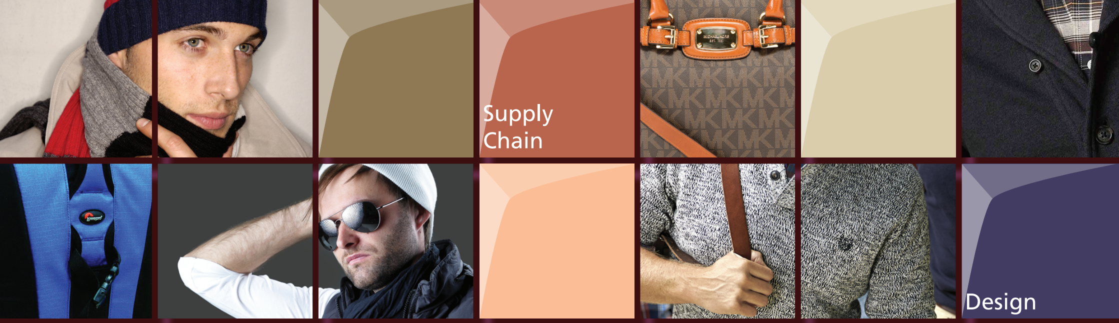
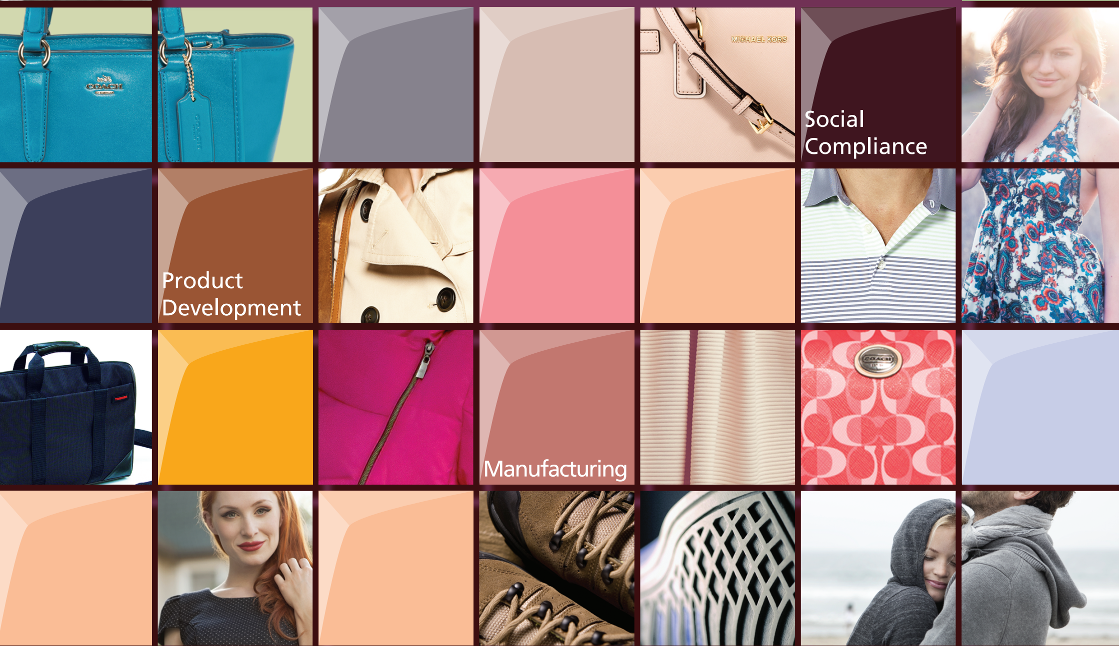


Luenthai

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 2016

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EXECUTIVE DIRECTORS

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

NON-EXECUTIVE DIRECTORS

TAN Willie
LU Chin Chu

INDEPENDENT NON-EXECUTIVE DIRECTORS

CHAN Henry
CHEUNG Siu Kee
SEING Nea Yie

CHIEF FINANCIAL OFFICER

TAN Sunny

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 33, which comprises the interim condensed consolidated statement of financial position of Luen Thai Holdings Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2016 and the related interim condensed consolidated statement of income, comprehensive income, changes in equity and cash flows 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 aspects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 29 August 2016

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2016

	Note	**As at 30 June 2016 US$'000 (Unaudited)**	As at 31 December 2015 US$'000 (Audited)
ASSETS			
Non-current assets			
Land use rights	8	**10,439**	10,695
Property, plant and equipment	8	**100,123**	104,351
Investment properties	8	**5,976**	6,504
Intangible assets	8	**46,215**	47,513
Interest in an associated company		**424**	412
Interests in joint ventures	13	**10,962**	14,590
Amount due from a joint venture	24(c)	**7,810**	7,747
Deferred income tax assets		**954**	938
Other non-current assets		**6,010**	6,681
Prepayment for acquisition of interest in a joint venture	13	**3,600**	—
Total non-current assets		**192,513**	199,431
Current assets			
Inventories	9	**96,288**	92,778
Trade and other receivables	10	**220,332**	207,436
Prepaid income tax		**7,320**	6,080
Derivative financial instruments		**122**	78
Cash and bank balances		**166,542**	178,275
Total current assets		**490,604**	484,647
Total assets		**683,117**	684,078

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 30 JUNE 2016

	Note	As at 30 June 2016 US$'000 (Unaudited)	As at 31 December 2015 US$'000 (Audited)
EQUITY			
Equity attributable to owners of the Company			
Share capital	11	**10,341**	10,341
Other reserves	12	**130,747**	131,867
Retained earnings		**245,170**	238,432
		386,258	380,640
Non-controlling interests		**1,846**	1,927
Total equity		**388,104**	382,567
LIABILITIES			
Non-current liabilities			
Borrowings	15	**2,385**	2,459
Other payables	16	**804**	1,593
Retirement benefit obligations		**10,204**	9,338
Deferred income tax liabilities		**5,483**	5,519
Total non-current liabilities		**18,876**	18,909
Current liabilities			
Trade and other payables	16	**194,646**	201,731
Borrowings	15	**72,289**	73,469
Derivative financial instruments		**—**	17
Current income tax liabilities		**9,202**	7,385
Total current liabilities		**276,137**	282,602
Total liabilities		**295,013**	301,511
Total equity and liabilities		**683,117**	684,078

The notes on pages 9 to 33 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE PERIOD ENDED 30 JUNE 2016

