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LUEN THAI HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 311)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2015

GROUP FINANCIAL HIGHLIGHTS

	Six months ended 30 June	
	2015	2014
	<i>US\$'000</i>	<i>US\$'000</i>
	(Unaudited)	(Unaudited)
Revenue	522,045	561,088
Operating profit	9,561	20,043
Profit attributable to owners of the Company	7,358	16,410
Profit margin (ratio of profit attributable to owners of the Company to revenue)	1.4%	2.9%
Basic EPS (<i>US cents</i>)	0.71	1.59

The board of directors (the "Board") of Luen Thai Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated result of the Company and its subsidiaries (collectively, the "Group" or "Luen Thai") for the six months ended 30 June 2015.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months period ended 30 June 2015

		Six months ended 30 June	
		2015	2014
	Note	US\$'000	US\$'000
		(Unaudited)	(Unaudited)
Revenue	3	522,045	561,088
Cost of sales		<u>(443,143)</u>	<u>(458,822)</u>
Gross profit		78,902	102,266
Other gains/(losses), net		147	(671)
Selling and distribution expenses		(1,703)	(1,875)
General and administrative expenses		<u>(67,785)</u>	<u>(79,677)</u>
Operating profit	4	9,561	20,043
Finance income		1,590	2,262
Finance costs		<u>(1,138)</u>	<u>(1,545)</u>
Finance income, net	5	<u>452</u>	717
Share of (loss)/gain of an associated company		(7)	25
Share of losses of joint ventures		<u>(1,043)</u>	<u>(1,145)</u>
Profit before income tax		8,963	19,640
Income tax expense	6	<u>(1,204)</u>	<u>(3,045)</u>
Profit for the period		<u>7,759</u>	<u>16,595</u>
Profit attributable to:			
Owners of the Company		7,358	16,410
Non-controlling interests		<u>401</u>	<u>185</u>
		<u>7,759</u>	<u>16,595</u>
Earnings per share attributable to owners of the Company (expressed in US cents per share)			
— Basic and diluted	7	<u>0.71</u>	<u>1.59</u>
		US\$'000	US\$'000
Dividends	8	<u>2,203</u>	<u>4,922</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME*For the six months period ended 30 June 2015*

	Six months ended 30 June	
	2015	2014
	<i>US\$'000</i>	<i>US\$'000</i>
	(Unaudited)	(Unaudited)
Profit for the period	7,759	16,595
Other comprehensive income/(loss)		
Item that may be reclassified to profit or loss:		
Currency translation differences	478	(1,858)
Total comprehensive income for the period	8,237	14,737
Total comprehensive income for the period attributable to:		
— Owners of the Company	7,842	14,549
— Non-controlling interests	395	188
	8,237	14,737

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2015

		As at 30 June 2015	As at 31 December 2014
	<i>Note</i>	<i>US\$'000</i> (Unaudited)	<i>US\$'000</i> (Audited)
ASSETS			
Non-current assets			
Leasehold land and land use rights		11,050	11,205
Property, plant and equipment		108,091	111,344
Investment properties		6,517	6,827
Intangible assets		48,812	50,110
Interest in an associated company		399	432
Interests in joint ventures		14,087	12,847
Amount due from a joint venture		7,857	7,601
Deferred income tax assets		1,141	1,130
Other non-current assets		7,178	6,785
Total non-current assets		205,132	208,281
Current assets			
Inventories		117,535	110,270
Trade and other receivables	9	231,807	229,323
Prepaid income tax		6,072	5,413
Derivative financial instruments		—	183
Cash and bank balances		150,573	217,547
Total current assets		505,987	562,736
Total assets		711,119	771,017
EQUITY			
Equity attributable to owners of the Company			
Share capital		10,341	10,341
Other reserves	11	132,405	135,752
Retained earnings		235,224	234,402
		377,970	380,495
Non-controlling interests		1,628	2,312
Total equity		379,598	382,807

		As at 30 June 2015 US\$'000 (Unaudited)	As at 31 December 2014 US\$'000 (Audited)
	<i>Note</i>		
LIABILITIES			
Non-current liabilities			
Borrowings		2,882	3,330
Other payables	10	1,593	—
Retirement benefit obligations		9,940	9,189
Deferred income tax liabilities		5,585	5,704
		<hr/>	<hr/>
Total non-current liabilities		20,000	18,223
Current liabilities			
Trade and other payables	10	216,146	220,212
Borrowings		89,142	141,853
Derivative financial instruments		170	126
Current income tax liabilities		6,063	7,796
		<hr/>	<hr/>
Total current liabilities		311,521	369,987
		<hr/>	<hr/>
Total liabilities		331,521	388,210
		<hr/>	<hr/>
Total equity and liabilities		711,119	771,017
		<hr/>	<hr/>
Net current assets		194,466	192,749
		<hr/>	<hr/>
Total assets less current liabilities		399,598	401,030
		<hr/>	<hr/>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months period ended 30 June 2015

1. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2015 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 2014, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

2. ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2014, 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 2015:

- Amendment to HKAS 19 (2011) ‘Employee benefits’
- Annual improvements 2010–2012 cycle
- Annual improvements 2011–2013 cycle

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.

3. SEGMENT INFORMATION

The Group is principally engaged in the manufacturing and trading of apparels and accessories, the provision of freight forwarding and logistics services and also 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 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, sweaters, accessories, freight forwarding and logistics services and real estate development.

The segment information provided to the executive directors for the reportable segments for the six months ended 30 June 2015 and 2014 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 2015							
Total segment revenue	452,393	32,665	32,855	171,722	11,384	—	701,019
Inter-segment revenue	(138,118)	(1,640)	(600)	(38,243)	(373)	—	(178,974)
Revenue (from external customers)	314,275	31,025	32,255	133,479	11,011	—	522,045
Segment profit/(loss) for the period	6,098	1,406	(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	(6,457)	(119)	(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	(685)	(100)	(269)	(5)	(145)	—	(1,204)
Six months ended 30 June 2014							
Total segment revenue	455,235	50,721	33,876	187,867	9,958	—	737,657
Inter-segment revenue	(138,760)	(246)	(2,160)	(35,184)	(219)	—	(176,569)
Revenue (from external customers)	316,475	50,475	31,716	152,683	9,739	—	561,088
Segment profit/(loss) for the period	15,326	869	(1,941)	7,359	899	(968)	21,544
Profit/(loss) for the period includes:							
Depreciation and amortization	(7,155)	(772)	(1,040)	(3,058)	(483)	—	(12,508)
Share of profit of an associated company	—	—	—	—	25	—	25
Share of losses of joint ventures	(107)	—	—	—	—	(1,038)	(1,145)
Income tax expense	(2,408)	(92)	(225)	(211)	(109)	—	(3,045)

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	
	2015	2014
	<i>US\$'000</i>	<i>US\$'000</i>
	(Unaudited)	(Unaudited)
Segment profit for the period	13,609	21,544
Unallocated corporate expenses (<i>Note</i>)	(5,850)	(4,949)
	<hr/>	<hr/>
Profit for the period	<u>7,759</u>	<u>16,595</u>

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

4. OPERATING PROFIT

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

	Six months ended 30 June	
	2015	2014
	<i>US\$'000</i>	<i>US\$'000</i>
	(Unaudited)	(Unaudited)
Amortization of leasehold land and land use rights	164	166
Amortization of intangible assets	1,298	2,134
Depreciation of property, plant and equipment	8,725	10,208
Depreciation of investment properties	320	—
Loss/(gain) on disposals of property, plant and equipment	924	(109)
Provision for impairment of receivables	84	299
Provision for inventory obsolescence	465	32
Reversal of provision for claims on materials	(2,641)	—
	<hr/> <u>(2,641)</u>	<hr/> <u>—</u>

5. FINANCE INCOME, NET

	Six months ended 30 June	
	2015	2014
	<i>US\$'000</i>	<i>US\$'000</i>
	(Unaudited)	(Unaudited)
Interest expense on bank loans and overdrafts	(1,138)	(1,545)
	<hr/>	<hr/>
Finance costs	(1,138)	(1,545)
	<hr/>	<hr/>
Interest income from bank deposits	649	949
Effective interest income from amount due from a joint venture	941	1,313
	<hr/>	<hr/>
Finance income	1,590	2,262
	<hr/>	<hr/>
Finance income, net	<u>452</u>	<u>717</u>

6. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2014: 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	
	2015	2014
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
Current income tax	1,334	2,357
Deferred income tax (credit)/charge	(130)	688
	<u>1,204</u>	<u>3,045</u>

Note:

The Inland Revenue Department (“IRD”) has been reviewing the 50:50 offshore claim made by a subsidiary of the Group since the years of assessment 2000/01 to 2011/12 and 100% offshore profits claim in 2012/13 and 2013/14. In prior years, the IRD tentatively disallowed the 50:50 offshore claim or 100% offshore profits claim and issued notices of additional assessments/assessments for the years of assessment 2000/01 to 2012/13. The Group has lodged an objection on the assessments and the objection case is being reviewed by the IRD.

