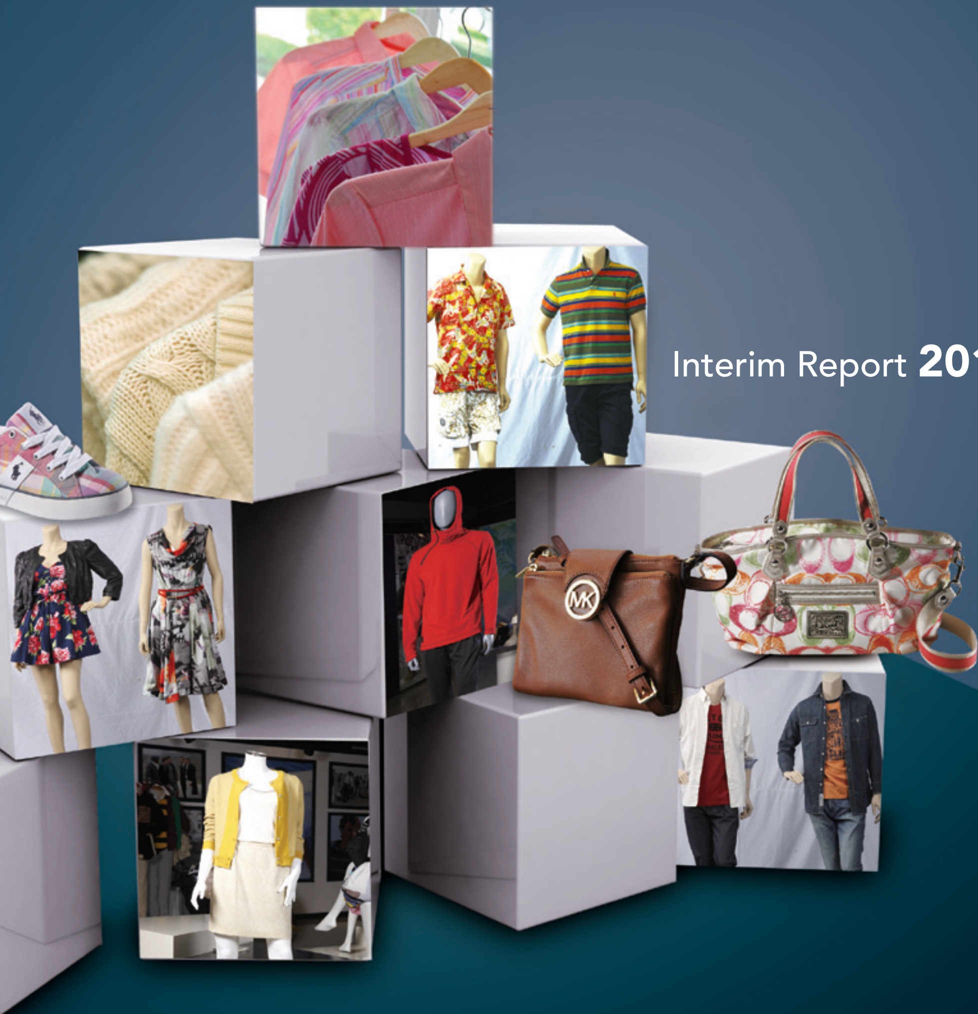
Luen Thai Holdings Limited
聯泰控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 311)



Interim Report 2014

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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 35, which comprises the interim condensed consolidated balance sheet of Luen Thai Holdings Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2014 and the related interim condensed consolidated statements 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 respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 27 August 2014

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	8	**11,526**	11,809
Property, plant and equipment	8	**123,000**	127,813
Intangible assets	8	**73,203**	75,337
Interest in an associated company		**574**	550
Interests in joint ventures	13	**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	9	**149,116**	113,033
Trade and other receivables	10	**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	11	**10,341**	10,341
Other reserves	12	**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

CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

AS AT 30 JUNE 2014

	Note	**As at 30 June 2014 US$'000 (Unaudited)**	As at 31 December 2013 US$'000 (Audited)
LIABILITIES			
Non-current liabilities			
Borrowings	14	**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
Current liabilities			
Trade and other payables	15	**247,895**	228,211
Borrowings	14	**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