	Note	Six months ended 30 June **2016** **US$'000** **(Unaudited)**	 2015 US$'000 (Unaudited) (Restated) Note 26
Revenue	6	**473,610**	521,424
Cost of sales		**(392,748)**	(443,143)
Gross profit		**80,862**	78,281
Other (losses)/gains, net	17	**(970)**	147
Other income — rental income		**673**	621
Selling and distribution expenses		**(2,489)**	(1,703)
General and administrative expenses		**(64,409)**	(67,785)
Operating profit	18	**13,667**	9,561
Finance income	19	**1,288**	1,590
Finance costs	19	**(1,050)**	(1,138)
Finance income, net	19	**238**	452
Share of gain/(loss) of an associated company		**12**	(7)
Share of losses of joint ventures		**(3,323)**	(1,043)
Profit before income tax		**10,594**	8,963
Income tax expense	20	**(2,302)**	(1,204)
Profit for the period		**8,292**	7,759
Profit attributable to:			
Owners of the Company		**8,362**	7,358
Non-controlling interests		**(70)**	401
		8,292	7,759
Earnings per share attributable to owners of the Company, expressed in US cents per share			
— Basic and diluted	21	**0.81**	0.71

The notes on pages 9 to 33 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD ENDED 30 JUNE 2016

	Six months ended 30 June	
	2016	2015
	US$'000	US$'000
	(Unaudited)	(Unaudited)
Profit for the period	**8,292**	7,759
Other comprehensive income		
Item that may be reclassified to profit or loss:		
Currency translation differences	**(1,131)**	478
Total comprehensive income for the period	**7,161**	8,237
Total comprehensive income for the period attributable to:		
— Owners of the Company	**7,242**	7,842
— Non-controlling interests	**(81)**	395
	7,161	8,237

The notes on pages 9 to 33 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 30 JUNE 2016

	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 2016	**10,341**	**124,039**	**7,828**	**238,432**	**380,640**	**1,927**	**382,567**
Profit for the period	**–**	**–**	**–**	**8,362**	**8,362**	**(70)**	**8,292**
Other comprehensive income:							
Currency translation differences	**–**	**–**	**(1,120)**	**–**	**(1,120)**	**(11)**	**(1,131)**
Total comprehensive income for the period ended 30 June 2016	**–**	**–**	**(1,120)**	**8,362**	**7,242**	**(81)**	**7,161**
Total transactions with owners of the Company, recognized directly within equity							
Dividends paid	**–**	**–**	**–**	**(1,624)**	**(1,624)**	**–**	**(1,624)**
Total transactions with owners of the Company	**–**	**–**	**–**	**(1,624)**	**(1,624)**	**–**	**(1,624)**
Balance at 30 June 2016	**10,341**	**124,039**	**6,708**	**245,170**	**386,258**	**1,846**	**388,104**
Balance at 1 January 2015	10,341	124,039	11,713	234,402	380,495	2,312	382,807
Profit for the period	–	–	–	7,358	7,358	401	7,759
Other comprehensive income:							
Currency translation differences	–	–	484	–	484	(6)	478
Total comprehensive income for the period ended 30 June 2015	–	–	484	7,358	7,842	395	8,237
Total transactions with owners of the Company, recognized directly within equity							
Acquisition of additional interest in a subsidiary *(Note 14)*	–	–	(3,831)	–	(3,831)	(1,079)	(4,910)
Dividends paid	–	–	–	(6,536)	(6,536)	–	(6,536)
Total transactions with owners of the Company	–	–	(3,831)	(6,536)	(10,367)	(1,079)	(11,446)
Balance at 30 June 2015	10,341	124,039	8,366	235,224	377,970	1,628	379,598

The notes on pages 9 to 33 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE PERIOD ENDED 30 JUNE 2016

	Note	Six months ended 30 June 2016 US$'000 (Unaudited)	2015 US$'000 (Unaudited)
Cash flows from operating activities			
Cash generated from operations		**2,206**	8,320
Interest paid	19	**(1,050)**	(1,138)
Income tax paid		**(1,777)**	(3,726)
Net cash (used in)/generated from operating activities		**(621)**	3,456
Cash flows from investing activities			
Purchases of property, plant and equipment	8	**(5,945)**	(6,423)
Decrease in bank deposits maturing beyond 3 months		**2,440**	2,790
Proceeds from disposals of property, plant and equipment		**680**	336
Acquisition of additional interest in a subsidiary	14	**(833)**	(2,500)
Investment in a joint venture	13	**—**	(2,548)
Prepayment for the acquisition of additional interest in joint venture	13	**(3,600)**	—
Interest received	19	**420**	649
Decrease/(increase) in other non-current assets		**671**	(393)
Net cash used in investing activities		**(6,167)**	(8,089)
Net cash used before financing activities		**(6,788)**	(4,633)
Cash flows from financing activities			
Net decrease in borrowing		**(1,254)**	(52,896)
Dividends paid to the Company's shareholders		**(1,624)**	(6,536)
Net cash used in financing activities		**(2,878)**	(59,432)
Net decrease in cash and cash equivalents		**(9,666)**	(64,065)
Cash and cash equivalents at beginning of the period		**175,835**	214,494
Effect of foreign exchange rate change		**373**	144
Cash and cash equivalents at end of the period		**166,542**	150,573

The notes on pages 9 to 33 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") is principally an investment holding company. 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 and real estate development. The Group has manufacturing plants in the People's Republic of China ("the PRC"), Cambodia, the Philippines and Vietnam primarily.

The Company is a limited liability company incorporated in the Cayman Islands. The address of its registered office and principal place of business of the Company are Cricket Square, Hutchins Drive, P. O. Box 2681, Grand Cayman, KY1-1111 Cayman Islands and 5/F, Nanyang Plaza, 57 Hung To Road, Kwun Tong, Kowloon, Hong Kong, respectively.

The Company has its primary listing 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 29 August 2016.

This condensed consolidated interim financial information has been reviewed, not audited.

2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2016 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim financial reporting". The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2015, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

In the current year, management has revisited the Group's operating activities and merged casual and fashion apparel and life-style apparel as one business segment of the Group's principal activities. Management believes that the change in presentation will result in a more appropriate presentation of the financial information of the Group. The change in presentation has been accounted for retrospectively and segment information in prior period has been restated.

3 ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2015, as described in those annual statements.

New and amended standards relevant to and adopted by the Group

The following new and amended standards have been adopted by the Group for the first time for the financial period beginning on or after 1 January 2016:

- HKFRS 14 "Regulatory Deferral Accounts"
- Amendment to HKFRS 11 "Accounting for acquisitions of interests in joint operations"
- Amendments to HKAS 16 and HKAS 38 "Clarification of acceptable methods of depreciation and amortization"
- Amendments to HKAS 16 and HKAS 41 "Agriculture: bearer plants"
- Amendment to HKAS 27 "Equity method in separate financial statements"
- Annual improvements 2012–2014 cycle
- Amendments to HKFRS 10, HKFRS 12 and HKAS 28 "Investment entities: applying the consolidation exception"
- Amendments to HKAS 1 "Disclosure initiative"

The adoption of the above new or amended standards or interpretations did not have a material impact on the Group's condensed consolidated interim financial information.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

There are no other new or amended standards or interpretations that are effective for the first time for this interim period and are relevant to the Group.