The Group has thoroughly revisited the situations and concluded that even though the IRD may eventually deny the 50:50 offshore profits claim, the Group 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 sale 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.

As at 30 June 2015 and 31 December 2014, the Group has paid an amount of US\$3,686,000 in the form of Tax Reserve Certificate in prior periods for the case above, all of which have been included in prepaid income tax in the condensed consolidated statement of financial position as at 30 June 2015 and the Group considers that sufficient tax provision has been made in the interim financial information.

7. EARNINGS PER SHARE

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

(a) Basic

	Six months ended 30 June	
	2015	2014
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
Profit attributable to owners of the Company	<u>7,358</u>	<u>16,410</u>
Weighted average number of ordinary shares in issue (<i>thousands</i>)	<u>1,034,113</u>	<u>1,034,113</u>
Basic earnings per share (<i>US cents per share</i>)	<u>0.71</u>	<u>1.59</u>

(b) Diluted

Diluted earnings per share for the six months ended 30 June 2015 and 2014 is the same as the basic earnings per share as there were no potential dilutive ordinary shares outstanding during the periods.

8. DIVIDENDS

Six months ended 30 June
2015 2014
US\$'000 *US\$'000*
(Unaudited) **(Unaudited)**

Interim dividend — US0.213 cent or equivalent to HK1.65 cents
(2014: US0.476 cent) per ordinary share

2,203 **4,922**

The interim dividend of US0.213 cent per share (2014: US0.476 cent per share) was declared by the Board of Directors on 25 August 2015. This condensed consolidated interim financial information does not reflect this dividend payable.

9. TRADE AND OTHER RECEIVABLES

As at **As at**
30 June 31 December
2015 2014
US\$'000 *US\$'000*
(Unaudited) **(Audited)**

Trade and bills receivable, net

181,581 178,813

Deposits, prepayments and other receivables

25,660 26,164

Amounts due from related companies

2,181 3,125

Amounts due from joint ventures

22,385 21,221

231,807 **229,323**

As at **As at**
30 June 31 December
2015 2014
US\$'000 *US\$'000*
(Unaudited) **(Audited)**

Trade and bills receivable

184,135 181,360

Less: provision for impairment of trade and bills receivable

(2,554) (2,547)

Trade and bills receivable, net

181,581 **178,813**

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

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 2015 US\$'000 (Unaudited)	As at 31 December 2014 US\$'000 (Audited)
Current	<u>134,146</u>	<u>146,092</u>
1 to 30 days	25,441	20,829
31 to 60 days	10,892	6,746
61 to 90 days	4,765	1,479
91 to 120 days	573	1,589
Over 120 days	<u>5,764</u>	<u>2,078</u>
Amounts past due but not impaired	<u>47,435</u>	<u>32,721</u>
	<u>181,581</u>	<u>178,813</u>

The impairment provision was approximately US\$2,554,000 as at 30 June 2015 (31 December 2014: US\$2,547,000). 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\$20,994,000 (31 December 2014: US\$19,967,000), amounts due from related parties and joint ventures are of 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 and joint ventures is as follows:

	As at 30 June 2015 US\$'000 (Unaudited)	As at 31 December 2014 US\$'000 (Audited)
Current	<u>3,572</u>	<u>4,379</u>

10. TRADE AND OTHER PAYABLES

	As at 30 June 2015 <i>US\$'000</i> (Unaudited)	As at 31 December 2014 <i>US\$'000</i> (Audited)
Trade and bills payable	98,399	103,907
Other payables and accruals	117,030	113,519
Amounts due to related companies	2,205	2,730
Amount due to an associated company	54	—
Amounts due to joint ventures	51	56
	<u>217,739</u>	<u>220,212</u>
Less: non-current	<u>(1,593)</u>	<u>—</u>
Trade and other payables, current	<u><u>216,146</u></u>	<u><u>220,212</u></u>

As at 30 June 2015 and 31 December 2014, the ageing analysis of the trade and bills payable based on invoice date are as follows:

	As at 30 June 2015 <i>US\$'000</i> (Unaudited)	As at 31 December 2014 <i>US\$'000</i> (Audited)
0 to 30 days	89,425	94,357
31 to 60 days	5,340	6,737
61 to 90 days	1,129	2,199
Over 90 days	2,505	614
	<u>98,399</u>	<u>103,907</u>

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

11. 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 2015	124,039	11,722	(4,799)	(717)	5,507	135,752
Acquisition of additional interest in a subsidiary	—	—	(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
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

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.