The notes on pages 9 to 35 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE PERIOD ENDED 30 JUNE 2014

	Note	Six months ended 30 June 2014 US$'000 (Unaudited)	2013 US$'000 (Unaudited)
Revenue	6	**561,088**	537,187
Cost of sales		**(458,822)**	(443,277)
Gross profit		**102,266**	93,910
Other (losses)/gains, net	16	**(671)**	1,005
Selling and distribution expenses		**(1,875)**	(2,255)
General and administrative expenses		**(79,677)**	(72,334)
Operating profit	17	**20,043**	20,326
Finance income	18	**2,262**	2,895
Finance costs	18	**(1,545)**	(1,636)
Finance income, net	18	**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	19	**(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	20	**1.59**	1.80
— Diluted	20	**1.59**	1.76

The notes on pages 9 to 35 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE 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

The notes on pages 9 to 35 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 30 JUNE 2014

	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 2014	**10,341**	**124,039**	**15,210**	**226,778**	**376,368**	**8,986**	**385,354**
Profit for the period	**–**	**–**	**–**	**16,410**	**16,410**	**185**	**16,595**
Other comprehensive (loss)/income:							
Currency translation differences	**–**	**–**	**(1,861)**	**–**	**(1,861)**	**3**	**(1,858)**
Total comprehensive income for the period ended 30 June 2014	**–**	**–**	**(1,861)**	**16,410**	**14,549**	**188**	**14,737**
Total transactions with owners of the Company, recognized directly in equity							
Dividends paid	**–**	**–**	**–**	**(9,027)**	**(9,027)**	**–**	**(9,027)**
Total transactions with owners of the Company	**–**	**–**	**–**	**(9,027)**	**(9,027)**	**–**	**(9,027)**
Balance at 30 June 2014	**10,341**	**124,039**	**13,349**	**234,161**	**381,890**	**9,174**	**391,064**
Balance at 1 January 2013, as restated *(Note)*	9,998	117,832	14,182	192,176	334,188	8,786	342,974
Profit for the period	–	–	–	18,105	18,105	891	18,996
Other comprehensive (loss)/income:							
Currency translation differences	–	–	(2,107)	–	(2,107)	61	(2,046)
Total comprehensive income for the period ended 30 June 2013	–	–	(2,107)	18,105	15,998	952	16,950
Total transactions with owners of the Company, recognized directly in equity							
Exercise of share options by employees	46	514	(142)	–	418	–	418
Dividends paid	–	–	–	(8,180)	(8,180)	(812)	(8,992)
Convertible bond — equity conversion component	115	2,558	(382)	–	2,291	–	2,291
Total transactions with owners of the Company	161	3,072	(524)	(8,180)	(5,471)	(812)	(6,283)
Balance at 30 June 2013, as restated	10,159	120,904	11,551	202,101	344,715	8,926	353,641

Note: 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 recognize 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).

The notes on pages 9 to 35 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE PERIOD ENDED 30 JUNE 2014

