HTL INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Singapore)
(Registration Number: 198904162H)

Half Year Financial Statements Announcement

For the Period Ended

30 June 2013

CONTENTS **Page**

1. CONSOLIDATED INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

For the Period Ended 30 June 2013 ("1H 2013")

CONSOLIDATED INCOME STATEMENT

	Notes	The Group 3 months ended 30 Jun 2013 US$'000	2012 US$'000	Change %	The Group 6 months ended 30 Jun 2013 US$'000	2012 US$'000	Change %
Revenue		**145,753**	**166,685**	(12.6)	**272,153**	**297,173**	**(8.4)**
Cost of sales		(99,830)	(111,815)	(10.7)	(186,616)	(198,679)	(6.1)
Gross profit		**45,923**	**54,870**	(16.3)	**85,537**	**98,494**	**(13.2)**
Other operating income		3,645	3,187	14.4	5,875	4,958	18.5
Sales, marketing and distribution expenses		(35,917)	(40,869)	(12.1)	(67,516)	(75,928)	(11.1)
Administrative expenses		(9,210)	(8,865)	3.9	(18,279)	(17,387)	5.1
Other operating expenses		(141)	(117)	20.5	(329)	(409)	(19.6)
Operating profit before finance income and expense and net foreign exchange (loss)/gain	5A	**4,300**	**8,206**	(47.6)	**5,288**	**9,728**	(45.6)
Finance income		48	277	(82.7)	112	474	(76.4)
Finance expense		(993)	(1,038)	(4.3)	(2,016)	(2,101)	(4.0)
Operating profit before net foreign exchange (loss)/gain		**3,355**	**7,445**	(54.9)	**3,384**	**8,101**	(58.2)
Net foreign exchange (loss)/gain*		(750)	(804)	(6.7)	(2,221)	2,443	NM
Profit before tax		**2,605**	**6,641**	(60.8)	**1,163**	**10,544**	(89.0)
Income tax expense	5B	(593)	(2,555)	(76.8)	(1,009)	(4,934)	(79.6)
Net profit for the period		**2,012**	**4,086**	(50.8)	**154**	**5,610**	(97.3)
Attributable to:							
Owners of the Company		1,999	4,072	(50.9)	111	5,530	(98.0)
Non-controlling interest		13	14	(7.1)	43	80	(46.3)
		2,012	**4,086**		**154**	**5,610**	

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		3 months 2013	3 months 2012	Change %	6 months 2013	6 months 2012	Change %
Net profit for the period		**2,012**	**4,086**	(50.8)	**154**	**5,610**	(97.3)
Other comprehensive income:							
Item that may be reclassified subsequently to income statement:							
Foreign currency translation arising from consolidation		1,944	16	12,050.0	1,072	(469)	NM
Total comprehensive income for the period		**3,956**	**4,102**		**1,226**	**5,141**	
Attributable to:							
Owners of the Company		3,954	4,099	(3.5)	1,231	5,094	(75.8)
Non-controlling interest		2	3	(33.3)	(5)	47	NM
		3,956	**4,102**		**1,226**	**5,141**	
Gross profit margin (GP%)		**31.5%**	**32.9%**		**31.4%**	**33.1%**	
Net profit margin		**1.4%**	**2.5%**		**0.1%**	**1.9%**	
EBITDA		**5,808**	**9,748**		**7,572**	**16,900**	
EBITDA before net foreign exchange (loss)/gain		**6,558**	**10,552**		**9,793**	**14,457**	
EBITDA margin		**4.0%**	**5.8%**		**2.8%**	**5.7%**	
EBITDA margin before net foreign exchange (loss)/gain		**4.5%**	**6.3%**		**3.6%**	**4.9%**	

NM : Not meaningful

	The Group 3 months ended 30 Jun 2013 US$'000	2012 US$'000	The Group 6 months ended 30 Jun 2013 US$'000	2012 US$'000
Net foreign exchange (loss)/gain comprises:				
Realised foreign exchange (loss)/gain	1,004	2,177	(371)	3,265
Unrealised foreign exchange (loss)/gain	(2,148)	(3,003)	(2,085)	179
Net fair value gain/(loss) on derivative financial instruments [1]	394	22	235	(1,001)
Total net foreign exchange (loss)/gain*	**(750)**	**(804)**	**(2,221)**	**2,443**

Note:

1. *These fair value adjustments are unrealised and non-cash in nature.*

2. BALANCE SHEETS

	Notes	The Group		The Company	
		30 Jun 2013	31 Dec 2012	30 Jun 2013	31 Dec 2012
		US$'000	US$'000	US$'000	US$'000
Current assets					
Cash and short-term deposits		65,938	76,679	4	7
Trade and other receivables		67,858	62,778	8,731	8,673
Inventories	5C	172,777	206,167	-	-
Tax recoverable		20	392	-	-
Deposits		4,778	4,946	2,534	2,534
Prepayments		5,403	7,425	-	-
		316,774	**358,387**	**11,269**	**11,214**
Non-current assets					
Investments in subsidiaries		-	-	134,154	134,154
Advances to a subsidiary		-	-	9,251	10,396
Property, plant and equipment		45,660	48,999	-	-
Intangible assets	5D	11,194	10,703	-	-
Deferred tax assets		6,573	5,789	-	-
Other receivables		1,999	2,194	-	-
		65,426	**67,685**	**143,405**	**144,550**
Total assets		**382,200**	**426,072**	**154,674**	**155,764**
Current liabilities					
Trade and other payables		75,145	86,364	3,951	4,100
Current income tax liabilities		1,195	1,705	-	-
Derivative financial instruments	(i)	1,511	1,747	-	-
Loans and borrowings	5E	111,512	138,313	-	-
Provision for warranty		4,152	4,249	-	-
		193,515	**232,378**	**3,951**	**4,100**
Non-current liabilities					
Loans and borrowings	5E	15,679	20,348	-	-
Deferred tax liabilities		1,272	1,272	1,272	1,272
Advances from a subsidiary		-	-	25,644	23,512
		16,951	**21,620**	**26,916**	**24,784**
Total liabilities		**210,466**	**253,998**	**30,867**	**28,884**
Net assets		**171,734**	**172,074**	**123,807**	**126,880**
Equity attributable to owners of the Company					
Share capital	5F	67,982	67,982	67,982	67,982
Treasury shares	5F	(4,193)	(4,670)	(4,193)	(4,670)
Non-distributable reserves		29,913	29,385	(912)	(506)
Retained earnings		77,188	78,528	60,930	64,074
		170,890	171,225	123,807	126,880
Non-controlling interest		844	849	-	-
Total equity		**171,734**	**172,074**	**123,807**	**126,880**
Group net borrowings		**61,253**	**81,982**	**NA**	**NA**
Group net gearing (%)		**35.84**	**47.88**	**NA**	**NA**
Net tangible assets per share (cents)		**39.39**	**39.71**	**30.53**	**31.39**

Note :

(i) This represents fair value arising from the mark to market (MTM) on all outstanding foreign exchange forward contracts/options which are entered into to hedge currency exchange exposure as at the end of each financial period.