MANAGEMENT DISCUSSION AND ANALYSIS

Results of Operations and Overview

For the six months period ended 30 June 2015, the Group recorded a revenue of approximately US\$522,045,000, representing a decrease of approximately 7.0% over the same period last year. Due to the unsatisfactory performance of the Casual and Fashion Apparel Division, the profit attributable to owners of the Company for the period under review decreased significantly by approximately 55.2% to approximately US\$7,358,000.

Segmental Review

Apparel and Accessories businesses continued to be the main sources of the Group's revenue for the six months ended 30 June 2015, which accounted for approximately 72.3% and 25.6% respectively of the Group's total revenue for the period under review.

Apparel Supply Chain Management Services

The Casual and Fashion Apparel Division generated a segment profit of approximately US\$6,098,000 which decreased by approximately US\$9,228,000 when compared with the last corresponding period. Such decrease in the segment profit was primarily attributable to (1) the unsatisfactory performance of Ocean Sky Global (S) Pte. Ltd. and its subsidiaries (collectively, the "Ocean Sky Group") within the Group due to the revamping of their factory operation and redeployment of employees in Cambodia, resulting in a drop in the gross margin and hence the net profit under the Casual and Fashion Apparel Division of the Group; and (2) the orders placed by a major Japanese customer in the first half of 2015 have reduced more than what the Company originally expected and thus affecting the gross margin and net profit under the Casual and Fashion Apparel Division of the Group.

During the period under review, the net profit of the Life-style Apparel Division increased by 61.8% to approximately US\$1,406,000.

The Sweaters Division has reported a loss of approximately US\$1,778,000 in the first half of 2015 due primarily to the seasonal nature of its business. After the restoration of level loading and efficiency of one of the factories under the Division, the loss for the period decreased by approximately 8.4% as compared to the same period last year.

Accessories Supply Chain Management Services

For the first half of 2015, the Accessories Division has reported segment profit of approximately US\$5,806,000, representing a decrease of approximately US\$1,553,000 when compared to the same period last year. As a result of the increasing costs in China, there was a drop in luxury bag orders in our China factory which caused the drop in the segment profit of the Accessories Division in the first half of 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 ("Qingyuan Project"). The major source of income of Real Estate Division is the interest income accrued from the consideration receivable arisen from the disposal of the real estate project in Qingyuan to Sunshine 100. As the operating loss of the joint venture with Sunshine 100 reduced in the first half of 2015, the division reported a segment profit of approximately US\$592,000 as compared to a loss of US\$968,000 for the same period last year.

The site of the Qingyuan Project is close to the Guangzhou-Qingyuan Light Rail system (“Light Rail System”) which is currently under construction and expected to be operational in late 2017. This Light Rail System will connect Qingyuan with the Guangzhou Metro, which will enable the people working in Guangzhou to live in Qingyuan as their primary home. The Board believes that the convenient locations of the Qingyuan Project could bring in desirable return to the Group in the foreseeable future.

Logistics

The Group’s freight forwarding and logistics services recorded a segment profit of approximately US\$1,485,000 for the period under review, representing an increase of approximately US\$586,000 over the same period in 2014.

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 74.3% of the Group’s total revenue in the first half of 2015.

The Group’s revenue from the Asia market (mainly the PRC and Japan) slightly decreased from approximately US\$91,848,000 to approximately US\$90,803,000 which accounted for approximately 17.4% of the Group’s total revenue in the first half of 2015.

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 transactions.

The Group initially held an indirect 60% equity interest in On Time International Limited and its subsidiaries (collectively as “On Time Group”). As disclosed in the Company’s announcement dated 15 June 2015, the Group acquired the remaining 40% equity interest of On Time Group from the non-controlling shareholder for a cash consideration of US\$5,000,000.

After completion of the acquisition on the same date, On Time Group became wholly owned subsidiaries of the Group.

On 15 February 2015, Luen Thai International Group Limited (“LTIG”), a wholly owned subsidiary of the Company, entered into a subscription agreement with Duc Hanh Garment Joint Stock Company (“DHG”), pursuant to which LTIG has subscribed for subscription shares for a consideration of 54,229,000,000 Vietnam Dong which is equivalent to approximately US\$2,540,000. DHG is principally engaged in the production, importation and exportation of garments in Vietnam. The subscription in DHG was completed on 16 June 2015.

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.

