LUEN THAI HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 311)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2014

GROUP FINANCIAL HIGHLIGHTS

	Six months ended 30 June	
	2014	2013
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Revenue	**561,088**	537,187
Operating profit	**20,043**	20,326
Profit attributable to owners of the Company	**16,410**	18,105
Profit margin (ratio of profit attributable to owners of the Company to revenue)	**2.9%**	3.4%
Basic EPS *(US cents)*	**1.59**	1.80

The board of directors (the "Board") of Luen Thai Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the "Group" or "Luen Thai") for the six months ended 30 June 2014.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months period ended 30 June 2014

		Six months ended 30 June	
		2014	2013
	Note	***US$'000***	*US$'000*
		(Unaudited)	(Unaudited)
Revenue	3	**561,088**	537,187
Cost of sales		**(458,822)**	(443,277)
Gross profit		**102,266**	93,910
Other (losses)/gains, net		**(671)**	1,005
Selling and distribution expenses		**(1,875)**	(2,255)
General and administrative expenses		**(79,677)**	(72,334)
Operating profit	4	**20,043**	20,326
Finance income		**2,262**	2,895
Finance costs		**(1,545)**	(1,636)
Finance income, net	5	**717**	1,259
Share of gain/(loss) of an associated company		**25**	(8)
Share of losses of joint ventures		**(1,145)**	(427)
Profit before income tax		**19,640**	21,150
Income tax expense	6	**(3,045)**	(2,154)
Profit for the period		**16,595**	18,996
Profit attributable to:			
Owners of the Company		**16,410**	18,105
Non-controlling interests		**185**	891
		16,595	18,996
Earnings per share attributable to owners of the Company			
(expressed in US cents per share)			
— Basic	7	**1.59**	1.80
— Diluted	7	**1.59**	1.76
		US$'000	*US$'000*
Dividends	8	**4,922**	5,439

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months period ended 30 June 2014

	Six months ended 30 June	
	2014	2013
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Profit for the period	**16,595**	18,996
Other comprehensive loss		
Item that may be reclassified to profit or loss:		
Currency translation differences	**(1,858)**	(2,046)
Total comprehensive income for the period	**14,737**	16,950
Total comprehensive income for the period attributable to:		
— Owners of the Company	**14,549**	15,998
— Non-controlling interests	**188**	952
	14,737	16,950

CONDENSED CONSOLIDATED BALANCE SHEET
As at 30 June 2014

	Note	**As at 30 June 2014 *US$'000* (Unaudited)**	As at 31 December 2013 *US$'000* (Audited)
ASSETS			
Non-current assets			
Leasehold land and land use rights		**11,526**	11,809
Property, plant and equipment		**123,000**	127,813
Intangible assets		**73,203**	75,337
Interest in an associated company		**574**	550
Interests in joint ventures		**12,990**	6,011
Amount due from a joint venture		**15,141**	13,655
Deferred income tax assets		**1,249**	900
Other non-current assets		**6,435**	7,385
Total non-current assets		**244,118**	243,460
Current assets			
Inventories		**149,116**	113,033
Trade and other receivables	9	**240,759**	223,473
Prepaid income tax		**5,323**	4,915
Cash and bank balances		**197,399**	229,440
Total current assets		**592,597**	570,861
Total assets		**836,715**	814,321
EQUITY			
Equity attributable to the owners of the Company			
Share capital		**10,341**	10,341
Other reserves	11	**137,388**	139,249
Retained earnings		**234,161**	226,778
		381,890	376,368
Non-controlling interests		**9,174**	8,986
Total equity		**391,064**	385,354
LIABILITIES			
Non-current liabilities			
Borrowings		**3,744**	4,235
Retirement benefit obligations		**7,481**	6,849
Deferred income tax liabilities		**7,136**	7,475
Total non-current liabilities		**18,361**	18,559

	Note	As at 30 June 2014 US$'000 (Unaudited)	As at 31 December 2013 US$'000 (Audited)
Current liabilities			
Trade and other payables	10	**247,895**	228,211
Borrowings		**167,626**	172,541
Derivative financial instruments		**196**	659
Current income tax liabilities		**11,573**	8,997
Total current liabilities		**427,290**	410,408
Total liabilities		**445,651**	428,967
Total equity and liabilities		**836,715**	814,321
Net current assets		**165,307**	160,453
Total assets less current liabilities		**409,425**	403,913

1. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2014 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim financial reporting". The condensed consolidated interim financial information should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2013, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

2. ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual consolidated financial statements for the year ended 31 December 2013, as described in those annual consolidated financial statements.