3. STATEMENTS OF CHANGES IN EQUITY

Group

	ATTRIBUTABLE TO OWNERS OF THE COMPANY										
	Share capital	Treasury shares	Share option reserve	Asset revaluation reserve	Foreign currency translation reserve	Capital reserve	Statutory reserve fund	Retained earnings	Equity attributable to owners of the company, total	Non-controlling interest	Equity, total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Balance at 1 January 2013	67,982	(4,670)	911	186	18,386	(1,417)	11,319	78,528	171,225	849	172,074
Net (loss)/profit for the quarter	-	-	-	-	-	-	-	(1,888)	(1,888)	30	(1,858)
Other comprehensive loss											
Foreign currency translation arising from consolidation	-	-	-	-	(835)	-	-	-	(835)	(37)	(872)
Total comprehensive loss	-	-	-	-	(835)	-	-	(1,888)	(2,723)	(7)	(2,730)
Treasury shares reissued pursuant to employee share option plan	-	160	-	-	-	(136)	-	-	24	-	24
Balance at 31 March 2013	**67,982**	**(4,510)**	**911**	**186**	**17,551**	**(1,553)**	**11,319**	**76,640**	**168,526**	**842**	**169,368**
Net profit for the quarter	-	-	-	-	-	-	-	1,999	1,999	13	2,012
Other comprehensive income/(loss)											
Foreign currency translation arising from consolidation	-	-	-	-	1,955	-	-	-	1,955	(11)	1,944
Total comprehensive income	-	-	-	-	1,955	-	-	1,999	3,954	2	3,956
Treasury shares reissued pursuant to employee share option plan	-	317	-	-	-	(270)	-	-	47	-	47
Dividends on ordinary shares	-	-	-	-	-	-	-	(1,637)	(1,637)	-	(1,637)
Fair value gain transferred to retained earnings on disposal	-	-	-	(186)	-	-	-	186	-	-	-
	-	317	-	(186)	-	(270)	-	(1,451)	(1,590)	-	(1,590)
Balance at 30 June 2013	**67,982**	**(4,193)**	**911**	**-**	**19,506**	**(1,823)**	**11,319**	**77,188**	**170,890**	**844**	**171,734**
Balance at 1 January 2012	67,982	(5,107)	911	186	18,716	(1,045)	10,753	74,645	167,041	771	167,812
Net profit for the quarter	-	-	-	-	-	-	-	1,458	1,458	66	1,524
Other comprehensive loss											
Foreign currency translation arising from consolidation	-	-	-	-	(463)	-	-	-	(463)	(22)	(485)
Total comprehensive (loss)/income	-	-	-	-	(463)	-	-	1,458	995	44	1,039
Treasury shares reissued pursuant to employee share option plan	-	253	-	-	-	(216)	-	-	37	-	37
Transfer from retained earnings to statutory reserve fund	-	-	-	-	-	-	13	(13)	-	-	-
	-	253	-	-	-	(216)	13	(13)	37	-	37
Balance at 31 March 2012	**67,982**	**(4,854)**	**911**	**186**	**18,253**	**(1,261)**	**10,766**	**76,090**	**168,073**	**815**	**168,888**
Net profit for the quarter	-	-	-	-	-	-	-	4,072	4,072	14	4,086
Other comprehensive income/(loss)											
Foreign currency translation arising from consolidation	-	-	-	-	27	-	-	-	27	(11)	16
Total comprehensive income	-	-	-	-	27	-	-	4,072	4,099	3	4,102
Treasury shares reissued pursuant to employee share option plan	-	184	-	-	-	(156)	-	-	28	-	28
Dividends on ordinary shares	-	-	-	-	-	-	-	(3,211)	(3,211)	-	(3,211)
	-	184	-	-	-	(156)	-	(3,211)	(3,183)	-	(3,183)
Balance at 30 June 2012	**67,982**	**(4,670)**	**911**	**186**	**18,280**	**(1,417)**	**10,766**	**76,951**	**168,989**	**818**	**169,807**
Net profit for the quarter	-	-	-	-	-	-	-	1,382	1,382	39	1,421
Other comprehensive (loss)/income											
Foreign currency translation arising from consolidation	-	-	-	-	(34)	-	-	-	(34)	9	(25)
Total comprehensive (loss)/income	-	-	-	-	(34)	-	-	1,382	1,348	48	1,396
Balance at 30 September 2012	**67,982**	**(4,670)**	**911**	**186**	**18,246**	**(1,417)**	**10,766**	**78,333**	**170,337**	**866**	**171,203**
Net profit for the quarter	-	-	-	-	-	-	-	748	748	26	774
Other comprehensive income/(loss)											
Foreign currency translation arising from consolidation	-	-	-	-	140	-	-	-	140	(43)	97
Total comprehensive income/(loss)	-	-	-	-	140	-	-	748	888	(17)	871
Transfer from retained earnings to statutory reserve fund	-	-	-	-	-	-	553	(553)	-	-	-
Balance at 31 December 2012	**67,982**	**(4,670)**	**911**	**186**	**18,386**	**(1,417)**	**11,319**	**78,528**	**171,225**	**849**	**172,074**