Financial Results and Liquidity

The financial position of the Group remained healthy. As at 30 June 2015, the total cash and bank deposits of the Group amounted to approximately US\$150,573,000, representing a decrease of approximately US\$66,974,000 over the balance as at 31 December 2014. The Group's total bank borrowings as at 30 June 2015 was approximately US\$92,024,000, representing a decrease of approximately 36.6% as compared to approximately US\$145,183,000 at 31 December 2014.

Gearing ratio is defined as net debt (representing bank borrowings net of cash and bank balances) divided by shareholders' equity. As at 30 June 2015, the Group was in a net cash position. Hence, no gearing ratio is presented.

As at 30 June 2015, 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\$89,142,000 repayable within one year, approximately US\$497,000 in the second year, and approximately US\$2,385,000 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

As the GSP Update for the Production Diversification and Trade Enhancement Act (commonly referred to as GSP Update) has been passed, it could enable travel goods, like handbags, luggage and wallets, formerly excluded from GSP coverage, be eligible for duty-benefits for entering into the USA. It is generally believed that the actual duty advantage under the GSP Update will happen in the second half of 2016. This will create new manufacturing opportunities for GSP eligible nations. Cambodia and the Philippines will become more competitive as they will enjoy the duty benefits for trading with China, Japan, European Union and the USA. Certain accessories customers have already prepared to adjust their sourcing strategies in view of this new trade preference development.

In order to cope with the requirement of our customers, the Group will expand the facilities for the production of luxury bags, computer bags and backpack in Cambodia and in the Philippines. The Board believes that this expansion will inevitably increase the cost of the Group in the short term but should enable the Group to grasp the opportunity of the trade preference for the growth and development of the accessories production business in the medium term.

Increase Investment in Vietnam

In view of the relatively favourable trade environment in Vietnam, and the prospect associated with the expected passage of the "Trans-Pacific Strategic Economic Partnership Agreement" ("TPP"), Vietnam will continue to be the country of choice in the foreseeable future for apparel manufacturing. Thus, the Group will continue to devote resources and efforts to the Vietnam projects including the investment in Thien Nam Sunrise Textile Joint Stock Company and DHG.

Business Development

During the period under review, the Group decided to substantially expand its retail operations by entering into a license and distribution agreement (“Agreement”) with one of the well-known branded customers (“Licensor”), pursuant to which the Licensor would grant license and authorize a subsidiary of the Company to manufacture, purchase and/or distribute certain apparel and footwear products bearing a trademark of the Licensor through directly operated retail stores, wholesale and concession channels of the aforementioned subsidiary in the PRC (inclusive of Hong Kong and Macau), Taiwan and certain other countries in Asia. The Agreement is expected to be signed no later than mid of September 2015 and this business will probably be launched in the late 2015 or early 2016.

As the Group has been one of the suppliers of certain products of the Licensor, the Board believes that by leveraging on its good relationship with the Licensor and its knowledge of the products bearing the Licensor’s trademarks, this distribution/retail businesses would become an important growth driver in the near future.

Challenging Operating Environment

Looking forward, the Group will continue to encounter challenging and competitive operating environment especially the unsatisfactory performance of the Casual and Fashion Apparel Division as mentioned above will continue in the second half of 2015. The Board expects that the recovery can only happen in 2016.

Contingent Liabilities

As at 30 June 2015, 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 40,000 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.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

CORPORATE GOVERNANCE PRACTICES

Throughout the six-month period ended 30 June 2015, 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 results announcement, the Company has formed the following committees at the Board level:

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

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

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

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

Corporate governance practices of the Company during the six-month period ended 30 June 2015 are in line with those practices set out in the Corporate Governance Report in the Company’s 2014 Annual Report.

MODEL CODE

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standards set out in the Model Code for Securities Transactions 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 2015.

REVIEW OF INTERIM RESULTS

The Group's unaudited interim financial information has been reviewed by the Company's audit committee. Such unaudited interim financial information has also been reviewed by the Company's auditor, PricewaterhouseCoopers, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. The auditor's independent review report will be included in the Company's 2015 Interim Report.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK1.65 cents per share (2014: HK3.69 cents) for the six months ended 30 June 2015 to be payable to shareholders whose names appear on the Register of Members of the Company on 8 October 2015.

The interim dividend will be paid on or around 23 October 2015.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 6 October 2015 to 8 October 2015, 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 5 October 2015 to qualify for the interim dividend mentioned above.

DISCLOSURE OF INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

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

By order of the Board
Tan Henry
Chief Executive Officer

Hong Kong, 25 August 2015

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