	Note	Six months ended 30 June 2014 US$'000 (Unaudited)	2013 US$'000 (Unaudited)
Cash flows from operating activities			
Cash used in operations		**(1,712)**	(7,672)
Interest paid		**(1,545)**	(1,677)
Income tax paid		**(1,594)**	(2,771)
Net cash used in operating activities		**(4,851)**	(12,120)
Cash flows from investing activities			
Purchases of property, plant and equipment	8	**(7,563)**	(6,114)
Decrease in bank deposits maturing beyond 3 months		**3,029**	3,769
Proceeds from disposals of property, plant and equipment		**688**	760
Acquisitions of subsidiaries, net of cash acquired		**—**	(24,008)
Investment in a joint venture	13	**(9,000)**	—
Interest received		**949**	1,051
Decrease in other non-current assets		**1,699**	78
Net cash used in investing activities		**(10,198)**	(24,464)
Net cash used before financing activities		**(15,049)**	(36,584)
Cash flows from financing activities			
Net increase in borrowings		**11,167**	101,769
Repayment of borrowings		**(16,322)**	(20,181)
Dividends paid to the Company's shareholders		**(9,027)**	(8,180)
Dividends paid to non-controlling shareholders of subsidiaries		**—**	(812)
Proceeds from exercising employees share options		**—**	418
Repayment of finance lease		**(111)**	—
Net cash (used in)/generated from financing activities		**(14,293)**	73,014
Net (decrease)/increase in cash, cash equivalents and bank overdrafts		**(29,342)**	36,430
Cash, cash equivalents and bank overdrafts at beginning of the period		**226,272**	160,283
Effect of foreign exchange rate change		**469**	(4,000)
Cash, cash equivalents and bank overdrafts at end of the period		**197,399**	192,713
Analysis of the balances of cash and cash equivalents			
Bank balances and cash		**197,399**	193,308
Bank overdrafts		**—**	(595)
		197,399	192,713

The notes on pages 9 to 35 form an integral part of this condensed consolidated interim financial information.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 GENERAL INFORMATION

Luen Thai Holdings Limited (the "Company") and its subsidiaries (together the "Group") are principally engaged in the manufacturing and trading of apparels and accessories, the provision of freight forwarding and logistics services. The Group has manufacturing plants in Mainland China, Cambodia, the Philippines, Vietnam and Indonesia.

The Company is a limited liability company incorporated in the Cayman Islands. The address of its registered office is 5/F, Nanyang Plaza, 57 Hung To Road, Kwun Tong, Kowloon, Hong Kong.

The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

This condensed consolidated interim financial information is presented in United States dollars ("US$"), unless otherwise stated. This condensed consolidated interim financial information has been approved for issue by the Board of Directors on 27 August 2014.

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 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 financial statements for the year ended 31 December 2013, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

3 ACCOUNTING POLICIES

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

3 ACCOUNTING POLICIES (CONTINUED)

(a) The following new standards and amendments to standards are mandatory for the first time for the financial year beginning on or after 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.

3 ACCOUNTING POLICIES (CONTINUED)

(b) 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.

(c) 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 Amortization[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.

4 ESTIMATES

The preparation of condensed consolidated interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2013.

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 2013.

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

5.2 Fair value estimation

The different levels for analysis of financial instruments carried at fair value, by valuation method are defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)

- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2)

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

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.2 Fair value estimation (Continued)

The following table presents the Group's liabilities that are measured at fair value as at 30 June 2014 and 31 December 2013.

	Level 1 US$'000	**Level 2 US$'000**	**Level 3 US$'000**	**Total US$'000**
As at 30 June 2014				
Liabilities				
Derivative financial instruments	**–**	**196**	**–**	**196**

	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
As at 31 December 2013				
Liabilities				
Derivative financial instruments	–	659	–	659

5.3 Valuation technique used to derive Level 2 fair values

Level 2 trading and hedging derivatives comprise forward foreign exchange contracts. These forward foreign exchange contracts have been fair valued using forward exchange rates that are quoted in an active market.

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

The fair values of the trade and other receivables, cash and cash equivalent, bank borrowings, trade payables, other payables and accruals as at 30 June 2014 approximate their carrying amounts.

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.5 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of banking facilities. The Group aims to maintain flexibility in funding by keeping credit lines available.

Cash flow forecasting is performed in the operating entities of the Group and aggregated by a central treasury department (Group Treasury) under policies approved by the Board of Directors. Group Treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed banking facilities so that the Group does not breach borrowing limits or covenants (where applicable) on its banking facilities.

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, 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.

6 SEGMENT INFORMATION (CONTINUED)

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 *(Note 8)*	**(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 *(Note 19)*	**(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 *(Note 8)*	(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 *(Note 19)*	(1,013)	(557)	(289)	(205)	(90)	–	(2,154)

6 SEGMENT INFORMATION (CONTINUED)

Revenues between segments are carried out in accordance with the terms mutually agreed between the respective parties. The revenue from external parties is derived from numerous external customers and the revenue reported to 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	
	2014	2013
	US$'000	US$'000
	(Unaudited)	(Unaudited)
Segment profit for the period	**21,544**	24,001
Unallocated corporate expenses	**(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.