3. STATEMENTS OF CHANGES IN EQUITY (Cont'd)

Company

	Share capital	Treasury shares	Share option reserve	Capital reserve	Retained earnings	Equity, total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Balance at 1 January 2013	67,982	(4,670)	911	(1,417)	64,074	126,880
Net loss for the quarter, representing total comprehensive loss for the quarter	-	-	-	-	(204)	(204)
Treasury shares reissued pursuant to employee share option plan	-	160	-	(136)	-	24
Balance at 31 March 2013	**67,982**	**(4,510)**	**911**	**(1,553)**	**63,870**	**126,700**
Net loss for the quarter, representing total comprehensive loss for the quarter	-	-	-	-	(1,303)	(1,303)
Treasury shares reissued pursuant to employee share option plan	-	317	-	(270)	-	47
Dividends on ordinary shares	-	-	-	-	(1,637)	(1,637)
	-	317	-	(270)	(1,637)	(1,590)
Balance at 30 June 2013	**67,982**	**(4,193)**	**911**	**(1,823)**	**60,930**	**123,807**
Balance at 1 January 2012	67,982	(5,107)	911	(1,045)	66,103	128,844
Net loss for the quarter, representing total comprehensive loss for the quarter	-	-	-	-	(551)	(551)
Treasury shares reissued pursuant to employee share option plan	-	253	-	(216)	-	37
Balance at 31 March 2012	**67,982**	**(4,854)**	**911**	**(1,261)**	**65,552**	**128,330**
Net profit for the quarter, representing total comprehensive income for the quarter	-	-	-	-	147	147
Treasury shares reissued pursuant to employee share option plan	-	184	-	(156)	-	28
Dividends on ordinary shares	-	-	-	-	(3,211)	(3,211)
	-	184	-	(156)	(3,211)	(3,183)
Balance at 30 June 2012	**67,982**	**(4,670)**	**911**	**(1,417)**	**62,488**	**125,294**
Net profit for the quarter, representing total comprehensive income for the quarter	-	-	-	-	104	104
Balance at 30 September 2012	**67,982**	**(4,670)**	**911**	**(1,417)**	**62,592**	**125,398**
Net profit for the quarter, representing total comprehensive income for the quarter	-	-	-	-	1,482	1,482
Balance at 31 December 2012	**67,982**	**(4,670)**	**911**	**(1,417)**	**64,074**	**126,880**

4. CONSOLIDATED CASH FLOW STATEMENT

	The Group 3 months ended 30 Jun		The Group 6 months ended 30 Jun	
	2013	2012	2013	2012
	US$'000	US$'000	US$'000	US$'000
Operating activities				
Net profit for the period	2,012	4,086	154	5,610
Adjustments for :				
Income tax expense	593	2,555	1,009	4,934
Depreciation on property, plant and equipment	1,700	1,855	3,533	3,761
Amortisation of intangible assets	558	491	972	968
Net (gain)/loss on disposal of property, plant and equipment	(1,400)	13	(1,396)	30
Goodwill written off	-	-	-	9
Interest income	(48)	(277)	(112)	(474)
Interest expense	993	1,038	2,016	2,101
Gain on disposal of subsidiary	-	(21)	-	(21)
Net fair value (gain)/loss on foreign exchange derivative instruments	(394)	(22)	(235)	1,001
Unrealised foreign exchange translation loss/(gain)	1,757	35	1,466	(219)
Operating cash flows before changes in working capital:	5,771	9,753	7,407	17,700
Inventories	28,184	(7,408)	33,390	(13,716)
Trade and other receivables, deposits and prepayments	(11,740)	(9,367)	(2,695)	(17,595)
Provision for warranty	691	706	(97)	1,124
Trade and other payables	5,651	21,570	(11,219)	15,913
Cash flows generated from operations	28,557	15,254	26,786	3,426
Income taxes paid	(249)	(1,368)	(1,883)	(4,572)
Net cash flows generated from/(used in) operating activities	**28,308**	**13,886**	**24,903**	**(1,146)**
Investing activities				
Net cash inflow on acquisition of a subsidiary	-	-	-	189
Net cash inflow on disposal of a subsidiary	-	42	-	42
Proceeds from disposal of property, plant and equipment	1,910	40	1,915	46
Purchase of property, plant and equipment	(414)	(942)	(1,073)	(1,418)
Purchase of intangible assets	(1,454)	(161)	(1,546)	(398)
Interest received	48	277	112	474
Net cash flows generated from/(used in) investing activities	**90**	**(744)**	**(592)**	**(1,065)**
Financing activities				
Interest paid	(993)	(1,038)	(2,016)	(2,101)
Repayment of obligation under finance leases	-	(3)	-	(45)
Repayment of bank term loans	(4,408)	(8,585)	(4,582)	(19,729)
(Repayment of)/proceeds from short term borrowings	(27,556)	16,193	(26,888)	23,431
Proceeds from re-issuance of treasury shares	47	28	71	65
Dividends paid to shareholders of the Company	(1,637)	(3,211)	(1,637)	(3,211)
Net cash flows (used in)/generated from financing activities	**(34,547)**	**3,384**	**(35,052)**	**(1,590)**
Net (decrease)/increase in cash and cash equivalents	**(6,149)**	**16,526**	**(10,741)**	**(3,801)**
Cash and cash equivalents at the beginning of the financial period	72,087	67,784	76,679	88,111
Cash and cash equivalents at the end of the financial period (1)	**65,938**	**84,310**	**65,938**	**84,310**
Free Cash Flow(2)	**26,440**	**12,783**	**22,284**	**(2,962)**

Notes:

(1) Cash and cash equivalents comprise cash on hand, deposits with banks, net of bank overdrafts.

(2) Free cash flow is defined as net cash generated from operating activities less capital expenditure.

4. CONSOLIDATED CASH FLOW STATEMENT (Cont'd)

On 12 January 2012 (the "Acquisition Date"), the Company acquired 100% of the quota capital of Corium Italia S.R.L. ("Corium"). Corium is a company incorporated in Italy engaged in product development, design, manufacturing and sales.