The Group has not adopted any new or amended standards or interpretations that are not yet effective for this interim period.

4 ESTIMATES

The preparation of this 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 2015.

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 annual financial statements as at 31 December 2015.

There have been no changes in the risk management policies since year end.

5.2 Fair value estimation

The table below analyzes the Group's financial assets/(liabilities) that are carried at fair value, by valuation method, as at 30 June 2016 and 31 December 2015. The different levels 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)

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.2 Fair value estimation (Continued)

	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
As at 30 June 2016				
Assets				
Derivative financial instruments	**—**	**122**	**—**	**122**
Liabilities				
Derivative financial instruments	**—**	**—**	**—**	**—**

	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
As at 31 December 2015				
Assets				
Derivative financial instruments	—	78	—	78
Liabilities				
Derivative financial instruments	—	(17)	—	(17)

There were no changes in valuation techniques during the period.

5.3 Valuation technique used to derive Level 2 fair values

Level 2 trading and hedging derivatives comprise forward foreign exchange contracts and interest rate swaps. Forward foreign exchange contracts have been fair valued using forward exchange rates that are quoted in an active market. Interest rate swaps are fair valued using forward interest rates extracted from observable yield curves. The effects of discounting are generally insignificant for Level 2 derivatives.

5.4 Fair value of financial assets and liabilities measured at amortized cost

The fair values of the trade and other receivables, cash and bank balances, borrowings, and trade and other payables as at 30 June 2016 approximate their carrying amounts.

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.5 Liquidity risk

Compared to year end, there have been no material changes to the policies and practices for the Group's liquidity and funding risks management as described in the annual financial statements for the year ended 31 December 2015.

6 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, sweaters, accessories and income from the provision of freight forwarding and logistics services.

The Executive Directors have been identified as the Group's chief operating decision maker. The Executive Directors have determined the operating segments based on the information 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, sweaters, accessories, freight forwarding and logistics services and real estate development.

In the current period, management revisited the Group's operating activities and decided to merge casual and fashion apparel and life-style apparel as one business segment of the Group's principal activities. The Group is organized on a worldwide basis into five main business segments:

(1) Casual and fashion apparel

(2) Sweaters

(3) Accessories

(4) Freight forwarding/logistics services

(5) Real estate

6 SEGMENT INFORMATION (CONTINUED)

The segment information provided to the Executive Directors for the reportable segments for the six months ended 30 June 2016 and 2015 is as follows:

	Casual and fashion apparel US$'000 (Unaudited)	Sweaters US$'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 2016						
Total segment revenue	**299,336**	**29,220**	**153,023**	**11,161**	**–**	**492,740**
Inter-segment revenue	**–**	**–**	**(18,907)**	**(223)**	**–**	**(19,130)**
Revenue (from external customers)	**299,336**	**29,220**	**134,116**	**10,938**	**–**	**473,610**
Segment profit/(loss) for the period	**9,510**	**(2,046)**	**6,156**	**1,899**	**(2,118)**	**13,401**
Profit/(loss) for the period includes:						
Depreciation and amortization *(Note 8)*	**(5,831)**	**(1,010)**	**(2,529)**	**(375)**	**–**	**(9,745)**
Share of gain of an associated company	**–**	**–**	**–**	**12**	**–**	**12**
Share of losses of joint ventures	**(1,371)**	**–**	**–**	**–**	**(1,952)**	**(3,323)**
Income tax expense *(Note 20)*	**(1,777)**	**(34)**	**(180)**	**(311)**	**–**	**(2,302)**

	Casual and fashion apparel US$'000 (Unaudited) (Restated)	Sweaters US$'000 (Unaudited) (Restated)	Accessories US$'000 (Unaudited) (Restated)	Freight forwarding/ logistics services US$'000 (Unaudited) (Restated)	Real estate US$'000 (Unaudited) (Restated)	Total Group US$'000 (Unaudited) (Restated)
Six months ended 30 June 2015						
Total segment revenue	344,679	32,855	133,479	11,384	–	522,397
Inter-segment revenue	–	(600)	–	(373)	–	(973)
Revenue (from external customers)	344,679	32,255	133,479	11,011	–	521,424
Segment profit/(loss) for the period	7,504	(1,778)	5,806	1,485	592	13,609
Profit/(loss) for the period includes:						
Reversal of provision for claims on materials	2,641	–	–	–	–	2,641
Depreciation and amortization *(Note 8)*	(6,576)	(1,138)	(2,337)	(456)	–	(10,507)
Share of loss of an associated company	–	–	–	(7)	–	(7)
Share of losses of joint ventures	(614)	–	–	–	(429)	(1,043)
Income tax expense *(Note 20)*	(785)	(269)	(5)	(145)	–	(1,204)

6 SEGMENT INFORMATION (CONTINUED)

Revenues between segments are carried out in accordance with the terms mutually agreed between the respective parties and are equivalent to those that prevail in arm's length transactions. The revenue from external parties is derived from numerous external customers and the revenue reported to management is measured in a manner consistent with that in the condensed consolidated income statement. 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	
	2016	2015
	US$'000	US$'000
	(Unaudited)	(Unaudited)
Segment profit for the period	**13,401**	13,609
Unallocated corporate expenses *(Note)*	**(5,109)**	(5,850)
Profit for the period	**8,292**	7,759

Note:

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

	Six months ended 30 June	
	2016	2015
	US$'000	US$'000
	(Unaudited)	(Unaudited)
		(Restated)
Analysis of revenue by category		
Sales of garment, textile products and accessories	**455,315**	508,219
Freight forwarding and logistics service fee	**10,938**	11,011
Other service revenue	**7,357**	2,194
Total revenue	**473,610**	521,424

7 SEASONALITY OF OPERATIONS

The sales for sweaters are subject to seasonal fluctuations, with peak demand in the second half of the year which is due to seasonal weather conditions. During the year ended 31 December 2015, 30% of revenues accumulated in the first half of the year (2014: 30%), with 70% accumulating in the second half of the year (2014: 70%).