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 2013, 32% of revenues accumulated in the first half of the year, with 68% accumulating in the second half of the year.

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

	Intangible assets					
	Goodwill US$'000 (Unaudited)	Customer relationship US$'000 (Unaudited)	Total intangible assets US$'000 (Unaudited)	Property, plant and equipment US$'000 (Unaudited)	Leasehold land and land use rights US$'000 (Unaudited)	Total US$'000 (Unaudited)
Six months ended 30 June 2014						
Opening net book amount as at 1 January 2014	**46,050**	**29,287**	**75,337**	**127,813**	**11,809**	**214,959**
Additions	**–**	**–**	**–**	**7,563**	**–**	**7,563**
Disposals and write-off	**–**	**–**	**–**	**(692)**	**–**	**(692)**
Depreciation and amortization	**–**	**(2,134)**	**(2,134)**	**(10,208)**	**(166)**	**(12,508)**
Exchange differences	**–**	**–**	**–**	**(1,476)**	**(117)**	**(1,593)**
Closing net book amount as at 30 June 2014	**46,050**	**27,153**	**73,203**	**123,000**	**11,526**	**207,729**

	Intangible assets					
	Goodwill US$'000 (Unaudited)	Customer relationship US$'000 (Unaudited)	Total intangible assets US$'000 (Unaudited)	Property, plant and equipment US$'000 (Unaudited)	Leasehold land and land use rights US$'000 (Unaudited)	Total US$'000 (Unaudited)
Six months ended 30 June 2013						
Opening net book amount as at 1 January 2013	42,170	19,815	61,985	112,746	12,011	186,742
Acquisition of subsidiaries	3,880	13,190	17,070	19,826	–	36,896
Additions	–	–	–	6,114	–	6,114
Disposals	–	–	–	(626)	–	(626)
Depreciation and amortization	–	(1,587)	(1,587)	(9,121)	(166)	(10,874)
Exchange differences	–	–	–	1,286	81	1,367
Closing net book amount as at 30 June 2013	46,050	31,418	77,468	130,225	11,926	219,619

9 INVENTORIES

	As at 30 June 2014 US$'000 (Unaudited)	As at 31 December 2013 US$'000 (Audited)
Raw materials	**76,958**	45,297
Work in progress	**61,473**	55,630
Finished goods	**10,685**	12,106
	149,116	113,033

10 TRADE AND OTHER RECEIVABLES

	As at 30 June 2014 US$'000 (Unaudited)	As at 31 December 2013 US$'000 (Audited)
Trade and bill receivables, net	**185,267**	171,789
Deposits, prepayments and other receivables	**27,524**	22,238
Amounts due from related companies *(Note 23(c))*	**2,601**	1,568
Amounts due from an associated company and joint ventures *(Note 23(c))*	**25,367**	27,878
	240,759	223,473

	As at 30 June 2014 US$'000 (Unaudited)	As at 31 December 2013 US$'000 (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

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 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

11 SHARE CAPITAL

	Number of shares '000 (Unaudited)	Nominal value US$'000 (Unaudited)
Authorized — ordinary shares of US$0.01 each		
As at 31 December 2013 and 30 June 2014	1,500,000	15,000
Issued and fully paid — ordinary shares of US$0.01 each		
As at 1 January 2013 and 30 June 2014	1,034,113	10,341
As at 1 January 2013	999,816	9,998
Exercise of share options by employees	4,550	46
Conversion of convertible bond	11,500	115
As at 30 June 2013	1,015,866	10,159

Options exercised during the period ended 30 June 2013 resulted in 4,550,000 shares being issued, with exercise proceeds of US$417,000. The related weighted average price at the time of exercise was US$0.35 per share.