The fair value of the identifiable assets and liabilities of Corium as at the Acquisition Date were:

	Note	2012 US$'000
Current assets		
Cash and short-term deposits *		189
Trade and other receivables		739
Inventories		237
		1,165
Non-current assets		
Property, plant and equipment		14
Intangible assets	5D	4
		18
Total assets		**1,183**
Current liabilities		
Trade and other payables		952
Current income tax liabilities		42
		994
Total liabilities		**994**
Total identifiable net assets at fair value		189
Goodwill arising from acquisition		9
		198
Consideration transferred for the acquisition of Corium		
Deferred cash settlement recorded as other payables		198
Total consideration transferred		**198**
Effect of the acquisition of Corium on cash flows		
Total consideration for 100% equity interest acquired		198
Less: Deferred cash settlement		(198)
Consideration settled in cash		-
Less: Cash and short-term deposits of subsidiary acquired *		(189)
Net cash inflow on acquisition		**189**

4. CONSOLIDATED CASH FLOW STATEMENT (Cont'd)

On 13 June 2012, the Company's subsidiary, Domicil Möbel GmbH ("DMG") disposed of its entire interest in the capital of its wholly-owned subsidiary, Domicil Furnishing Wien GmbH ("DFG") (the "Disposal") to its franchisee in Vienna. The Disposal was made pursuant to and in line with the Group's change of business model for the Domicil Home business to focus on building a franchise retail concept with strong brand management and product development.

The carrying amounts of the identifiable assets and liabilities of DFG as at the date of disposal and the cash flow effect of the disposal were:

	2012 US$'000
Current assets	
Cash and short-term deposits **	3
Trade and other receivables	86
Inventories	406
	495
Non-current assets	
Property, plant and equipment	**92**
Total assets	**587**
Current liabilities	
Trade and other payables	**563**
Total liabilities	**563**
Net assets disposed of	**24**
<u>Effect of the disposal of DFG on cash flows</u>	
Net assets disposed of	24
Add: Gain on disposal of subsidiary	21
Cash proceeds from disposal	45
Less : Cash and short-term deposits of subsidiary disposed of **	(3)
Net cash inflow on disposal	**42**

5. NOTES TO THE FINANCIAL STATEMENTS

A. Operating profit before net finance income and expense and net foreign exchange (loss)/gain

This is arrived at after charging the following:

	The Group 3 months ended 30 Jun		The Group 6 months ended 30 Jun	
	2013	**2012**	**2013**	**2012**
	US$'000	US$'000	US$'000	US$'000
Depreciation on property, plant and equipment	1,700	1,855	3,533	3,761
Amortisation of intangible assets	558	491	972	968
Total depreciation and amortisation	2,258	2,346	4,505	4,729
Allowance made for impairment of trade receivables	102	850	296	1,024
Bad trade debts written off	24	2	24	2
Allowance made for slow moving and obsolete inventories	256	413	579	671
Warranty expenses	3,773	3,296	6,118	6,015
Employee benefits	22,597	23,874	44,029	44,741
Goodwill written off	-	-	-	9
Net (gain)/loss on disposal of property, plant and equipment	(1,400)	13	(1,396)	30

B. Income tax expense

	The Group 3 months ended 30 Jun		The Group 6 months ended 30 Jun	
	2013	**2012**	**2013**	**2012**
	US$'000	US$'000	US$'000	US$'000
Tax expense attributable to profit is made up of:				
Current income taxes:				
- Current income tax	971	2,257	1,684	4,486
- Under provision in respect of previous years	75	51	163	51
Deferred income taxes:				
- Current deferred tax	(353)	247	(738)	397
- Over provision in respect of previous years	(100)	-	(100)	-
	593	**2,555**	**1,009**	**4,934**

Note:

Resulting from lower profitability, the Group's income tax expense reduced from US$4.9 million in 1H 2012 to US$1.0 million in 1H 2013. The effective tax rate for 1H 2013, however, was higher due to losses from certain subsidiaries which could not be utilised to offset against the profits generated by other subsidiaries.

5. NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

C. Inventories

	The Group 30 Jun 2013 US$'000	The Group 31 Dec 2012 US$'000
Raw materials	77,457	102,263
Work-in-progress	22,749	25,717
Finished goods	72,571	78,187
	172,777	206,167

D. Intangible assets

	Goodwill on Acquisition US$'000	IP Rights US$'000	Computer Software Licenses & Development Costs US$'000	Total US$'000
Group				
Cost				
At 1 January 2012	**661**	**13,140**	**8,450**	**22,251**
Additions	-	-	1,056	1,056
Acquisition of a subsidiary	-	-	4	4
Exchange rate adjustments	14	-	1	15
At 31 December 2012 and 1 January 2013	**675**	**13,140**	**9,511**	**23,326**
Additions	-	-	1,546	1,546
Exchange rate adjustments	(10)	-	(80)	(90)
At 30 June 2013	**665**	**13,140**	**10,977**	**24,782**
Accumulated amortisation				
At 1 January 2012	**-**	**4,106**	**6,533**	**10,639**
Charge for the financial period	-	653	1,331	1,984
At 31 December 2012 and 1 January 2013	**-**	**4,759**	**7,864**	**12,623**
Charge for the financial period	-	327	645	972
Exchange rate adjustments	-	-	(7)	(7)
At 30 June 2013	**-**	**5,086**	**8,502**	**13,588**
Net book value				
At 31 December 2012	**675**	**8,381**	**1,647**	**10,703**
At 30 June 2013	**665**	**8,054**	**2,475**	**11,194**

5. NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

E. Loans and borrowings

	The Group	
	30 Jun 2013	**31 Dec 2012**
	US$'000	US$'000
Current		
Trust receipts and bank bill payables	45,619	76,258
Bank term loans	9,041	9,178
Short-term bank loans	56,852	52,877
	111,512	138,313
Non-current		
Bank term loans	15,679	20,348
Total loans and borrowings	127,191	158,661

The Group's total loans and borrowings are unsecured except for the bank term loans of a subsidiary with a carrying amount of US$1.1 million that are secured by the subsidiary's freehold land and building.