2.1 The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2014:

- Amendment to HKAS 32 'Financial instruments: Presentation' on asset and liability offsetting, these amendments are to the application guidance in IAS/HKAS 32, 'Financial instruments: Presentation', and clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. The adoption of this amendment did not have a material impact on the Group's condensed consolidated interim financial information.

- Amendment to HKAS 36 'Impairment of assets' on recoverable amount disclosures, this amendment addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The adoption of this amendment did not have a material impact on the Group's condensed consolidated interim financial information.

- Amendments to HKFRS 10, 12 and HKAS 27 "Consolidation for investment entities", these amendments mean that many funds and similar entities will be exempt from consolidating most of their subsidiaries. Instead, they will measure them at fair value through profit or loss. The amendments give an exception to entities that meet an 'investment entity' definition and which display particular characteristics. Changes have also been made HKFRS 12 to introduce disclosures that an investment entity needs to make. The adoption of this amendment did not have a material impact on the Group's condensed consolidated interim financial information.

2.2 Amendments to existing standard effective in 2014 but not relevant to the Group

- Amendment to HKAS 39 'Financial Instruments: Recognition and Measurement — Novation of derivatives', this amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument to a central counterparty meets specified criteria. This is not currently applicable to the Group.

- HK(IFRIC) 21 'Levies', this is an interpretation of HKAS 37, 'Provisions, contingent liabilities and contingent assets'. HKAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. This is not currently applicable to the Group.

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

HKFRS 11 Amendment	Accounting for Acquisitions of Interest in Joint Operations[1]
HKAS 16 and HKAS 38 Amendment	Classification of Acceptable Methods of Depreciation and Amortisation[1]
HKFRS 15	Revenue from Contracts with Customers[2]

Notes:

(1) Effective for financial periods beginning on or after 1 January 2016

(2) Effective for financial periods beginning on or after 1 January 2017

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

3. SEGMENT INFORMATION

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

The Executive Directors have been identified as the chief operating decision maker. The Executive Directors have determined the operating segments based on the reports reviewed by them that are used to make strategic decisions.

Management considers the business from a product perspective whereby management assesses the performance of casual and fashion apparel, life-style apparel, sweater, accessories, real estate development and freight forwarding and logistics services.

The segment information provided to the Executive Directors for the reportable segments for the six months ended 30 June 2014 and 2013 is as follows:

	Casual and fashion apparel *US$'000* **(Unaudited)**	**Life-style apparel** *US$'000* **(Unaudited)**	**Sweater** *US$'000* **(Unaudited)**	**Accessories** *US$'000* **(Unaudited)**	**Freight forwarding/ logistics services** *US$'000* **(Unaudited)**	**Real estate** *US$'000* **(Unaudited)**	**Total Group** *US$'000* **(Unaudited)**
Six months ended 30 June 2014							
Total segment revenue	**455,235**	**50,721**	**33,876**	**187,867**	**9,958**	**—**	**737,657**
Inter-segment revenue	**(138,760)**	**(246)**	**(2,160)**	**(35,184)**	**(219)**	**—**	**(176,569)**
Revenue (from external customers)	**316,475**	**50,475**	**31,716**	**152,683**	**9,739**	**—**	**561,088**
Segment profit/(loss) for the period	**15,326**	**869**	**(1,941)**	**7,359**	**899**	**(968)**	**21,544**
Profit/(loss) for the period includes:							
Depreciation and amortization	**(7,155)**	**(772)**	**(1,040)**	**(3,058)**	**(483)**	**—**	**(12,508)**
Share of profit of an associated company	**—**	**—**	**—**	**—**	**25**	**—**	**25**
Share of losses of joint ventures	**(107)**	**—**	**—**	**—**	**—**	**(1,038)**	**(1,145)**
Income tax expense	**(2,408)**	**(92)**	**(225)**	**(211)**	**(109)**	**—**	**(3,045)**