Share option

The Company has adopted a share option scheme (the "Old Option Scheme") which is effective for a period of 10 years commencing 27 June 2004 pursuant to a written resolution of the then sole shareholder of the Company on 27 June 2004. The Old Option Scheme terminated upon the adoption of a new Share Option Scheme approved by way of an ordinary resolution in the annual general meeting of the Company held on 26 May 2014 (the "New Option Scheme", together with the Old Option Scheme are collectively referred to as the "Option Schemes").

Under the Option Schemes, the Company may grant options to selected full-time employees and Directors of the Company and its subsidiaries to subscribe for shares in the Company. Additionally, the Company may, from time to time, grant share options to eligible advisors and consultants to the Company and its subsidiaries at the discretion of the Board of Directors.

11 SHARE CAPITAL (CONTINUED)

Share option (Continued)

The total number of shares in respect of which options may be granted under the Option Schemes is not permitted to exceed 10% of the shares of the Company in issue as at the date of the listing of the shares without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at the date of such grant, without prior approval from the Company's shareholders.

One-third of the options are vested after one year from the grant date, another one-third options are vested after two years from the grant date and the rest of the options are vested after three years from the grant date.

Options may be exercised at any time within the relevant exercise period. The exercise price is determined by the highest of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares.

All the remaining share options under the Old Option Scheme were exercised during the period ended 30 Jun 2013. As at 30 June 2014 and 31 December 2013, there is no outstanding share option under the Option Schemes.

12 OTHER RESERVES

	Share premium US$'000 (Unaudited)	Capital reserve (Note (i)) US$'000 (Unaudited)	Other capital reserves (Note (ii)) US$'000 (Unaudited)	Share- based compensation reserve US$'000 (Unaudited)	Convertible bond equity conversion reserve US$'000 (Unaudited)	Employment benefit reverse US$'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 interests being allocated to the parent equity and any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received.

(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 recognize 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).

13 INTERESTS IN JOINT VENTURES

	Six months ended 30 June 2014 US$'000 (Unaudited)
Beginning of the period	**6,011**
Addition *(Note (a))*	**9,000**
Elimination of intercompany transactions	**(415)**
Repayment of loan	**(490)**
Share of post-tax losses of joint ventures	**(1,145)**
Share of exchange reserve	**29**
End of the period	**12,990**

The Group's share of the results in Thien Nam Sunrise and its aggregated assets and liabilities are shown below:

	Six months ended 30 June 2014 US$'000 (Unaudited)
Assets	**44,361**
Liabilities	**18,446**
Revenue	**—**
Share of loss	**(170)**
Percentage held	**33.34%**

Note (a):

On 18 February 2014, the Group entered into a subscription agreement with Thien Nam Sunrise Textile Joint Stock Company ("Thien Nam Sunrise"), pursuant to which Thien Nam Sunrise had allotted and issued and the Group had subscribed for the 18.9 million shares for a consideration of Vietnam Dong ("VND") 189,000 million (equivalent to approximately US$9 million). Thien Nam Sunrise is principally engaged in fabric manufacturing in Vietnam. The transaction was completed on 23 April 2014. Upon completion, the Group held 33.34% of the total issued capital of Thien Nam Sunrise.

14 BORROWINGS

	As at 30 June 2014 US$'000 (Unaudited)	As at 31 December 2013 US$'000 (Audited)
Non-current		
Bank borrowings	**3,744**	4,151
Finance lease liabilities	**—**	84
	3,744	4,235
Current		
Bank overdrafts	**—**	139
Trust receipt bank loans	**35,635**	42,064
Portion of bank borrowings due for repayment within one year	**77,818**	72,850
Portion of bank borrowings due for repayment after one year which contain a repayment on demand clause	**54,173**	57,461
Finance lease liabilities	**—**	27
	167,626	172,541
Total borrowings	**171,370**	176,776

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

15 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 *(Note 23(c))*	**2,156**	2,336
Amounts due to an associated company and joint ventures *(Note 23(c))*	**—**	112
	247,895	228,211

As at 30 June 2014, the ageing analysis of the trade and bills payable based on the invoice date is 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