F. Share capital

	No of ordinary shares		Amount	
	Issued share capital	**Treasury shares**	**Share capital**	**Treasury shares**
	'000	'000	US$'000	US$'000
At 1 January 2013	416,563	(12,358)	67,982	(4,670)
Reissued pursuant to employee share option plans:				
- For cash on exercise of employee share options	-	1,262	-	71
- Loss transferred to capital reserve	-	-	-	406
	-	1,262	-	477
At 30 June 2013	416,563	(11,096)	67,982	(4,193)
At 1 January 2012	416,563	(13,513)	67,982	(5,107)
Reissued pursuant to employee share option plans:				
- For cash on exercise of employee share options	-	1,155	-	65
- Loss transferred to capital reserve	-	-	-	372
	-	1,155	-	437
At 30 June 2012	416,563	(12,358)	67,982	(4,670)

Treasury shares

The Company is authorised by the shareholders to buy up to 10% of the ordinary shares of the Company. Acquired shares are held as treasury shares and presented as a separate component within shareholders' equity. The Company did not purchase treasury shares during the financial period.

The Company reissued 1,261,300 (30 June 2012: 1,154,950) treasury shares during the financial period pursuant to the HTL International Holdings Limited Share Option Plan 2002 at the weighted average exercise price of US$0.06 (30 June 2012: US$0.06) each for a cash consideration of US$71,000 (30 June 2012: US$65,000).

5. NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

F. Share capital (Cont'd)

Share options

HTL International Holdings Limited Share Option Plan 2002

During the financial period, the Company has not issued any new share options.

Details of the share options to subscribe for ordinary shares of the Company that remains outstanding as at 30 June 2013 are as follows:

	Aggregate options granted since commencement of scheme	Aggregate options exercised since commencement of scheme	Aggregate options lapsed since commencement of scheme	Aggregate options outstanding at end of financial period	Exercise price	Exercise Period
2004 Options	4,502,250	1,538,250	1,454,000	1,510,000	S$0.82	19.6.2005 - 18.6.2014
2009 Options	7,120,000	5,502,500	777,500	840,000	S$0.07	26.2.2010 - 26.2.2019
	11,622,250	7,040,750	2,231,500	2,350,000		

G. Earnings per share

	3 months ended 30 Jun		6 months ended 30 Jun	
	2013	2012	2013	2012
Earnings per share (US cents)				
- Basic	0.49	1.01	0.03	1.37
- Diluted	0.49	1.00	0.03	1.36

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

For the purpose of calculating the diluted earnings per share, the net profit attributable to owners of the Company and the weighted average number of ordinary shares outstanding are adjusted for the effects of all dilutive potential ordinary shares. As at 30 June 2013, the Company has only one category of dilutive potential ordinary shares which is share options. In the computation of diluted net earnings per share, if the effect of outstanding share options is anti-dilutive, this is disregarded.

For the share options, the weighted average number of shares is adjusted as if all dilutive share options were exercised. The number of shares that could have been issued upon the exercise of all dilutive share options less the number of shares that could have been issued at fair value (determined as the Company's average share price during the financial period) for the same total proceeds is added to the denominator as the number of shares issued for no consideration with no adjustment made to the net profit – numerator.

5. NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

G. Earnings per share (Cont'd)

	3 months ended 30 Jun		6 months ended 30 Jun	
	2013	2012	2013	2012
	US$'000	US$'000	US$'000	US$'000
Net profit attributable to owners of the Company used to determine basic and diluted earnings per share	1,999	4,072	111	5,530
	No. of shares '000	No. of shares '000	No. of shares '000	No. of shares '000
Weighted average number of ordinary shares used in the calculation of basic earnings per share	404,882	403,493	404,545	403,607
Adjustment for assumed conversion of share options	1,081	2,382	1,381	2,292
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	405,963	405,875	405,926	405,899
Diluted earnings per share	0.49	1.00	0.03	1.36

H. Net asset per share

	The Group		The Company	
	As at 30 Jun 2013	As at 31 Dec 2012	As at 30 Jun 2013	As at 31 Dec 2012
Net asset value per ordinary share based on issued share capital as at the end of the respective period (US cents) *	42.15	42.36	30.53	31.39

* Based on issued share capital of 405,467,018 ordinary shares (excluding treasury shares) as at 30 June 2013 and 404,205,718 ordinary shares (excluding treasury shares) as at 31 December 2012.

6. AUDIT

The figures have not been audited or reviewed by our auditors.

7. AUDITOR'S REPORT

Not applicable.

8. ACCOUNTING POLICIES

Except as disclosed in paragraph 9 below, the Group has applied the same accounting policies and methods of computation in the financial statements for the current financial period compared with those of audited financial statements as at 31 December 2012.

9. CHANGES IN THE ACCOUNTING POLICIES

The Group adopted the new/revised Singapore Financial Reporting Standards ("FRS") and Interpretations of FRS ("INT FRS") that are effective for annual periods beginning on or after 1 January 2013.

The adoption of these new/revised FRS did not have any material impact on the financial statements of the Group.

10. REVIEW OF GROUP PERFORMANCE

Overview

	(A)	(B)	(C) = (A) + (B)	(D)	(E)	(F) = (D) + (E)	(G) = (C) - (F)	
	Q1 2013 US$'000	**Q2 2013 US$'000**	**1H 2013 US$'000**	**Q1 2012 US$'000**	**Q2 2012 US$'000**	**1H 2012 US$'000**	**Changes US$'000**	%
Sofa Business Unit ("Sofa BU")								
- External	121,084	140,248	261,332	123,275	156,458	279,733	(18,401)	-6.6%
- Internal	2,049	2,651	4,700	2,365	3,374	5,739	(1,039)	
	123,133	**142,899**	**266,032**	**125,640**	**159,832**	**285,472**	**(19,440)**	
Leather Business Unit ("Leather BU")								
- Internal	**42,581**	**42,305**	**84,886**	**42,611**	**53,974**	**96,585**	**(11,699)**	-12.1%
Home Furnishing Business Unit ("HFBU")								
- External	5,316	5,505	10,821	7,213	10,227	17,440	(6,619)	-38.0%
- Internal	146	85	231	69	174	243	(12)	
	5,462	**5,590**	**11,052**	**7,282**	**10,401**	**17,683**	**(6,631)**	
Less : Inter-segment sales	(44,776)	(45,041)	(89,817)	(45,045)	(57,522)	(102,567)	12,750	
Group Turnover	**126,400**	**145,753**	**272,153**	**130,488**	**166,685**	**297,173**	**(25,020)**	-8.4%

Notes:

(i) Core Business comprises the Sofa, Leather Business Units ("BU") and Corporate Office
(ii) Q1 and Q2 2013/2012 – three months ended 31 March and 30 June 2013/2012, respectively
(iii) 1H 2013/2012 – six months ended 30 June 2013/2012
(iv) SG&A – represents the aggregate of total sales, marketing, distribution and administrative expenses

Q2 2013 vs. Q2 2012

Turnover

The prolonged sovereign debt woes in Europe, economic slow-down in China, and the fragile economic recovery in the United States had further dampened consumer spending on high value and discretionary goods including furniture.