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

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	
	2014	2013
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Segment profit for the period	**21,544**	24,001
Unallocated corporate expenses *(Note)*	**(4,949)**	(5,005)
Profit for the period	**16,595**	18,996

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

4. OPERATING PROFIT

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

	Six months ended 30 June	
	2014	2013
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Amortization of leasehold land and land use rights	**166**	166
Amortization of intangible assets	**2,134**	1,587
Depreciation of property, plant and equipment	**10,208**	9,121
Gain on disposal of property, plant and equipment	**(109)**	(134)
Provision for impairment of receivables	**299**	637
Provision for impairment of other receivables	**—**	1,052
Provision for/(reversal of) inventory obsolescence	**32**	(682)

5. FINANCE INCOME, NET

	Six months ended 30 June	
	2014	2013
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Interest expense on bank loans and overdrafts	**(1,545)**	(1,547)
Effective interest expense on convertible bond	**—**	(89)
Finance costs	**(1,545)**	(1,636)
Interest income from bank deposits	**949**	1,051
Effective interest income from amount due from a joint venture	**1,313**	1,844
Finance income	**2,262**	2,895
Finance income, net	**717**	1,259

6. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 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	
	2014	2013
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Current income tax	**2,357**	2,269
Deferred income tax	**688**	(115)
	3,045	2,154

Note:

The Inland Revenue Department ("IRD") has been reviewing the 50:50 offshore profits claims for the years of assessment 2000/01 to 2011/12 made by a Hong Kong incorporated subsidiary of the Group. The IRD has disallowed the respective 50:50 offshore profits claims and issued notices of additional assessments or assessments for the years of assessment 2000/01 to 2011/12. The Group has lodged objection on the assessments and the objection case is being reviewed by the IRD.

The management of this subsidiary has thoroughly revisited the situations and concluded that even though the IRD may eventually deny the 50:50 offshore profits claim, this subsidiary should have grounds to argue that its entire profits are not subject to Hong Kong Profits Tax on the basis that its manufacturing and trading activities including negotiation and conclusion of sales orders, sourcing of raw materials and arrangement of production of goods were wholly carried out outside Hong Kong and hence, the related profits should be regarded as wholly offshore sourced and non-taxable. In this regard, this subsidiary had made 100% offshore profits claim for 2012/2013 but the IRD has issued notices of assessment for 2012/13 on the basis of no 100% offshore profits. This subsidiary has lodged an objection against the assessment and is currently preparing response to inquiries from the IRD.

The Group has paid an amount of US$3,752,000 in the form of Tax Reserve Certificate in prior periods for the above cases, all of which have been included in prepaid income tax in the condensed consolidated balance sheet as at 30 June 2014 and the Group considers that sufficient tax provision has been made in the interim financial information.

7. EARNINGS PER SHARE

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

(a) Basic

	Six months ended 30 June	
	2014	2013
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Profit attributable to owners of the Company	**16,410**	18,105
Weighted average number of ordinary shares in issue *(thousands)*	**1,034,113**	1,006,178
Basic earnings per share *(US cents per share)*	**1.59**	1.80

(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.

During the period ended 30 June 2013, the Company had share options and convertible bond which had potential dilutive effect on its ordinary shares.

The dilutive effect of share options on number of shares is calculated 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 convertible bond is assumed to have been converted into ordinary shares, and the net profit is adjusted to eliminate the interest expense less the tax effect.

No share options or convertible bond are outstanding as at 30 June 2014 and 1 January 2014.

Hence, there is no dilutive effect on the ordinary shares for the period ended 30 June 2014.