8 LEASEHOLD LAND AND LAND USE RIGHTS, PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTIES AND INTANGIBLE ASSETS

	Intangible assets						
	Goodwill US$'000 (Unaudited)	Customer relationship US$'000 (Unaudited)	Total intangible assets US$'000 (Unaudited)	Investment properties US$'000 (Unaudited)	Property, plant and equipment US$'000 (Unaudited)	Land use rights US$'000 (Unaudited)	Total US$'000 (Unaudited)
Six months ended 30 June 2016							
Opening net book amount as at 1 January 2016	**35,968**	**11,545**	**47,513**	**6,504**	**104,351**	**10,695**	**169,063**
Additions	**–**	**–**	**–**	**–**	**5,945**	**–**	**5,945**
Disposals and write-off	**–**	**–**	**–**	**–**	**(1,037)**	**–**	**(1,037)**
Depreciation and amortization	**–**	**(1,298)**	**(1,298)**	**(379)**	**(7,907)**	**(161)**	**(9,745)**
Exchange differences	**–**	**–**	**–**	**(149)**	**(1,229)**	**(95)**	**(1,473)**
Closing net book amount as at 30 June 2016	**35,968**	**10,247**	**46,215**	**5,976**	**100,123**	**10,439**	**162,753**

	Intangible assets						
	Goodwill US$'000 (Unaudited)	Customer relationship US$'000 (Unaudited)	Total intangible assets US$'000 (Unaudited)	Investment properties US$'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 2015							
Opening net book amount as at 1 January 2015	35,968	14,142	50,110	6,827	111,344	11,205	179,486
Additions	–	–	–	–	6,423	–	6,423
Disposals and write-off	–	–	–	–	(1,260)	–	(1,260)
Depreciation and amortization	–	(1,298)	(1,298)	(320)	(8,725)	(164)	(10,507)
Exchange differences	–	–	–	10	309	9	328
Closing net book amount as at 30 June 2015	35,968	12,844	48,812	6,517	108,091	11,050	174,470

9 INVENTORIES

	As at 30 June 2016 US$'000 (Unaudited)	As at 31 December 2015 US$'000 (Audited)
Raw materials	**33,570**	38,120
Work in progress	**53,359**	39,365
Finished goods	**9,359**	15,293
	96,288	92,778

10 TRADE AND OTHER RECEIVABLES

	As at 30 June 2016 US$'000 (Unaudited)	As at 31 December 2015 US$'000 (Audited)
Trade and bills receivable, net	**165,565**	162,004
Deposits, prepayments and other receivables	**24,033**	19,103
Amounts due from related companies *(Note 24(c))*	**3,305**	2,001
Amounts due from joint ventures *(Note 24(c))*	**27,429**	24,328
	220,332	207,436

	As at 30 June 2016 US$'000 (Unaudited)	As at 31 December 2015 US$'000 (Audited)
Trade and bills receivable	**166,101**	164,257
Less: provision for impairment of trade and bills receivable	**(536)**	(2,253)
Trade and bills receivable, net	**165,565**	162,004

10 TRADE AND OTHER RECEIVABLES (CONTINUED)

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 2016 US$'000 (Unaudited)	As at 31 December 2015 US$'000 (Audited)
Current	**135,859**	121,427
1 to 30 days	**15,521**	24,945
31 to 60 days	**7,984**	8,304
61 to 90 days	**1,517**	1,634
91 to 120 days	**100**	889
Over 120 days	**4,584**	4,805
Amounts past due but not impaired	**29,706**	40,577
	165,565	162,004

The impairment provision was approximately US$536,000 as at 30 June 2016 (31 December 2015: US$2,253,000). The provision made during the period has been included in general and administrative expenses in the condensed consolidated income statement.

Except for an amount due from a joint venture of US$16,104,000 (31 December 2015: US$15,562,000) which is non-trade in nature and interest-bearing (note 24(c)), amounts due from related parties and joint ventures are unsecured, interest-free, repayable on demand and of trade in nature. They are neither past due nor impaired and have no past default history.

11 SHARE CAPITAL

	Number of shares '000 (Unaudited)	Nominal value US$'000 (Unaudited)
Issued and fully paid — ordinary shares of US$0.01 each		
As at 31 December 2015 and 30 June 2016	**1,034,113**	10,341

Share option

Compared to year end, there has been no change in the status of the Group's share option scheme. As at 30 June 2016 and 31 December 2015, there is no outstanding share option under the share option scheme. No share options have been granted or vested during the period ended 30 June 2016.

12 OTHER RESERVES

	Share premium US$'000 (Unaudited)	Capital reserve (Note (i)) US$'000 (Unaudited)	Other capital reserves (Note (ii)) US$'000 (Unaudited)	Employment benefit reserve US$'000 (Unaudited)	Exchange reserve US$'000 (Unaudited)	Total US$'000 (Unaudited)
As at 1 January 2016	**124,039**	**7,891**	**(4,799)**	**(40)**	**4,776**	**131,867**
Currency translation differences	**–**	**–**	**–**	**–**	**(1,120)**	**(1,120)**
As at 30 June 2016	**124,039**	**7,891**	**(4,799)**	**(40)**	**3,656**	**130,747**
As at 1 January 2015	124,039	11,722	(4,799)	(717)	5,507	135,752
Acquisition of additional interest in a subsidiary *(Note 14)*	–	–	(3,831)	–	–	(3,831)
Currency translation differences	–	–	–	–	484	484
As at 30 June 2015	124,039	11,722	(8,630)	(717)	5,991	132,405

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 (i) 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; and (ii) the difference between the amount by which the non-controlling interests are acquired and the fair value of the consideration paid.

13 INTERESTS IN JOINT VENTURES

	Six months ended 30 June	
	2016	2015
	US$'000	US$'000
	(Unaudited)	(Unaudited)
Beginning of the period	**14,590**	12,847
Addition	**—**	2,548
Elimination of intercompany transactions	**(274)**	(297)
Share of post-tax losses of joint ventures	**(3,323)**	(1,043)
Share of exchange reserve	**(31)**	32
End of the period	**10,962**	14,087

Note:

On 24 May 2016, the Group entered into an agreement to acquire additional 16.66% equity interest of Thien Nam Sunrise Textile Joint Stock Company ("TNS"), a joint venture of the Group which is incorporated in Vietnam, for a consideration of US$4,500,000. The transaction has not been completed as at 30 June 2016 and the Group has paid US$3,600,000 as prepayment for the acquisition. Upon completion, the Group will have 50% of equity interest in TNS.

14 TRANSACTION WITH NON-CONTROLLING INTERESTS

Acquisition of additional interest in a subsidiary — On Time

On 15 June 2015, The Group acquired the remaining 40% of the issued shares of On Time International Limited and its subsidiaries (together, the "On Time") for a consideration of US$5,000,000. On Time after the transaction became a wholly-owned subsidiaries of the Group. The undiscounted amounts of future payments as shown in the table below are based on the scheduled repayment dates set out in the sales and purchase agreement:

	US$'000
	(Unaudited)
Consideration paid on 15 June 2015	2,500
Consideration payable on	
15 June 2016	833
15 June 2017	833
15 June 2018	834
Total cash consideration as at the date of acquisition	5,000

14 TRANSACTION WITH NON-CONTROLLING INTERESTS (CONTINUED)

Acquisition of additional interest in a subsidiary — On Time (Continued)

Upon the date of acquisition, the Group derecognized the non-controlling interests of On Time amounting to US$1,079,000 and the difference between the consideration of US$4,910,000 (after the discounting effect) and the carrying amount of the non-controlling interests of US$3,831,000 was recorded in the equity attributable to the owners of the Company.