16 OTHER (LOSSES)/GAINS, NET

	Six months ended 30 June	
	2014	2013
	US$'000	US$'000
	(Unaudited)	(Unaudited)
Net unrealized gains/(losses) on forward foreign exchange contracts	**8**	(24)
Net realized gains on forward foreign exchange contracts	**149**	589
Net foreign exchange (losses)/gains	**(828)**	440
	(671)	1,005

17 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 *(Note 8)*	**166**	166
Amortization of intangible assets *(Note 8)*	**2,134**	1,587
Depreciation of property, plant and equipment *(Note 8)*	**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)

18 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

19 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

19 INCOME TAX EXPENSE (CONTINUED)

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 claim and issued notices of additional assessments or assessments for the years of assessment 2000/01 to 2011/12. The Group has lodged an 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 has made 100% offshore profits claim for 2012/13 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.

20 EARNINGS PER SHARE

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

(a) Basic

	Six months ended 30 June	
	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 were outstanding as at 1 January 2014. During the period ended 30 June 2014, the Company has not issued share options or convertible bond, Hence, there were no dilutive effect on its ordinary shares.

20 EARNINGS PER SHARE (CONTINUED)

(b) Diluted (Continued)

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

21 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: HK4.08 cents) 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.

22 COMMITMENTS

(a) Capital commitments

	As at 30 June 2014	As at 31 December 2013
	US$'000	US$'000
	(Unaudited)	(Audited)
Authorized but not contracted for		
— Property, plant and equipment	**99**	—
Contracted but not provided for		
— Property, plant and equipment	**326**	188

22 COMMITMENTS (CONTINUED)

(b) Operating lease commitments

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

	As at 30 June 2014 US$'000 (Unaudited)	As at 31 December 2013 US$'000 (Audited)
Land and buildings		
— Not later than 1 year	**4,629**	4,664
— Later than 1 year and no later than 5 years	**11,408**	10,585
— Later than 5 years	**2,686**	14,399
	18,723	29,648
Property, plant and equipment		
— Not later than 1 year	**195**	194
— Later than 1 year and no later than 5 years	**108**	131
	303	325

23 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 Siu Lin 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").

(i) Provision of goods and services

	Six months ended 30 June	
	2014	2013
	US$'000	US$'000
	(Unaudited)	(Unaudited)
Management fee income from a joint venture	**585**	—
Freight forwarding and logistics service income from related companies	**472**	410
Service income from joint ventures	**1,023**	1,595
Recharge of material costs and other expenses from		
— related companies	**721**	720
— joint ventures	**385**	11
	1,106	731

23 RELATED-PARTY TRANSACTIONS (CONTINUED)

(a) Significant transactions with related parties (Continued)

(ii) Purchases of goods and services

	Six months ended 30 June	
	2014	2013
	US$'000	US$'000
	(Unaudited)	(Unaudited)
Professional and technological support service fees to related companies	**1,113**	1,096
Subcontracting fee charged by joint ventures	**1,056**	7,825
Rental expenses charged by related companies	**724**	724
Recharge of material costs and other expenses		
— related companies	**418**	399
— joint ventures	**239**	933
	657	1,332

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

(b) Key management compensation

	Six months ended 30 June	
	2014	2013
	US$'000	US$'000
	(Unaudited)	(Unaudited)
Salaries and allowances	**3,932**	3,722
Others	**341**	348
	4,273	4,070

23 RELATED-PARTY TRANSACTIONS (CONTINUED)

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

As at 30 June 2014, the outstanding balances with the related companies and an associated company are unsecured, non-interest bearing and repayable on demand.

Amount due from a joint venture of US$20,020,000 is unsecured, interest-bearing and repayable on demand. Amount due from a joint venture of US$15,141,000 is unsecured, non-interest bearing and repayable after twelve months except that an amount of US$7,584,000 is interest-bearing.

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.

24 CONTINGENT LIABILITIES AND LITIGATION

The Group is involved in various labour lawsuits and claims arising from the normal course of business. The directors believe that the Group has substantial legal and factual bases for their position and are of the opinion that losses arising from these lawsuits, if any, will not have a material adverse impact on the results of the operations or the financial position of the Group. Accordingly, no provision for such liabilities has been made in the financial statements.