	Six months ended 30 June	
	2014	2013
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to owners of the Company	**16,410**	18,105
Interest expense on convertible bond (net of tax)	**—**	89
Profit used to determine diluted earnings per share	**16,410**	18,194
Weighted average number of ordinary shares in issue *(thousands)*	**1,034,113**	1,006,178
Assumed conversion of convertible bond *(thousands)*	**—**	25,913
Adjustment for share options *(thousands)*	**—**	1,332
Weighted average number of ordinary shares for diluted earnings per share *(thousands)*	**1,034,113**	1,033,423
Diluted earnings per share *(US cents per share)*	**1.59**	1.76

8. DIVIDENDS

	Six months ended 30 June	
	2014	2013
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Interim dividend — US0.476 cent or equivalent to HK3.69 cents (2013: US0.526 cent) per ordinary share	**4,922**	5,439

The interim dividend of US0.476 cent per share (2013: US0.526 cent per share) was proposed by the Board of Directors on 27 August 2014. This condensed consolidated interim financial information does not reflect this dividend payable.

9. TRADE AND OTHER RECEIVABLES

	As at 30 June 2014	As at 31 December 2013
	US$'000	*US$'000*
	(Unaudited)	(Audited)
Trade and bill receivables, net	**185,267**	171,789
Deposits, prepayments and other receivables	**27,524**	22,238
Amounts due from related companies	**2,601**	1,568
Amounts due from an associated company and joint ventures	**25,367**	27,878
	240,759	223,473

	As at 30 June 2014	As at 31 December 2013
	US$'000	*US$'000*
	(Unaudited)	(Audited)
Trade and bill receivables	**186,398**	173,084
Less: provision for impairment of receivables	**(1,131)**	(1,295)
Trade and bill receivables, net	**185,267**	171,789

The carrying amounts of trade and bills receivable approximate their fair value.

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

	As at 30 June 2014 *US$'000* **(Unaudited)**	As at 31 December 2013 *US$'000* (Audited)
Current	**147,554**	135,597
1 to 30 days	**22,451**	17,185
31 to 60 days	**6,362**	7,179
61 to 90 days	**4,124**	7,806
91 to 120 days	**1,405**	1,021
Over 120 days	**3,371**	3,001
Amounts past due but not impaired	**37,713**	36,192
	185,267	171,789

The impairment provision was approximately US$1,131,000 as at 30 June 2014 (31 December 2013: US$1,295,000). The provision made during the period has been included in general and administrative expenses in condensed consolidated income statement.

Except for an amount due from a joint venture of US$20,020,000 (31 December 2013: US$20,515,000), amounts due from related parties, an associated company and joint ventures are trade in nature. They are neither past due nor impaired and have no past default history.

The Group normally grants credit terms to the related parties up to 30 days. The ageing analysis by due date of amounts due from related parties, an associated company and joint ventures is as follows:

	As at 30 June 2014 *US$'000* **(Unaudited)**	As at 31 December 2013 *US$'000* (Audited)
Current	**7,948**	8,931

10. TRADE AND OTHER PAYABLES

	As at 30 June 2014 US$'000 (Unaudited)	As at 31 December 2013 US$'000 (Audited)
Trade and bills payable	**135,352**	126,078
Other payables and accruals	**110,387**	99,685
Amounts due to related companies	**2,156**	2,336
Amounts due to an associated company and joint ventures	**—**	112
	247,895	228,211

At 30 June 2014, the ageing analysis of the trade and bills payable based on invoice date are as follows:

	As at 30 June 2014 US$'000 (Unaudited)	As at 31 December 2013 US$'000 (Audited)
0 to 30 days	**124,007**	106,871
31 to 60 days	**6,528**	12,598
61 to 90 days	**3,884**	4,017
Over 90 days	**933**	2,592
	135,352	126,078

The carrying amounts of trade and other payables approximate their fair value.