The total consideration payable has been presented on the consolidated statement of financial position as follows:

	As at 30 June 2016 US$'000 (Unaudited)	As at 31 December 2015 US$'000 (Audited)
Total consideration payable		
Current	**819**	817
Non-current *(Note 16)*	**804**	1,593
	1,623	2,410

15 BORROWINGS

	As at 30 June 2016 US$'000 (Unaudited)	As at 31 December 2015 US$'000 (Audited)
Non-current		
Bank borrowings	**2,385**	2,459
	2,385	2,459
Current		
Trust receipt bank loans	**32,109**	27,605
Portion of bank borrowings due for repayment within one year	**6,573**	9,267
Portion of bank borrowings due for repayment after one year which contain a repayment on demand clause	**33,607**	36,597
	72,289	73,469
Total borrowings	**74,674**	75,928

16 TRADE AND OTHER PAYABLES

	As at 30 June 2016 US$'000 (Unaudited)	As at 31 December 2015 US$'000 (Audited)
Trade and bills payable	**85,400**	94,046
Other payables and accruals	**103,836**	103,919
Amounts due to related companies *(Note 24(c))*	**1,038**	2,124
Amounts due to joint ventures *(Note 24(c))*	**5,176**	3,235
	195,450	203,324
Less: non-current *(Note 14)*	**(804)**	(1,593)
Trade and other payables, current	**194,646**	201,731

16 TRADE AND OTHER PAYABLES (CONTINUED)

As at 30 June 2016 and 31 December 2015, the ageing analysis of the trade and bills payable based on the invoice date is as follows:

	As at 30 June 2016 US$'000 (Unaudited)	As at 31 December 2015 US$'000 (Audited)
0 to 30 days	**77,457**	77,666
31 to 60 days	**1,856**	6,590
61 to 90 days	**1,675**	2,374
Over 90 days	**4,412**	7,416
	85,400	94,046

17 OTHER (LOSSES)/GAINS, NET

	Six months ended 30 June	
	2016 US$'000 (Unaudited)	2015 US$'000 (Unaudited)
Net unrealized gains on forward foreign exchange contracts	**122**	11
Net realized gains on forward foreign exchange contracts	**64**	471
Net foreign exchange losses	**(1,156)**	(335)
	(970)	147

18 OPERATING PROFIT

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

	Six months ended 30 June	
	2016	2015
	US$'000	US$'000
	(Unaudited)	(Unaudited)
Amortization of leasehold land and land use rights *(Note 8)*	**161**	164
Amortization of intangible assets *(Note 8)*	**1,298**	1,298
Depreciation of property, plant and equipment *(Note 8)*	**7,907**	8,725
Depreciation of Investment properties *(Note 8)*	**379**	320
Loss on disposals of property, plant and equipment	**357**	924
(Reversal of)/provision for impairment of receivables	**(28)**	84
Provision for inventory obsolescence	**217**	465
Reversal of provision for claims on materials	**—**	(2,641)

19 FINANCE INCOME, NET

	Six months ended 30 June	
	2016	2015
	US$'000	US$'000
	(Unaudited)	(Unaudited)
Interest expense on bank loans and overdrafts	**(1,050)**	(1,138)
Finance costs	**(1,050)**	(1,138)
Interest income from bank deposits	**420**	649
Effective interest income from amount due from a joint venture	**868**	941
Finance income	**1,288**	1,590
Finance income, net	**238**	452

20 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 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	
	2016	2015
	US$'000	US$'000
	(Unaudited)	(Unaudited)
Current income tax	**2,354**	1,334
Deferred income tax credit	**(52)**	(130)
	2,302	1,204

Notes:

(i) The Inland Revenue Department ("IRD") has been reviewing the eligibility of a Hong Kong incorporated subsidiary's 50% or 100% offshore profits claim for previous years as well as reviewing the business and operations of a Macao incorporated subsidiary on the basis of where its operations were carried out.

In respect of the Hong Kong incorporated subsidiary, the IRD tentatively disallowed the 50% or 100% offshore profits claim for the previous years and issued notices of additional assessments/assessments for the years of assessment 2000/01 to 2012/13 on the basis of no 50:50 apportionment for 2000/01 to 2011/12 and no 100% offshore profit for 2012/13 with the amount of US$3,812,000.

In respect of the Macao incorporated subsidiary, the IRD has issued estimated assessments for the years of assessment 2005/06 to 2008/09 based on this subsidiary's profit before taxation with the amount of US$3,902,000.

These subsidiaries have lodged objection against the above assessments by the statutory deadlines and, pending settlement of the objections, they have paid a total sum of US$7,088,000 (31 December 2015: US$5,721,000) in the form of tax reserve certificates in respect of the tax in dispute as mentioned above and the amount paid was included in prepayments in the condensed consolidated statement of financial position as at 30 June 2016.

20 INCOME TAX EXPENSE (CONTINUED)

Notes: (Continued)

(i) (Continued)

Management has thoroughly revisited the situations and concluded that there are grounds for the Hong Kong incorporated subsidiary to sustain its 50% or 100% offshore tax filing position and for the Macao incorporated subsidiary to argue its entire profits are not subject to Hong Kong profits tax based on their business operations. Management considers adequate provision has been made as at 30 June 2016. In fact, any additional taxation claims in relation to periods prior to June 2004 will be indemnified and reimbursed entirely by certain shareholders of the Company in accordance with the deeds 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.

(ii) In prior year, an overseas tax authority performed a comprehensive assessment on an overseas incorporated subsidiary's tax position for the years ended 31 December 2011 and 2012 and issued a tax assessment to demand an additional tax payment of US$3,585,000. This subsidiary has lodged an objection letter to this overseas tax authority. Management believes that it has grounds to defend its tax position since there are various interpretations of tax rules in that country and this tax authority did not provide a clear calculation basis for the additional tax payment. As a result, no additional tax provision was made as at 30 June 2016 (31 December 2015: Nil).

Moreover, pursuant to the deeds of undertaking dated 11 March 2013 in connection with the acquisition of this subsidiary's parent company in 2013 (the "Acquisition"), any additional taxation resulting from the subsidiary in relation to periods prior to the Acquisition will be indemnified and reimbursed entirely by its former shareholders.

(iii) During the period, a PRC tax authority performed a transfer pricing audit on a PRC incorporated subsidiary's tax position for the years ended 31 December 2006 to 2014 and issued an initial tax assessment proposal with an additional tax payment and interest on the additional tax of US$2,153,000. The subsidiary has lodged an objection letter to the PRC tax authority. Management believes that it has grounds to defend its tax position and negotiate with the PRC tax authority as the proposal is not regarded as a final tax assessment. Management considers the provision is adequate as at 30 June 2016.

