Fair value US$'000 (Unaudited)
Land use rights	69	879
Property, plant and equipment	1,533	4,892
Trade and other receivables	5	5
Prepaid income tax	13	13
Cash and cash equivalents	21	21
Trade and other payables	(69)	(69)
Deferred income tax liabilities	—	(417)
	1,572	5,324

The goodwill is attributable to the economies of scale 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 subsidiaries in the current year to the cash-generating units of the Group.

The acquired Dongguan Tien-Hu Group led a net loss of US$717,000 to the Group for the period 1 February 2012 to 30 June 2012. No revenue was contributed to the Group by the Dongguan Tien-Hu Group for the period. If the acquisition had occurred on 1 January 2012, profit attributable to owners of the Company before allocations would have been US$11,061,000. These amounts have been calculated using the Group's accounting policies and by adjusting the results of the subsidiaries to reflect the additional depreciation that would have been charged assuming the fair value adjustments to land use rights and property, plant and equipment had applied from 1 January 2012, together with the consequential tax effects.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

23 COMMITMENTS

(a) Capital commitments

	As at 30 June 2012 US$'000 (Unaudited)	As at 31 December 2011 US$'000 (Audited)
Contracted but not provided for		
— Property, plant and equipment	**—**	690

(b) Operating lease commitments

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

	As at 30 June 2012 US$'000 (Unaudited)	As at 31 December 2011 US$'000 (Audited)
Land and buildings		
— No later than 1 year	**3,580**	3,797
— Later than 1 year and no later than 5 years	**5,689**	5,356
— Later than 5 years	**3,369**	4,976
	12,638	14,129

24 RELATED-PARTY TRANSACTIONS

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.

24 RELATED-PARTY TRANSACTIONS (CONTINUED)

(a) Transactions with related parties

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

(i) Provision of goods and services

	Six months ended 30 June	
	2012	2011
	US$'000	US$'000
	(Unaudited)	(Unaudited)
Management fee income from		
— related companies	**206**	80
— a jointly controlled entity	**178**	2,761
	384	2,841
Freight forwarding and logistics service income from related companies	**456**	236
Subcontracting income from a jointly controlled entity	**355**	1,352
Service income from jointly controlled entities	**298**	756
Advance payment to a jointly controlled entity	**—**	1,190
Sale of apparels, textile products and accessories to a related company *(Note)*	**723**	—
Recharge of material costs and other expenses from		
— related companies	**645**	768
— jointly controlled entities	**5,423**	3,478
	6,068	4,246

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

24 RELATED-PARTY TRANSACTIONS (CONTINUED)

(a) Transactions with related parties (Continued)

(i) Provision of goods and services (Continued)

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

(ii) Purchases of goods and services

	Six months ended 30 June	
	2012	2011
	US$'000	US$'000
	(Unaudited)	(Unaudited)
Professional and technological support service fees to related companies	**1,050**	1,077
Subcontracting fee charged by jointly controlled entities	**5,289**	6,381
Commission expense charged by jointly controlled entities	**812**	883
Related expenses charged by related companies	**729**	746
Recharge of material costs and other expenses		
— related companies	**400**	343
— jointly controlled entities	**2,397**	1,872
	2,797	2,215

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

24 RELATED-PARTY TRANSACTIONS (CONTINUED)

(b) Key management compensation

	Six months ended 30 June	
	2012	2011
	US$'000	US$'000
	(Unaudited)	(Unaudited)
Salaries and allowances	**3,726**	3,364
Others	**314**	500
	4,040	3,864

(c) Banking facilities

As at 30 June 2012 and 31 December 2011, certain banking facilities of the Group were supported by corporate guarantees given by the Company.

As at 31 December 2011, the Company provided corporate guarantees to the extent of US$11,613,000 (equivalent to HK$90,000,000) to a jointly controlled entity of the Group.

(d) Amounts due from/(to) related companies, associated companies and jointly controlled entities

As at 30 June 2012, the outstanding balances with the related companies, associated companies and jointly controlled entities are unsecured, interest-free and repayable on demand.

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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

24 RELATED-PARTY TRANSACTIONS (CONTINUED)

(e) 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.

(f) On 30 May 2012, the Group entered into a Sale and Purchase Agreement with Luen Thai Enterprises Limited, a related company indirectly owned by a Director, to acquire the entire issued capital of Luen Thai Industrial Company Limited and its wholly owned subsidiaries at a cash consideration of RMB88,110,000 (equivalent to US$13,842,000). Luen Thai Industrial Company Limited and its wholly owned subsidiaries are principally engaged in trading and manufacturing of footwear products. This transaction was completed on 10 July 2012 and the Group is in the progress of assessing the financial impacts on the Group's financial statements as a result of this acquisition.

25 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 2012. 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 the 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.