In this challenging business environment, the Group posted lower revenue of US$145.8 million compared to US$166.7 million in Q2 2012. The 12.6% decline came predominantly from our key European market.

Profitability

In the same period, input costs, in particular leather hides and factory wages in China rose further. Consequently, the Group's GP margin fell from 32.9% to 31.5%.

SG&A reduced by 9.3% from US$49.7 million in Q2 2012 to US$45.1 million in Q2 2013, in line with lower revenue.

Other operating income increased from US$3.2 million in Q2 2012 to US$3.6 million in Q2 2013. This included a US$1.4 million gain on disposal of a piece of land in Malaysia. Excluding this one-off gain, other operating income would have been US$2.2 million. This was US$1.0 million lower than in Q2 2012, mainly due to the lower supplier rebates received by Domicil Home in Germany as a result of lower sales.

10. REVIEW OF GROUP PERFORMANCE (Cont'd)

Q2 2013 vs. Q2 2012 (Cont'd)

Profitability (Cont'd)

The lower turnover and rising input costs, partially mitigated by the gain on land disposal resulted in a 54.9% decline in operating profit before net foreign exchange loss and tax from US$7.4million in Q2 2012 to US$3.4 million in Q2 2013.

With lower profitability, income tax expense decreased by 76.8% from US$2.6 million in Q2 2012 to US$0.6 million in Q2 2013.

Consequently, Q2 2013 net profit halved to US$2.0 million.

Following a strategic review earlier this year of the Group's organisational structure, business models, manufacturing process operational efficiency, and supply chain cost efficiency, the Group has sharpened its focus on ways and means to boost top-line revenue and market share, and lowering costs on a sustainable basis. The financial impact of this ongoing initiative is expected to be felt in 2H 2013.

1H 2013 vs 1H 2012

Turnover

Turnover for 1H 2013 declined by 8.4% to US$272.2 million in 1H 2013 from US$297.2 million year-on-year. Weaker consumer demand in its key markets, especially in Europe, and the weaker Euro and Japanese Yen against the US Dollar (functional and presentation currency) contributed to the decline. However, this was partially offset by increased sales in Australia and New Zealand ("ANZ").

Profitability

The Group's GP margin dropped by 1.7% from 33.1% to 31.4%, as input costs rose further.

Other operating income improved by US$0.9 million from US$5.0 million in 1H 2012 to US$5.9 million 1H 2013 on the back of the aforementioned gain on disposal of land, partially negated by lower suppliers rebate received by Domicil Home in Germany.

SG&A fell by 8.1% from US$93.3 million in 1H 2012 to US$85.8 million in 1H 2013, in tandem with the fall in turnover.

With lower revenue and profit margin, partially negated by the gain on land disposal, operating profit before net foreign exchange loss and tax dropped by 58.2% from US$8.1 million in 1H 2012 to US$3.4 million in 1H 2013.

Amid the volatile foreign exchange market, the Group recorded a net foreign exchange loss of US$2.2 million in 1H 2013 compared to a gain of US$2.4 million in 1H 2012. The 1H 2013 loss was mainly the result of unrealised foreign exchange loss on translation of bank balances whilst the 1H 2012 gain was mainly attributable to the realised gain on delivery of foreign exchange contracts and non-cash unrealised gain on loan translation.

Resulting from lower profitability, the Group's income tax expense was reduced by 79.6% from US$4.9 million to US$1.0 million. The effective tax rate for 1H 2013, however, was higher due to losses from certain subsidiaries which could not be utilised to offset against the profits generated by other subsidiaries.

Overall, the Group posted a marginal profit of US$0.2 million in 1H 2013 compared to US$5.6 million in 1H 2012.

10. REVIEW OF GROUP PERFORMANCE (Cont'd)

Analysis by Major Business Units ("BU")

	Core Business [1] 6 months ended 30 Jun 2013 US$'000	Core Business [1] 6 months ended 30 Jun 2012 US$'000	Change %	Home Furnishing 6 months ended 30 Jun 2013 US$'000	Home Furnishing 6 months ended 30 Jun 2012 US$'000	Change %
Revenue (exclude inter-segment sales)	261,332	279,733	(6.6)	10,821	17,440	(38.0)
Operating profit/(loss) before net foreign exchange (loss)/gain	4,176	8,848	(52.8)	(792)	(747)	6.0
EBITDA before net foreign exchange (loss)/gain	10,166	14,432	(29.6)	(373)	25	NM
Net profit/(loss) for the period	970	6,513	(85.1)	(816)	(903)	(9.6)
Net margin	0.4%	2.3%		-7.5%	-5.2%	
Total net foreign exchange (loss)/gain	(2,286)	2,612		65	(169)	

Note:

1. Core Business comprises the Sofa, Leather Business Units ("BU") and Corporate Office.

NM : Not meaningful

Core Business

<u>*Sofa BU - Revenue by Regions*</u>

	6 months ended 30 Jun 2013 US$'000	6 months ended 30 Jun 2012 US$'000	Change US$'000	Change %
Asia (excluding Greater China)	33,100	34,256	(1,156)	(3.4)
Greater China	2,008	2,653	(645)	(24.3)
Europe	116,375	137,073	(20,698)	(15.1)
North America	68,455	70,427	(1,972)	(2.8)
ANZ	40,547	34,794	5,753	16.5
Others	847	530	317	59.8
Total *	261,332	279,733	(18,401)	(6.6)

* Exclude inter-segment sales

Other than ANZ which posted double digit growth of 16.5% to US$40.5 million, our key markets in the Sofa BU reported lower revenue in 1H 2013. This was partially due to the weaker Euro and Japanese Yen against US Dollar (functional and presentation currency). If the weak Euro and Japanese Yen were disregarded, the Core Business's revenue for 1H 2013 would have been higher at US$265.4 million, but still 5.1% lower than the revenue posted in 1H 2012 as its revenue had been affected by weaker market demand particularly in Europe.

