LUEN THAI HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 311)

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2014

GROUP FINANCIAL HIGHLIGHTS

	For the year ended 31 December	
	2014	2013
	US$'000	*US$'000*
Revenue	**1,224,228**	1,228,698
Operating profit	**18,612**	51,474
Profit attributable to owners of the Company	**21,574**	48,221
Profit margin (ratio of profit attributable to owners of the Company to revenue)	**1.8%**	3.9%
Basic earnings per share *(US cents)*	**2.1**	4.7

The board of directors (the "Board") of Luen Thai Holdings Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, the "Group" or "Luen Thai") for the year ended 31 December 2014.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2014

	Note	2014 US$'000	2013 US$'000
Revenue	3	**1,224,228**	1,228,698
Cost of sales		**(1,008,145)**	(1,016,697)
Gross profit		**216,083**	212,001
Impairment loss on goodwill and write-off of customer relationships	9	**(20,960)**	—
Other income — rental income		**1,240**	—
Other (losses)/gains — net	4	**(2,828)**	1,976
Selling and distribution expenses		**(3,551)**	(3,648)
General and administrative expenses		**(171,372)**	(158,855)
Operating profit		**18,612**	51,474
Finance income	6	**4,678**	5,381
Finance costs	6	**(3,102)**	(3,626)
Finance income — net	6	**1,576**	1,755
Share of gain/(loss) of an associated company		**28**	(9)
Share of losses of joint ventures		**(860)**	(500)
Profit before income tax		**19,356**	52,720
Income tax expense	7	**(2,931)**	(2,589)
Profit for the year		**16,425**	50,131
Profit attributable to:			
Owners of the Company		**21,574**	48,221
Non-controlling interests		**(5,149)**	1,910
		16,425	50,131
Earnings per share attributable to owners of the Company for the year *(expressed in US cents per share)*			
Basic earnings per share	8	**2.1**	4.7
Diluted earnings per share	8	**2.1**	4.7

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2014

	2014	2013
	US$'000	*US$'000*
Profit for the year	**16,425**	50,131
Other comprehensive (loss)/income:		
Item that will not be reclassified subsequently to profit or loss:		
Actuarial (losses)/gains on retirement benefit obligations	**(1,420)**	4,837
Item that may be reclassified to profit or loss:		
Currency translation differences	**(2,082)**	(2,385)
Total comprehensive income for the year, net of income tax	**12,923**	52,583
Attributable to:		
Owners of the Company	**18,077**	50,371
Non-controlling interests	**(5,154)**	2,212
	12,923	52,583

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Note	As at 31 December 2014 US$'000	2013 US$'000
ASSETS			
Non-current assets			
Land use rights		**11,205**	11,809
Property, plant and equipment		**111,344**	127,813
Investment properties		**6,827**	—
Intangible assets		**50,110**	75,337
Interest in an associated company		**432**	550
Interests in joint ventures		**12,847**	6,011
Amount due from a joint venture		**7,601**	13,655
Deferred income tax assets		**1,130**	900
Other non-current assets		**6,785**	7,385
Total non-current assets		**208,281**	243,460
Current assets			
Inventories		**110,270**	113,033
Trade and other receivables	11	**229,323**	223,473
Prepaid income tax		**5,413**	4,915
Derivative financial instruments		**183**	—
Cash and bank balances		**217,547**	229,440
Total current assets		**562,736**	570,861
Total assets		**771,017**	814,321
EQUITY			
Equity attributable to owners of the Company			
Share capital		**10,341**	10,341
Other reserves	13	**135,752**	139,249
Retained earnings			
— Proposed final dividend	10	**6,536**	9,028
— Others		**227,866**	217,750
		380,495	376,368
Non-controlling interests		**2,312**	8,986
Total equity		**382,807**	385,354

	Note	As at 31 December 2014 US$'000	2013 US$'000
LIABILITIES			
Non-current liabilities			
Borrowings		**3,330**	4,235
Retirement benefit obligations		**9,189**	6,849
Deferred income tax liabilities		**5,704**	7,475
Total non-current liabilities		**18,223**	18,559
Current liabilities			
Trade and other payables	12	**220,212**	228,211
Borrowings		**141,853**	172,541
Derivative financial instruments		**126**	659
Current income tax liabilities		**7,796**	8,997
Total current liabilities		**369,987**	410,408
Total liabilities		**388,210**	428,967
Total equity and liabilities		**771,017**	814,321
Net current assets		**192,749**	160,453
Total assets less current liabilities		**401,030**	403,913

1. GENERAL 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. The Group has manufacturing plants in the People's Republic of China (the "PRC"), the Philippines, Indonesia, Vietnam and Cambodia.

2. BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss, which are carried at fair value.

The consolidated financial statements are prepared in accordance with the applicable disclosure requirements of the predecessor Companies Ordinance (Cap. 32) for this financial year and the comparative period.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies.

Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

The following Standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2014:

- Amendment to HKAS 32, 'Financial instruments: Presentation', on offsetting financial asset and liability. The Group has adopted the amendment retrospectively. This amendment clarifies that the right of setoff must not be contingent on a future event. It must also be legally enforceable for all counterparties in normal course of business as well as in the event of default, insolvency or bankruptcy. This amendment also considers settlement mechanisms. The adoption of the amendment has no significant impact on the Group's results and financial position.

- Amendments to HKAS 27, HKFRS 10 and 12, 'Consolidation for investment entities', 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 in HKFRS 12 to introduce disclosures that an investment entity needs to make. The adoption of the amendments has no significant impact on the Group's results and financial position.

- Amendment to HKAS 36, 'Impairment of assets', on recoverable amount disclosures 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 the amendment has no significant impact on the Group's results and finance position.

- Amendment to HKAS 39, 'Financial Instruments: Recognition and Measurement — Novation of derivatives', provides relief from discontinuing hedge accounting when novation of a hedging instrument to a central counterparty meets specified criteria. The adoption of the amendment has no significant impact on the Group's results and financial position.

- HK(IFRIC) 21, 'Levies', 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 currently not applicable to the Group, as the Group does not have any levy.

(b) New Standards and interpretation not yet adopted

The Group's assessment of the impact of these new and revised standards and amendments to existing standards is set out below.

- Amendment to HKAS 19 (2011), 'Employee benefits', regarding defined benefit plans is a narrow scope amendment that applies to contributions from employees or third parties to defined benefit plans. The amendment distinguishes between contributions that are linked to service only in the period in which they arise and those linked to service in more than one period. The amendment allows contributions that are linked to service, and do not vary with the length of employee service, to be deducted from the cost of benefits earned in the period that the service is provided. Contributions that are linked to service, and vary according to the length of employee service, must be spread over the service period using the same attribution method that is applied to the benefits. The Group is yet to assess amendment to HKAS 19's full impact and intends to adopt the amendment to HKAS 19 no later than the accounting period beginning on or after 1 July 2014.

- HKFRS 14, 'Regulatory Deferral Accounts' describes regulatory deferral account balances as amounts of expense or income that would not be recognized as assets or liabilities in accordance with other standards, but that qualify to be deferred in accordance with HKFRS 14 because the amount is included, or is expected to be included, by the rate regulator in establishing the price(s) that an entity can charge to customers for rate-regulated goods or services. HKFRS 14 permits eligible first- time adopters of HKFRS to continue their previous Generally Accepted Accounting Principles rate-regulated accounting policies, with limited changes. HKFRS 14 requires separate presentation of regulatory deferral account balances in the balance sheet and of movements in those balances in the statement of comprehensive income. Disclosures are required to identify the nature of, and risk associated with, the form of rate regulation that has given rise to the recognition of regulatory deferral account balances. The Group is yet to assess the full impact of HKFRS 14 and intends to adopt the standard no later than the accounting period beginning on or after 1 January 2016.

- Amendment to HKFRS 11, 'Joint arrangements', on accounting for acquisitions of interests in joint operations requires an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a 'business', as defined in HKFRS 3, 'Business combinations'. Specifically, an investor will need to measure identifiable assets and liabilities at fair value, expense acquisition-related costs, recognize deferred tax, and recognize the residual as goodwill. All other principles of business combination accounting apply unless they conflict with HKFRS 11. The amendment is applicable to both the acquisition of the initial interest and a further interest in a joint operation. The previously held interest is not remeasured when the acquisition of an additional interest in the same joint operation with joint control maintained. The Group is yet to assess the full impact of the amendment and intends to adopt the amendment no later than the accounting period beginning on or after 1 January 2016.