11. OTHER RESERVES

	Share premium US$'000 (Unaudited)	Capital reserve *(Note (i))* US$'000 (Unaudited)	Other capital reserve *(Note (ii))* US$'000 (Unaudited)	Share-based compensation reserve US$'000 (Unaudited)	Convertible bond equity conversion reserves US$'000 (Unaudited)	Employment benefit reserve US$'000 (Unaudited)	Exchange reserve US$'000 (Unaudited)	Total US$'000 (Unaudited)
As at 1 January 2014	124,039	11,722	(4,799)	—	—	698	7,589	139,249
Currency translation differences	—	—	—	—	—	—	(1,861)	(1,861)
As at 30 June 2014	124,039	11,722	(4,799)	—	—	698	5,728	137,388
As at 1 January 2013, as restated *(Note (iii))*	117,832	11,722	(4,799)	142	980	(4,015)	10,152	132,014
Currency translation differences	—	—	—	—	—	—	(2,107)	(2,107)
Exercise of share options by employees	514	—	—	(142)	—	—	—	372
Convertible bond — equity conversion component	2,558	—	—	—	(382)	—	—	2,176
As at 30 June 2013, as restated	120,904	11,722	(4,799)	—	598	(4,015)	8,045	132,455

Notes:

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

(ii) Other capital reserves primarily represent the initial recognition of the financial liabilities in relation to the put options granted to the minority shareholders and the subsequent derecognition of such financial liabilities upon the put options are exercised, expired or terminated, the non-controlling interest 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.

(iii) The Group applied HKAS 19 (2011) "Employee benefits" retrospectively in the year ended 31 December 2013. HKAS 19 (2011) amends the accounting for employee benefits. There is a new term "remeasurement". This is made up of actuarial gains and losses, the difference between actual investment returns and the return implied by the net interest cost. They are recognized in other comprehensive income and not recycled to income statement. The "corridor" method and the option to spread or recognized immediately in the income statement are no longer available. The standard also requires the entity to present all actuarial gains and losses previously recognized in the income statement in other comprehensive income. Please refer to the note 2.1(a) of annual financial statements for the year ended 31 December 2013 for the impact on the financial position of the adoption of the HKAS 19 (2011).

12. COMPARATIVE FIGURES

Certain comparative figures related to selling and distribution expenses have been reclassified to cost of sales amounting to US$6,953,000 to conform with the current period's presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

Results of Operations and Overview

For the six months period ended 30 June 2014, the Group recorded a revenue of approximately US$561,088,000, representing an increase of 4.4% over the same period in last year. The increase in revenue was resulted from the robust growth of the luxury bag business and the integration of newly acquired business (i.e. acquisition of Ocean Sky Global (S) Pte Ltd. and its subsidiaries ("Ocean Sky Group") was completed on 30 April 2013). Despite the increase in revenue, profit attributable to the owners of the Company for the period under review decreased by 9.4% to approximately US$16,410,000.

Segmental Review

Apparel and Accessories businesses continued to be the main sources of the Group's revenue for the six months ended 30 June 2014, which accounted for approximately 71.1% and 27.2% respectively of the Group's total revenue for the period.

Apparel Supply Chain Management Services

The Casual and Fashion Apparel Division generated a segment profit of approximately US$15,326,000 which decreased by US$3,140,000 when compared with the last corresponding period. Such decrease in the segment profit was primarily attributable to (1) certain customers were more cautious in placing orders, as they continued to face a tough retail environment due to weak consumer sentiment; (2) the orders were affected due to the prolonged winter season in the USA; (3) the original production schedule and cycle were distorted by the labour strike in Cambodia from last December to early January which adversely affected the production plan and logistics arrangement of the Group; and (4) the integration of the Ocean Sky Group was less than desirable due to staff redeployment and rapid employee turnover. However, the Board believes that this integration could bring in additional revenue to the Group and growth in the medium term despite the temporary unfavourable performance.

During the period under review, the revenue of Life-style Apparel Division decreased by approximately 20.6% to approximately US$50,475,000. The net profit of the Division also decreased to US$869,000 due to the continuous reduction in orders from certain major customers.

The Sweater Division has reported a loss of approximately US$1,941,000 in the first half of 2014 due primarily to the seasonal nature of its business. This loss is lower than expected and reduced by 42.7% as compared to the same period last year. Such improvement was due to the restoration of level loading and efficiency of one of the factories under the Division after the sudden loss of orders from one of its customers in last year.