Europe remained our largest market, accounting for 44.5% (1H 2012: 49.0%) of the Core Business's turnover, followed by North America (26.2%), ANZ (15.5%) and Asia (13.4%).

With lower revenue and rising input costs, our Core Business' operating profit before net foreign exchange (loss) gain and tax fell by 52.8% from US$8.8 million in 1H 2012 to US$4.2 million in 1H 2013.

10. REVIEW OF GROUP PERFORMANCE (Cont'd)

Home Furnishing BU ("HFBU")

HFBU's revenue dipped by 38.0% from US$17.4 million in 1H 2012 to US$10.8 million in 1H 2013 due to the weak market sentiments and less owned stores as Domicil Home in Germany franchised out half of its stores in Q2 2012.

Despite the sharp dip in turnover, HFBU's operating loss before net foreign exchange gain and tax increased slightly by US$45,000 to US$792,000, as a result of further cost control measures.

<u>Liquidity, financial and working capital resources</u>

Trade and other receivables increased by US$5.1 million from US$62.8 million to US$67.9 million. This was mainly driven by lower factoring without recourse and higher sales in Q2 2013 as compared to Q4 2012. The average day sales outstanding ("DSO") as at 30 June 2013 remained fairly stable at 1.5 months (31 December 2012: 1.3 months).

Inventory decreased by US$33.4 million from US$206.2 million to US$172.8 million due to lower procurement activities as the factories utilised the buffer inventories in hand. Consequently, the outstanding days in inventory ("DIO") as at 30 June 2013 improved to 5.6 months (31 December 2012: 6.3 months).

Trade and other payables decreased by US$11.2 million as compared to previous year end, in line with the decrease in procurement activities. The average day payables outstanding ("DPO") as at 30 June 2013 remained relatively constant at 2.4 months (31 December 2012: 2.6 months).

The Group's net borrowings (loans and borrowings less cash and short term deposits) reduced by US$20.7 million from US$82.0 million as at 31 December 2012 to US$61.3 million as at 31 June 2013, mainly due to lower utilisation of banking facilities to finance the leather procurement activities. Consequently, net gearing improved significantly to 35.8% (31 December 2012: 47.9%) and the Group reported a positive free cash flow ("FCF") of US$22.3 million in 1H 2013 compared to a negative FCF of US$3.0 million in 1H 2012.

11. VARIANCE FROM PROSPECT STATEMENT

The Group's performance for Q2 2013 was consistent with the previous prospect statement.

12. OUTLOOK

The global economic uncertainty persists to dampen consumer confidence and spending on high value and discretionary goods, including furniture. Against this backdrop, the Group will continue to be nimble and responsive to changes and opportunities in the competitive marketplace.

While factors such as government-mandated wage hikes at its manufacturing plants in China, increasing raw leather hide prices and volatility of foreign currencies, are beyond the Group's control, HTL is re-doubling its efforts to find new ways to restructure, better control input costs and improve its supply chain efficiency.

The Group expects its operating environment to remain challenging in second half of 2013.

13. KEY BUSINESS RISKS

Macro Risks

Commodity risks

Raw leather hide is the principal raw material in the Group's upholstered furniture accounting for more than 50% of the sofa upholstery cost. As such, the cost of upholstered furniture is exposed to fluctuations in the price of cattle raw hide. The supply of cattle raw hide is principally dependent on the consumption of beef. The cattle industry is also exposed to veterinary health issues like foot-and-mouth and mad cow disease, which will have an impact on the slaughter rate of cattle. Fluctuations in the price of raw leather hides will significantly affect operating margins.

Cyclical demand for furniture

Historically, the furniture industry has been cyclical, fluctuating with economic cycles and is sensitive to general economic conditions, housing starts, interest rate levels, credit availability and other factors that affect consumer spending habits. As most furniture purchases are discretionary in nature and may represent a significant expenditure to the average consumer, such purchases may be deferred during times of economic uncertainty. Any prolonged global economic slowdown may have an adverse effect on the Group's operating results.

Seasonal operations

The Group's sale of leather upholstered furniture is subject to seasonal variations given the increased contribution from the Europe and US markets which now account for more than 70% of the Group's turnover. In general, shipment of goods will be lower from July to August (i.e. the summer months) relative to shipments for other months in a calendar year. Hence, the Group's turnover will experience seasonality effect which may cause short term fluctuations on the Group's performance.

Changes in the regulations of The People's Republic of China ("PRC") relating to export Value Added Tax ("VAT") rebates and import duties

In order to reduce its massive trade surplus, the PRC government has gradually reduced its export VAT rebates for many business sectors. Effective from 1 July 2007, export VAT rebates for the Group's product segments had been reduced for finished leather, from 8% to nil and for sofa upholstery from 13% to 11%. With effect from 1 June 2009, the export VAT rebate for the sofa upholstery was temporarily reinstated to 15%. Should the PRC government revises the effective export VAT rebates downwards, this would adversely impact the Group's operating margins.

Changes in the PRC processing trade policy

Since 2006, the PRC government has been introducing changes to the processing trade policy, such as moving certain widely used materials to the prohibited category, aimed at restricting the production and export of high pollution, high energy consumption and resource consuming products. In its latest policy switch in July 2007, the government requested that enterprises engaged in the processing trade industry in the prohibited category pay a mandatory duty deposit for imported raw materials. At this juncture, the Group's products have been exempted from this prohibited category. Any changes to expand the classification of the prohibited category to include the Group's products may impact the Group's cash flow and incur increased financial costs.

Environmental risk

The production of leather is generally pollutive. As the PRC government is tightening its environmental protection policy, the Group's production activities may be put under close scrutiny. The Group has always observed a high standard of social and environmental responsibility, and welcomes the PRC government's new initiatives. However, it is possible that further investments may be needed to upgrade the Group's waste treatment facilities and this will in turn increase production costs.