MANAGEMENT DISCUSSION AND 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 Division 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, through its subsidiary, entered into a sale and purchase agreement to acquire the entire interests in Tien-Hu Knitting Company (Hong Kong) Limited, which has a wholly-owned operating subsidiary in Dongguan, from an independent third party at a consideration of HK$46,500,000. 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% equity interests in Yuen Thai Group through the issuance of a convertible bond at a principal amount of US$4,600,000. Before the acquisition, the Yuen Thai Group was a 50/50 joint venture between the Group and Yue Yuen Industrial (Holdings) Limited. After the acquisition, Yuen Thai Group has now become wholly owned by Luen Thai. The 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, through its subsidiary, entered into a sale and purchase agreement on 30 May 2012 with Luen Thai Enterprises Limited to acquire the entire interests in Luen Thai Industrial Company Limited and its subsidiaries, which are principally engaged in the development, manufacture, sale and trading of footwear. 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 results of the footwear business, which was acquired 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, Social Responsibilities and Corporate Citizenship

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.

OTHER INFORMATION

Interim Dividend

The Board has resolved to declare an interim dividend of HK2.848 cents per share (2011: HK1.817 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.

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.

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 2012, 300,000 share options granted on 21 April 2008 were forfeited and 5,282,000 share options granted on 21 April 2008 were exercised.

The following is a summary of options outstanding as of 30 June 2012:

	Note	**Date of grant (dd/mm/yyyy)**	**Exercisable period (dd/mm/yyyy)**	**Exercise price per share** *(Note 2)*	**No. of share options**
MOK Siu Wan, Anne	5	21/04/2008	21/04/2009–20/04/2013	HK$0.71	1,500,000
Other employees		21/04/2008	21/04/2009–20/04/2013	HK$0.71	5,218,000
Total		21/04/2008	21/04/2009–20/04/2013	HK$0.71	6,718,000

Notes:

1. Upon acceptance of the options, HK$10 is paid by the grantee to the Company as consideration for the grant.

2. 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.

3. A total of 330,000 share options granted and outstanding as at 30 June 2012 were exercised between 1 July 2012 up to the date of approval of the Company's 2012 Interim Report.

4. None of the shares options granted and outstanding as at 30 June 2012 has been lapsed/forfeited up to the date of approval of the Company's 2012 Interim Report.

5. Ms. Mok Siu Wan, Anne is an Executive Director of the Company.

Directors' and Chief Executives' Interests in Shares

As at 30 June 2012, 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

Name of Director	Capacity	No. of shares	Percentage of interests in the Company
TAN Siu Lin	Trustee *(Note 1)*	6,500,000	0.65%
	Interests of controlled corporation *(Note 1)*	26,300,000	2.64%
TAN Henry	Interests of controlled corporation *(Note 2)*	678,292,000	67.97%
TAN Cho Lung, Raymond	Beneficial owner *(Note 3)*	1,703,000	0.17%
MOK Siu Wan, Anne	Beneficial owner *(Note 4)*	2,000,000	0.20%
TAN Sunny	Beneficial owner *(Note 5)*	322,000	0.03%

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 of the Company. 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 of the Company.

2. Mr. 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 of the Company and 17,100,000 shares of the Company respectively.

   Mr. 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 of the Company.

   Mr. 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 3,292,000 shares of the Company.

3. A total of 1,703,000 shares of the Company were acquired by an associate of Mr. Tan Cho Lung, Raymond between 2006 and 2011. He is therefore deemed under Part XV of the SFO to be interested in all of the 1,703,000 shares acquired by his associate.

4. Ms. Mok Siu Wan, Anne has 2,000,000 share options granted by the Company on 21 April 2008 and she exercised 500,000 share options in April 2012.

5. Mr. Tan Sunny acquired a total of 322,000 shares of the Company.

Substantial Shareholders

As at 30 June 2012, 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 shares of the Company.

Long position in the shares of the Company

Name of shareholder	Notes	**Capacity**	**No. of ordinary shares beneficially held**	**Approximate percentage of interests in the Company**
Capital Glory Limited	(a & b)	Beneficial owner	614,250,000	61.55%
Helmsley	(a & b)	Interests of controlled corporation	631,350,000	63.26%
Pou Chen Corporation	(c)	Interests of controlled corporation	89,100,000	8.93%
Wealthplus Holdings Limited	(c)	Interests of controlled corporation	89,100,000	8.93%
Yue Yuen Industrial (Holdings) Limited	(c)	Interests of controlled corporation	89,100,000	8.93%
Pou Hing Industrial Co. Ltd.	(c)	Interests of controlled corporation	89,100,000	8.93%
Great Pacific Investments Limited	(c)	Beneficial Owner	89,100,000	8.93%

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 Mr. 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 89,100,000 shares of the Company. 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 interests or a short position in the shares or 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, or will be interested in 10% or more of the nominal values 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 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 taking care to identify practices designed to achieve effective oversight, transparency and ethical behavior. As at the date of this report, 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.

Audit Committee

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and has discussed with the management the auditing, internal control and financial reporting matters including the review of the unaudited interim financial information.

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.

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, 28 August 2012