21 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	
	2016	2015
	US$'000	US$'000
	(Unaudited)	(Unaudited)
Profit attributable to owners of the Company	**8,362**	7,358
Weighted average number of ordinary shares in issue *(thousands)*	**1,034,113**	1,034,113
Basic earnings per share *(US cent per share)*	**0.81**	0.71

(b) Diluted

Diluted earnings per share for the six months ended 30 June 2016 and 2015 is the same as the basic earnings per share as there were no potential dilutive ordinary shares outstanding during the periods.

22 DIVIDENDS

	Six months ended 30 June	
	2016	2015
	US$'000	US$'000
	(Unaudited)	(Unaudited)
Interim dividend — US0.485 cent or equivalent to HK3.76 cents (2015: US0.213 cent) per ordinary share	**5,015**	2,203

The interim dividend of US0.485 cent per share (2015: US0.213 cent per share) was declared by the Board of Directors on 29 August 2016. This condensed consolidated interim financial information does not reflect this dividend payable.

23 COMMITMENTS

(a) Operating lease commitments — Group as lessee

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

	As at 30 June 2016 US$'000 (Unaudited)	As at 31 December 2015 US$'000 (Audited)
Land and buildings		
— Not later than 1 year	**7,483**	5,697
— Later than 1 year and no later than 5 years	**14,152**	13,585
— Later than 5 years	**9,920**	11,589
	31,555	30,871
Property, plant and equipment		
— Not later than 1 year	**45**	101
— Later than 1 year and no later than 5 years	**76**	46
— Later than 5 years	**6**	—
	127	147

23 COMMITMENTS (CONTINUED)

(b) Operating lease commitments — Group as lessor

The future aggregate minimum lease receipts under non-cancellable operating leases are as follows:

	As at 30 June 2016 US$'000 (Unaudited)	As at 31 December 2015 US$'000 (Audited)
Land and buildings		
— Not later than 1 year	**1,359**	1,374
— Later than 1 year and no later than 5 years	**3,981**	4,573
— Later than 5 years	**770**	937
	6,110	6,884

(c) Capital commitments

As at 1 January and 30 June 2016, the Group has no material capital commitments.

24 RELATED-PARTY TRANSACTIONS

(a) Significant transactions with related parties

Capital Glory Limited, a company incorporated in the British Virgin Islands, owns 59.4% interest 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 Henry and his close family members.

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

24 RELATED-PARTY TRANSACTIONS (CONTINUED)

(a) Significant transactions with related parties (Continued)

(i) Provision of goods and services

	Six months ended 30 June	
	2016	2015
	US$'000	US$'000
	(Unaudited)	(Unaudited)
Commission income from a joint venture	**—**	2,080
Service income from joint ventures	**82**	65
Recharge of material costs and other expenses to		
— related companies	**594**	733
— joint ventures	**777**	1,554
	1,371	2,287

(ii) Purchases of goods and services

	Six months ended 30 June	
	2016	2015
	US$'000	US$'000
	(Unaudited)	(Unaudited)
Professional and technological support service fees to related companies	**1,036**	1,357
Subcontracting fee charged by joint ventures	**4,193**	3,111
Recharge of material costs and other expenses from		
— related companies	**353**	308
— joint ventures	**2,867**	4,757
	3,220	5,065

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	
	2016	2015
	US$'000	US$'000
	(Unaudited)	(Unaudited)
Salaries and allowances	**3,490**	4,292
Others	**192**	353
	3,682	4,645

(c) Amounts due from/(to) related companies, an associated company and joint ventures

As at 30 June 2016, the outstanding balances with the related companies and an associated company are unsecured, non-interest bearing and repayable on demand.

As at 30 June 2016, the amounts due from joint ventures of US$35,239,000 (31 December 2015: US$32,075,000) are unsecured, non-interest bearing and repayable on demand, except that an amount due from a joint venture of US$16,104,000 (31 December 2015: US$15,562,000) (note 10) is interest bearing. The non-current balance of US$7,810,000 (31 December 2015: US$7,747,000) is unsecured, non-interest bearing and repayable after twelve months.

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.

(d) 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.

25 CONTINGENT LIABILITIES AND LITIGATION

As at 1 January and 30 June 2016, the Group had no material contingent liabilities.

26 COMPARATIVE FIGURES

Certain comparative figures related to rental income of US$621,000 have been reclassified from revenue to other income to conform to the current period's presentation since the rental income is not derived from the Group's principal activities. There was no impact on profit for the period and earnings per share for the period ended 30 June 2016 and 2015. Condensed consolidated statement of financial position was not affected by this reclassification and no condensed consolidated statement of financial position as at 1 January 2015 was presented.

The board (the "Board") of directors (the "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 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

Results of Operations and Overview

During the period under review, the sluggish recovery of the world economy and the weak consumer sentiment were continuously clouded by various uncertainties, risks and threats such as terrorist acts and Brexit, hence the Group's revenue decreased by 9.2% to approximately US$473,610,000.

Despite the decrease in revenue, the overall gross profit margin of the Group improved from 15.0% to 17.1%. In line with the improvement in gross profit margin, the profit attributable to owners of the Company for the period under review also increased by approximately 13.6% to approximately US$8,362,000. These increases were mainly attributable to the improving performance of the Causal and Fashion Apparel Division.

Segmental Review

The Apparel business and the Accessories business continued to be the main sources of the Group's revenue for the six months ended 30 June 2016, which accounted for approximately 69.4% and 28.3% respectively of the Group's total revenue for the period under review.

Apparel Supply Chain Management Services

The Casual and Fashion Apparel Division (including the previous Life-style Apparel Division) generated a segment profit of approximately US$9,510,000 which is an increase by approximately US$2,006,000 when compared with the last corresponding period. Such increase was mainly attributable to the improving performance of Ocean Sky Global (S) Pte. Ltd. and its subsidiaries (collectively, the "Ocean Sky Group") as a result of stringent cost controls and the reduction of non-profitable orders in Cambodia.

The Sweaters Division has reported a loss of approximately US$2,046,000 in the first half of 2016 due primarily to the seasonal nature of its business. The loss for the period represents an increase of approximately 15.1% as compared to the same period last year.

Accessories Supply Chain Management Services

For the first half of 2016, the Accessories Division has reported a segment profit of approximately US$6,156,000, representing an increase of approximately US$350,000 when compared to the same period last year. The increase was a net effect of improving the production efficiency of bags production in the Philippines with an offsetting effect on the start-up losses of computer bags in Cambodia.