25 COMPARATIVE FIGURES

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

The board of directors (the "Board" or "Directors") of Luen Thai Holdings Limited (the "Company") is pleased to present the interim report together with the unaudited condensed consolidated financial information of the Company and its subsidiaries (collectively, the "Group" or "Luen Thai") for the six months ended 30 June 2014.

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 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 bank balances 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".

OTHER INFORMATION

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.

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 New 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. Upon the adoption of the New Option Scheme, the Old Option Scheme adopted by the sole shareholder of the Company on 27 June 2004 was terminated immediately, provided that any options granted under the Old Option Scheme shall not, in any way, be affected or prejudiced and all such options shall continue to be valid and exercisable in accordance with the Old Option Scheme. Pursuant to the Option Schemes, options may be granted to eligible participants ("Eligible Participants") to subscribe for shares in the Company. The purposes of the share option scheme are to recognize and acknowledge the contributions that the Eligible Participants have made or may make to the Group and provide them an opportunity to acquire proprietary interests in the Company with the view of achieving the following principal objectives:

a) motivate the Eligible Participants to optimize their performance and efficiency for the benefit of the Group; and

b) attract and retain or otherwise maintain ongoing business relationship with the Eligible Participants whose contributions are or will be beneficial to the Group.

The New Option Scheme will remain in force for ten years from 26 May 2014, unless otherwise determined in accordance with its term. An option may be exercised at any time during a period to be notified by the Board to each grantee. The Board may also provide restrictions on the exercise of an option during the period an option may be exercised.

Each grantee shall pay a consideration of HK$10 upon acceptance of the offer of the option and the exercise price of the share options is subject to the adjustment in the event of any alteration in the capital structure of the Company.

During the period under review, no share option was granted under the Option Schemes and there is no share option outstanding as at 30 June 2014.

Directors' and Chief Executives' Interests in Shares

As at 30 June 2014, the interests of the Directors and Chief Executives of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register maintained by the Company under Section 352 of the SFO, or otherwise notified to the Company and Stock Exchange pursuant to the Model Code contained in the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") were as follows:

Long position in the shares of the Company ("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)*	686,695,000	66.40%
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 2014.

(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, which own 614,250,000 Shares and 17,100,000 Shares respectively.

Dr. Tan Henry is the beneficial owner of 3,167,811 issued shares (representing 20% interests) in Tan Holdings Corporation. Dr. Tan Henry is also the settler of a trust which indirectly holds 2,375,857 issued shares (representing 15% interests) in Tan Holdings Corporation. Tan Holdings Corporation wholly owns Union Bright Limited, which in turn owns 43,650,000 Shares.

Dr. Tan Henry also has a controlling interest in Double Joy Investment Limited, a company incorporated in the British Virgin Islands ("BVI"), which directly owns 11,695,000 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 2014, 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)
Capital Glory Limited	(b & c)	Beneficial owner	614,250,000	59.40%
Helmsley	(b & c)	Interest of controlled corporation	631,350,000	61.05%
Pou Chen Corporation	(d)	Interest of controlled corporation	100,746,666	9.74%
Wealthplus Holdings Limited	(d)	Interest of controlled corporation	100,746,666	9.74%
Yue Yuen Industrial (Holdings) Limited	(d)	Interest of controlled corporation	100,746,666	9.74%
Pou Hing Industrial Co. Ltd.	(d)	Interest of controlled corporation	100,746,666	9.74%
Great Pacific Investments Limited	(d)	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 2014.

(b) 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.

(c) Both of Dr. Tan Siu Lin and Dr. Tan Henry are directors in each of Capital Glory and Helmsley, companies which have interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

(d) 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 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 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 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 2014 are in line with those practices set out in the Corporate Governance Report in the Company's 2013 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 2014. 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 (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 2014.

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
Executive Director and Chief Executive Officer

Hong Kong, 27 August 2014

* 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.