13. KEY BUSINESS RISKS (Cont'd)

Macro Risks (Cont'd)

Company Risks

<u>Foreign exchange risks</u>

The global financial markets remain volatile. The Group primarily transacts in US Dollar which is also its primary functional currency. The Group also transacts in other major foreign currencies like Japanese Yen, Sterling Pound, Euro and Australian Dollar. Majority of the Group's operations are also sited outside of Singapore notably China. Consequently, any movement between Renminbi (RMB) and US Dollar will also affect the Group's currency exposure risks. Therefore, any significant adverse movements in the major trading currencies against US Dollar will have an impact on the Group's performance. The Group actively monitors and hedges its foreign currency exchange exposure by using relevant foreign exchange forward contracts and options to hedge its cash flow and margins. Where appropriate, the Group will borrow in the same currency to provide a natural hedge for balance sheet items.

<u>Vulnerable to freight rate increases</u>

The Group exports its upholstery products to more than 50 countries across 6 continents and relies on shipping companies for the shipment of its products to these countries. As such, one of the costs that the Group will bear when it sells on Cost, Insurance and Freight (CIF), Delivered Duty Unpaid (DDU) or Cost and Freight (CFR) terms or where it purchases on Free on Board (FOB) term, is freight costs. The freight market has been extremely volatile and changes in oil prices will also have an effect on freight rates. If freight rates are high, the Group's distribution costs will increase and operating margins can be affected. The Group has no control over the supply and demand of freight services and therefore, it is difficult for the Group to manage its freight costs. The Group will endeavour to factor in an appropriate amount of the expected freight rate increases in the quotation of sales price to customers.

14. DIVIDEND

(i) Current financial period - None

(ii) Corresponding period of the immediately preceding financial period – None

(iii) Date payable - Not applicable

(iv) Books closure date - Not applicable

15. SEGMENTAL INFORMATION

	Sofa US$'000	Leather US$'000	Home Furnishing US$'000	Corporate US$'000	Elimination US$'000	Group US$'000
Financial period ended 30 June 2013						
Revenue						
External sales	261,332	-	10,821	-	-	272,153
Inter-segment sales	4,700	84,886	231	-	(89,817)	-
Total revenue	266,032	84,886	11,052	-	(89,817)	272,153
Segment results	2,430	4,090	(806)	(426)	-	5,288
Finance income						112
Finance expense						(2,016)
Net foreign exchange loss						(2,221)
Income tax expense						(1,009)
Net profit for the period						154
Segment assets	218,426	128,694	25,268	3,219	-	375,607
Tax assets						6,593
Consolidated total assets						382,200
Segment liabilities	(67,710)	(6,458)	(5,323)	(1,317)	-	(80,808)
Loans and borrowings						(127,191)
Tax liabilities						(2,467)
Consolidated total liabilities						(210,466)
Other segment items						
Addition to non-current assets						
- property, plant and equipment	526	492	55	-	-	1,073
- intangible assets	1,546	-	-	-	-	1,546
Depreciation	2,244	1,186	103	-	-	3,533
Amortisation	395	247	330	-	-	972

15. SEGMENTAL INFORMATION (Cont'd)

	Sofa US$'000	Leather US$'000	Home Furnishing US$'000	Corporate US$'000	Elimination US$'000	Group US$'000
Financial period ended 30 June 2012						
Revenue						
External sales	279,733	-	17,440	-	-	297,173
Inter-segment sales	5,739	96,585	243	-	(102,567)	-
Total revenue	285,472	96,585	17,683	-	(102,567)	297,173
Segment results	5,297	5,218	(685)	(102)	-	9,728
Finance income						474
Finance expense						(2,101)
Net foreign exchange gain						2,443
Income tax expense						(4,934)
Net profit for the period						5,610
Segment assets	244,782	140,737	31,576	3,949	-	421,044
Tax assets						4,999
Consolidated total assets						426,043
Segment liabilities	(78,295)	(19,472)	(7,791)	(1,406)	-	(106,964)
Loans and borrowings						(144,938)
Tax liabilities						(4,334)
Consolidated total liabilities						(256,236)
Other segment items						
Addition to non-current assets						
- property, plant and equipment	843	383	191	-	-	1,418
- intangible assets	398	-	-	-	-	398
Depreciation	2,296	1,334	131	-	-	3,761
Amortisation	196	193	579	-	-	968
Goodwill written off	9	-	-	-	-	9

Secondary reporting format – geographical segments

The following table shows the distribution of the Group's consolidated sales by geographical market regardless of where the products were manufactured:

	6 months ended 30 Jun			
	2013	**2012**	**Change**	
	US$'000	US$'000	US$'000	%
Asia (excluding Greater China)	34,830	36,020	(1,190)	(3.3)
Greater China	2,309	3,029	(720)	(23.8)
Europe	122,904	150,157	(27,253)	(18.1)
North America	70,049	71,923	(1,874)	(2.6)
ANZ	40,943	35,211	5,732	16.3
Others	1,118	833	285	34.2
Total	272,153	297,173	(25,020)	(8.4)

15. SEGMENTAL INFORMATION (Cont'd)

The following table shows the distribution of the Group's non-current assets (excluding deferred tax assets) based on the geographical location of where the Company and its subsidiaries are located:

	Non-current assets	
	30 June 2013 US$'000	**30 June 2012** US$'000
Asia (excluding Greater China)	20,354	22,501
Europe	3,008	1,006
Greater China	35,071	37,464
Others	420	352
Total	58,853	61,323

16. CONFIRMATION PURSUANT TO RULE 705 (5) OF THE LISTING MANUAL

We, the undersigned, being two directors of HTL International Holdings Limited (the "Company") do hereby confirm on behalf of the directors of the Company that, to the best of their knowledge nothing has come to the attention of the Board of Directors of the Company which may render the unaudited interim financial results of the Group comprising the balance sheets (Group and Company), consolidated income statement, consolidated statement of comprehensive income, statements of changes in equity (Group and Company) and consolidated cash flow statement, (together with the accompanying notes) for the period ended 30 June 2013 to be false or misleading in any material respect.

On behalf of the Board of Directors,

Phua Yong Tat
Director

Phua Yong Sin
Director

BY ORDER OF THE BOARD

Jacqueline Loke
Company Secretary
13 August 2013