Accessories Supply Chain Management Services

For the first half of 2014, the Accessories Division has reported segment profit of approximately US$7,359,000, representing an increase of 99.2% as compared to the same period last year. The substantial increase was mainly due to the change of production mix, orders from a new luxury bag customer and the stabilization of the operations in the Philippines. Management believes that the future performance of the Accessories business will depend on the operating environment of our major customers.

Real Estate

Due to the worries of China's economic slowdown and a series of property tightening policies which may be continuously launched by the Chinese government, a wait and see atmosphere prevailed in the property market in Mainland China which has affected the progress of our real estate project jointly operated with Sunshine 100 Real Estate Group Co., Limited ("Sunshine 100") in Qingyuan ("Qingyuan Project"). During the period under review, the pre-sale of the Qingyuan Project was slowed down to a certain extent.

The major source of income of Real Estate Division is still the interest income accrued from the consideration receivable arisen from the disposal of the real estate project in Qingyuan to Sunshine 100. However, due to the revaluation loss of the RMB denominated consideration receivable and the sharing of the operating loss of the joint venture with Sunshine 100, the division reported a segment loss of approximately US$968,000 in the first half of 2014 as compared to a profit of US$2,030,000 for the same period last year.

The site of the Qingyuan Project is close to the Guangzhou-Qingyuan Light Rail system which will connect Qingyuan with the Guangzhou Metro in the near future. The Board believes that the convenient locations of the Qingyuan Project could bring in desirable return to the Group in the long term despite the segment loss and the sluggish progress of the Qingyuan Project during the period under review.

Logistics

The Group's freight forwarding and logistics services recorded a segment profit of approximately US$899,000 for the period under review, representing an increase of approximately US$344,000 over the same period in 2013.

Markets

Geographically, Europe and the US remained our key export markets for the period under review despite the economic downturn in Europe. The total revenue derived from customers in Europe and US markets collectively accounted for approximately 73.0% of the Group's total revenue in the first half of 2014.

Asia market (mainly China and Japan) slightly decreased from approximately US$94,752,000 to approximately US$91,848,000 which accounted for approximately 16.4% of the Group's total revenue in the first half of 2014.

Acquisitions and Joint Ventures

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

As disclosed in the Company's announcement dated 18 February 2014, the Company, through Sunny Force Limited ("Sunny Force"), a wholly owned subsidiary of the Company, entered into a Subscription Agreement with Thien Nam Sunrise Textile Joint Stock Company ("JV Company"), pursuant to which the JV Company shall allot and issue and Sunny Force shall subscribe for the Subscription Shares for a consideration of VND189 billion which is equivalent to approximately US$9 million or HK$70 million ("Subscription"). The JV Company is a joint stock company incorporated under the laws of Vietnam on 27 December 2012. The Subscription was completed in April 2014 and the JV Company became a jointly controlled entity of the Group. The JV Company is principally engaged in fabric manufacturing in Vietnam.

Despite the recent tensions between China and Vietnam, management believes that the infrastructure, the rapid development of the textile/garment industries coupled with the trade preference should make Vietnam a country of choice. Luen Thai will continue to expand current output and look for value-enhancing acquisition and joint venture opportunities in Vietnam.

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 healthy. As at 30 June 2014, the total cash and bank balance of the Group amounted to approximately US$197,399,000, representing a decrease of approximately US$32,041,000 over the balance as at 31 December 2013. The Group's total bank borrowings as at 30 June 2014 were approximately US$171,370,000, representing a decrease of approximately 3.1% as compared to approximately US$176,776,000 at 31 December 2013.

Gearing ratio is defined as net debt (representing bank borrowings net of cash and cash equivalents) divided by shareholders' equity. As at 30 June 2014, the Group was in a net cash position. Hence, no gearing ratio is presented.

As at 30 June 2014, the maturity profile of the Group's bank borrowings spreads over five years, with approximately US$167,626,000 repayable within one year, approximately US$1,020,000 repayable in the second year, and approximately US$2,724,000 repayable in the third to fifth year.