Logistics

The Group's freight forwarding and logistics services recorded a segment profit of approximately US$1,899,000 for the period under review, representing an increase of approximately US$414,000 over the same period in 2015.

Real Estate

Real Estate Division represents our real estate project jointly operated with Sunshine 100 Real Estate Group Co., Limited ("Sunshine 100") in Qingyuan, China (the "Qingyuan Project"). For the period under review, the Real Estate Division has reported a segment loss of approximately US$2,118,000, representing a decrease of approximately US$2,710,000, as compared to a segment profit of approximately US$592,000 for the same period in last year. The decline in the segment result is mainly due to the sales of the real estate units skewed towards the second half of 2016 coupled with the impact of devaluation of RMB during the period under review.

Markets

Geographically, Europe and the USA 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 the USA collectively accounted for approximately 72.1% of the Group's total revenue in the first half of 2016.

The Group's revenue from the Asia market (mainly the PRC and Japan) decreased from approximately US$90,803,000 to approximately US$68,795,000, which accounted for approximately 14.5% of the Group's total revenue in the first half of 2016.

Acquisitions and Joint Ventures

It has been one of the Group's strategies to strengthen its competitiveness 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 24 May 2016, the Company, through Sunny Force Limited ("Sunny Force"), a wholly-owned subsidiary of the Company, entered into a Share Purchase Agreement ("SPA") with Smart Shirts Limited ("Smart Shirts"), Thien Nam Investment and Development Joint Stock Company ("Thien Nam") and Ms. Tran Yen Linh ("Ms. Linh"). In accordance with the SPA, Sunny Force would acquire approximately 16.66% equity interest in Thien Nam Sunrise Textile Joint Stock Company ("TNS") for the cash consideration of the VND equivalent of USD4,500,000 based on the exchange rate (average of buy and sell rates) between USD and VND issued by the Vietcombank on the date of the SPA.

Immediately prior to the signing of the SPA, TNS was owned as to approximately 33.34%, 28.89%, 4.44%, 4.44%and 28.89% by Sunny Force, Thien Nam, Itochu Textile Prominent (Asia) Co. Ltd ("Itochu"), Ms. Linh and Smart Shirts respectively. Upon Completion, the TNS will be owned as to approximately 50%, 4.44% and 45.56% by Sunny Force, Itochu and Smart Shirts respectively.

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 entitled to import duties saving into Japan and the European Union. The Board believes that through investment in TNS, the Group can gain not only additional market share with the ASEAN Fabrics but also enhance the Group's responsiveness to the rapid change in the operating environment. In addition, the strategic position of the Group was strengthened with such vertical setup as TNS shall provide synergistic effect with the Group's factories in Vietnam.

Liquidity and Financial Resources

The financial position of the Group remained healthy. As at 30 June 2016, the total cash and bank deposits of the Group amounted to approximately US$166,542,000, representing a decrease of approximately US$11,733,000 over the balance as at 31 December 2015. The Group's total bank borrowings as at 30 June 2016 was approximately US$74,674,000, representing a decrease of approximately 1.7% as compared to approximately US$75,928,000 as at 31 December 2015.

Gearing ratio is defined as net debt (representing bank borrowings net of cash and bank balances) divided by shareholders' equity. As at 30 June 2016, the Group was in a net cash position. Hence, no gearing ratio is presented.

As at 30 June 2016, based on the scheduled repayments set out in the relevant loan agreements with banks, the maturity profile of the Group's bank borrowings spreads over five years, with approximately US$38,682,000 repayable within one year, approximately US$25,189,000 in the second year, and approximately US$10,803,000 in the third to fifth year.

Foreign Exchange Risk Management

The Group adopts a prudent policy to hedge against the fluctuations in exchange rates. Most of the Group's operating activities are denominated in US dollar, Euro, Hong Kong dollar, Vietnam Dong, Cambodian Riel, Chinese Yuan and Philippine Peso. 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

Trade Preference Update

The Office of the U.S. Trade Representative ("USTR") announced a major expansion of trade preferences on 30 June 2016. According to this latest announcement of USTR, the U.S. GSP Update for Production and Diversification and Trade Enhancement Act (commonly referred to as GSP UPDATE), travel goods such as handbags, luggage, backpacks, wallets, sports and travel bags produced by the Least Developed Beneficiary Developing Countries ("LDBDCs") as well as African Growth and Opportunity Act ("AGOA") were eligible for duty free treatment for entering into the United States since 1 July 2016.

The Philippines, being one of the principal production locations of the Group, was excluded from the trade beneficiary list of the GSP UPDATE. Such unexpected exclusion has caught our customers by surprise and it also affected the Group's production plan to a certain extent in a short term. However, such exclusion has also positive effect to our Group, as the granting of GSP UPDATE to the Philippines has merely been deferred. Since then certain customers have been taking a wait-and-see attitude. As a result, the pressure from customers to move their orders to the Philippines from China was slightly relieved. In addition, the exclusion has provided the Group with a breathing space to expand and rearrange the production capacity in the Philippines.

On the other hand, Cambodia becomes the only country in Asia with duty advantage for importation of travel goods into the USA, and we believe our accessories customers may reconsider their sourcing strategies. As the Group has revamped certain of its Cambodia production capacities for the production of bags, we trust some of our accessories customers would be more willing to place orders with us in Cambodia. The Board has also committed to transform the remaining part of the original apparel manufacturing facilities in Cambodia for producing travel goods. As at the date of this report, certain new customers have commenced discussion with us about placing their test orders in our Cambodia production plants.

Retail Operation

As stated in the 2015 annual report, the Group commenced its new retail business in October 2015. A flagship store was established in Shanghai in the retailing of certain apparel and footwear products bearing a licensed trademark. This new retail business of the Group was still in a preliminary investment stage and has incurred start-up losses of approximately US$1,951,000 and the results of it are grouped under the Causal and Fashion Apparel Division. While this business is relatively immaterial to the Group at the moment, the Board expects that the new retail business arm possesses significant potential for growth in future.

Challenging Operating Environment

Looking forward, the operating environment of the manufacturing industry would remain tough. Most of our customers are struggling as the growth of online stores has threatened its traditional brick & mortar business model. The average selling prices of apparel and accessories products are in a decreasing trend due to the challenge arising from online shopping. Brands are under significant pressure of cost cutting as a result of this challenge from e-commerce. In order to reduce costs and inventory, brands are looking at shorter lead time and lower cost of production. As a manufacturer, investment in vertical setup, smart factory and performance fabric could be a possible solution to these challenges. The Group will persistently pursue new growth drivers through development of new customers in particular for the production of bags. As for the apparel manufacturing, the Group intends to invest in a printing factory in the Philippines which can shorten our delivery lead time and hence enhance the Group's competitiveness in certain print related apparel production.

Contingent Liabilities

As at 30 June 2016, the Group did not have any material contingent liabilities.

Human Resources, Social Responsibilities and Corporate Citizenship

Luen Thai continues to be an employer of choice through focused and strategic human resources strategies and social responsibility programmes that are aligned with the Company's growth and changing needs. Improved governance and strengthened partnership serve as the foundation for all these initiatives as Luen Thai maintains its position as a leader in Corporate Social Responsibility in the apparel manufacturing industry.

With over 36,000 employees around the world, Luen Thai continuously strives to foster open communications with employees through various channels. Under its employee care initiatives, Luen Thai has provided safe and enjoyable work and living environments, equitable compensation and benefit schemes, and opportunities for career growth through a variety of formal and informal learning and development programmes; and a strong corporate culture where employee' contributions are recognized and rewarded.

As a global corporate citizen, Luen Thai is conducting business and developing a sustainable business strategy with a long term view, which creates a positive impact for our worldwide supply chain and the surrounding environment. We not only focus on profit maximization, but we must also understand the needs and concerns of other stakeholders.

OTHER INFORMATION

Interim Dividend

The Board has resolved to declare an interim dividend of HK3.76 cents per share (2015: HK1.65 cents) for the six months ended 30 June 2016 to be payable to shareholders whose names appear on the Register of Members of the Company on 6 October 2016.

The interim dividend will be paid on or around 21 October 2016.

Closure of Register of Members

The Register of Members of the Company will be closed from 4 October 2016 to 6 October 2016, 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 3 October 2016 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 of the Company was approved and adopted by way of an ordinary resolution in the annual general meeting of the Company held on 26 May 2014 (the "Share Option Scheme").

No share options were granted to or exercised by any Directors or Chief Executive of the Company or employees of the Group or other participants, nor were cancelled or lapsed during the six months ended 30 June 2016.

As at 30 June 2016 and 31 December 2015, the Company had no share options outstanding under the Share Option Scheme.

Directors' and Chief Executives' Interests in Shares

As at 30 June 2016, 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 (the "Listing Rules") were as follows:

Long position in the shares of the Company ("Shares")

Name of Director	Capacity	Number of Shares	Approximate percentage of interests in the Company (Note a)
TAN Siu Lin	Trustee *(Note b)*	6,500,000	0.63%
	Interest of controlled corporation *(Note b)*	26,300,000	2.54%
TAN Henry	Interest of controlled corporation *(Note c)*	689,600,000	66.69%
TAN Cho Lung, Raymond	Beneficial owner *(Note d)*	2,903,000	0.28%
MOK Siu Wan, Anne	Beneficial owner *(Note e)*	2,000,000	0.19%
TAN Willie	Beneficial owner *(Note f)*	1,000,000	0.10%

Notes:

(a) The percentage has been compiled based on the total number of shares of the Company in issue (i.e. 1,034,112,666) as at 30 June 2016.

(b) 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. 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.

(c) Dr. Tan Henry is the beneficial owner of 2,750 issued shares (representing 55% interests) in Helmsley Enterprises Limited ("Helmsley"), a company incorporated in the Commonwealth of the Bahamas. Dr. Tan Henry is also the settler of a trust which indirectly holds 750 issued shares (representing 15% interests) in Helmsley. Helmsley wholly owns Capital Glory Limited and indirectly owns Hanium Industries Limited ("Hanium"), which own 614,250,000 Shares and 60,750,000 Shares respectively.

Dr. Tan Henry also has a controlling interest in Double Joy Investment Limited, a company incorporated in the British Virgin Islands (the "BVI"), which directly owns 14,600,000 Shares.

(d) A total of 2,903,000 Shares were acquired by an associate of Mr. Tan Cho Lung, Raymond between 2006 and 2014. He is therefore deemed under Part XV of the SFO to be interested in all of the 2,903,000 Shares acquired by his associate.

(e) Ms. Mok Siu Wan, Anne owns 2,000,000 Shares through the exercise of share options granted by the Company on 21 April 2008 and none of the 2,000,000 Shares was disposed of up to the date of this report.

(f) A total of 1,000,000 Shares were acquired by an associate of Mr. Tan Willie in 2012. He is therefore deemed under Part XV of the SFO to be interested in all of the 1,000,000 Shares acquired by his associate.

Substantial Shareholders

As at 30 June 2016, 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 issued capital of the Company.

Long position in the Shares

Name of shareholder	Note	Capacity	Number of ordinary shares beneficially held	Approximate percentage of interests in the Company (Note a)
Hanium	(b & c)	Beneficial owner	60,750,000	5.87%
Torpedo Management Limited	(b & c)	Interest of controlled corporation	60,750,000	5.87%
Capital Glory Limited	(d)	Beneficial owner	614,250,000	59.40%
Helmsley	(b & c & d)	Interest of controlled corporation	675,000,000	65.27%
Pou Chen Corporation	(e)	Interest of controlled corporation	100,746,666	9.74%
Wealthplus Holdings Limited	(e)	Interest of controlled corporation	100,746,666	9.74%
Yue Yuen Industrial (Holdings) Limited	(e)	Interest of controlled corporation	100,746,666	9.74%
Pou Hing Industrial Co. Ltd.	(e)	Interest of controlled corporation	100,746,666	9.74%
Great Pacific Investments Limited	(e)	Beneficial owner	100,746,666	9.74%

Notes:

(a) The percentage has been complied based on the total number of shares of the Company in issue (i.e. 1,034,112,666) as at 30 June 2016.

(b) 60,750,000 Shares are registered in the name of Hanium. Hanium is wholly owned by Torpedo Management Limited ("Torpedo"), a company incorporated in BVI with limited liability, which in turn is wholly owned by Helmsley. Helmsley is therefore deemed to be interested in the interests of Hanium held in the Company.

(c) Both of Dr. Tan Siu Lin and Dr. Tan Henry are directors in each of Capital Glory, Torpedo 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.

(d) 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.

(e) Based on the information recorded in the register required to be kept under section 336 of the SFO, Great Pacific Investments Limited directly holds 100,746,666 Shares. 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 approximately 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 interest or a short position in the Shares or underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group.

Corporate Governance Practices

Throughout the six-month period ended 30 June 2016, the Company has complied with the applicable code provisions of 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 interim 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. 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 2016 are in line with those practices set out in the Corporate Governance Report in the Company's 2015 Annual Report.

Review of Interim Financial Information

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and has discussed with the management regarding the auditing, internal control and financial reporting matters. The Audit Committee has discussed and reviewed the unaudited interim financial information and the interim report for the six months ended 30 June 2016. 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.

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 by Directors of Listed Issuers (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 the code of conduct regarding securities transactions by Directors adopted by the Company during the six months ended 30 June 2016.

Disclosure of Information on the Company and the Stock Exchange's Websites

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, 29 August 2016