Foreign Exchange Risk Management

The Group adopts a prudent policy to hedge against the fluctuations in exchange rates. Most of the Group's operating activities are denominated in US dollars, Euros, Hong Kong dollars, Vietnam Dongs, Cambodian Riels, Chinese Yuan, and Philippine Pesos. For those activities denominated in other currencies, the Group may enter into forward contracts to hedge its receivables and payables denominated in foreign currencies against the exchange rate fluctuations.

Future Plans and Prospect

Considering the current operating environment and the shaky global economy, management expects that the operations will continue to be challenging for the rest of 2014. However, management is confident with the Company's future performance due primarily to (1) the operations of the factories in Vietnam and Cambodia shall continue to stabilize; (2) the investment in the fabric mill in Vietnam should enable the Group to gain new business and/or customers in the next few years; and (3) the Company is putting effort to take advantage of the trade preferences through close partnership with our key customers with production in the Philippines, Cambodia and Vietnam.

Due to the importance of ASEAN fabrics*, the investment in the JV Company will be beneficial to the future development of the Group's business. With the presence of this fabric mill set up in Vietnam, the Company will not only vertically integrate its production capacities but also strategically look for other investment opportunities and partnership in Vietnam. The Board believes that investment in Vietnam shall constitute an important part of the Company's non-China strategy and the Company is going to expand production capacities in Vietnam.

The Group will continue to expand the non China production base while keeping the current China production capacity stable. The Board is confident that the Group will be able to sustain its development and growth through the non-China strategy.

Contingent Liabilities and Off-Balance Sheet Obligations

The Group is involved in various labour lawsuits and claims arising from the normal course of business. The Directors believe that the Group has substantial and valid legal and factual bases for its position and are of the opinion that losses arising from these lawsuits, if any, will not have any material adverse impact on the results of 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 2014, the Group had about 44,000 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 maintains its position as a leader in Corporate Social Responsibility in the apparel manufacturing industry. This leadership role is perhaps best recognized by leading US retailer Ann Inc in its presentation of the 2013 Leadership award to one of Luen Thai Group's subsidiaries as being the leader and role model of being a socially responsible supplier committed to improving the health and welfare of its employees.

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares for the period under review.

CORPORATE GOVERNANCE PRACTICES

Throughout the six-month period ended 30 June 2014, the Company has complied with the applicable code provisions in the Corporate Governance Code (the "CG Code") as set out in the Appendix 14 of the Listing Rules. The Board Diversity Policy is published on the website of the Company for public information.

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

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

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

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

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

Corporate governance practices of the Company during the six-month period ended 30 June 2014 are in line with those practices set out in the Corporate Governance Report in the Company's 2013 Annual Report.

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 2014.

REVIEW OF INTERIM RESULTS

The Group's unaudited interim financial information has been reviewed by the Company's audit committee. Such unaudited interim financial information has also been reviewed by the Company's auditor, PricewaterhouseCoopers, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. The auditor's independent review report will be included in the Company's 2014 Interim Report.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK3.69 cents per share (2013: HK4.08 cents) for the six months ended 30 June 2014 to be payable to shareholders whose names appear on the Register of Members of the Company on 9 October 2014.

The interim dividend will be paid on or around 24 October 2014.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 7 October 2014 to 9 October 2014, both days inclusive, during which period no transfer of shares will be registered. All transfers, accompanied by the relevant share certificates, must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on 6 October 2014 in order to qualify for the interim dividend mentioned above.

DISCLOSURE OF INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

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

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

Hong Kong, 27 August 2014

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

* *Vietnam is a member of The Association of Southeast Asian Nations (ASEAN) and fabrics made from Vietnam is considered as ASEAN fabrics. Apparel products manufactured in certain ASEAN countries using ASEAN fabrics are currently entitled to import duties saving into Japan and the European Union. Given that the JV Company is incorporated under the laws of Vietnam and principally engaged in fabric manufacturing, the fabrics produced by the JV Company are considered as ASEAN fabrics.*