- Amendments to HKAS 16 and HKAS 38 on clarification of acceptable methods of depreciation and amortisation clarify when a method of depreciation or amortisation based on revenue may be appropriate. The amendment to HKAS 16 clarifies that depreciation of an item of property, plant and equipment based on revenue generated by using the asset is not appropriate. The amendment to HKAS 38 establishes a rebuttable presumption that amortisation of an intangible asset based on revenue generated by using the asset is inappropriate. The presumption may only be rebutted where the intangible asset is expressed as a measure of revenue; or where it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated. The Group is yet to assess the full impact of the amendments and intends to adopt the amendments no later than the accounting period beginning on or after 1 January 2016.

- Amendments to HKAS 16 and HKAS 41 on Agriculture: bearer plants change the reporting for bearer plants, such as grape vines, rubber trees and oil palms. Bearer plants should be accounted for in the same way as property, plant and equipment because their operation is similar to that of manufacturing. The amendments include them in the scope of HKAS 16 rather than HKAS 41. The produce on bearer plants will remain in the scope of HKAS 41. The Group is yet to assess the full impact of the amendments and intends to adopt the amendments no later than the accounting period beginning on or after 1 January 2016.

- Amendments to HKFRS 10 and HKAS 28 on sale or contribution of assets between an investor and its associate or joint venture address an inconsistency between HKFRS 10 and HKAS 28 in the sale and contribution of assets between an investor and its associate or joint venture. A full gain or loss is recognized when a transaction involves a business. A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if those assets are in a subsidiary. The Group is yet to assess the full impact of the amendments and intends to adopt the amendments no later than the accounting period beginning on or after 1 January 2016.

- Amendment to HKAS 27 on equity method in separate financial statements allows entities to use equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The Group is yet to assess the full impact of the amendments and intends to adopt the amendments no later than the accounting period beginning on or after 1 January 2016.

- HKFRS 15, 'Revenue from Contracts with Customers', establishes a comprehensive framework for determining when to recognize revenue and how much revenue to recognize through a 5-step approach: (1) Identify the contract(s) with customer; (2) Identify separate performance obligations in a contract (3) Determine the transaction price (4) Allocate transaction price to performance obligations and (5) recognize revenue when performance obligation is satisfied. The core principle is that a company should recognize revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an 'earnings processes to an 'asset-liability' approach based on transfer of control. The Group is yet to assess the full impact of HKFRS 15 and intends to adopt the standard no later than the accounting period beginning on or after 1 January 2017.

- Annual improvements 2012, include changes from the 2010–2012 cycle of the annual improvements project, that affect the following standards:

  - HKFRS 8, 'Operating segments', is amended to require disclosure of the judgments made by management in aggregating operating segments and a reconciliation of segment assets to the entity's assets when segment assets are reported.

  - HKAS 16, 'Property, plant and equipment', and HKAS 38, 'Intangible assets', are amended to clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model.

  - HKAS 24, 'Related Party Disclosures', the reporting entity is not required to disclose the compensation paid by the management entity (as a related party) to the management entity's employee or directors, but it is required to disclose the amounts charged to the reporting entity by the management entity for services provided.

  The Group is yet to assess the full impact of Annual improvements 2012 and intends to adopt the amendments no later than the accounting period beginning on or after 1 July 2014.

- Annual improvements 2013, include changes from the 2011–2013 cycle of the annual improvements project, that affect the following standards:

  - HKFRS 3, 'Business combinations', clarifies that HKFRS 3 does not apply to the accounting for the formation of any joint arrangement under HKFRS 11 in the financial statements of the joint arrangement.

- HKFRS 13, 'Fair value measurement', clarifies that the portfolio exception in HKFRS 13, which allows an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis, applies to all contracts (including non-financial contracts) within the scope of HKAS 39 or HKFRS 9.

- HKAS 40, 'Investment property', preparers also need to refer to the guidance in HKFRS 3 to determine whether the acquisition of an investment property is a business combination.

The Group is yet to assess the full impact of Annual improvements 2013 and intends to adopt the amendments no later than the accounting period beginning on or after 1 January 2015.

- Annual improvements 2014, include changes from the 2012–2014 cycle of the annual improvements project, that affect the following standards:

  - HKFRS 5, 'Non-current assets held for sale and discontinued operations', clarifies that when an asset (or disposal group) is reclassified from 'held for sale' to 'held for distribution', or vice versa, this does not constitute a change to a plan of sale or distribution, and does not have to be accounted for as such. This means that the asset (or disposal group) does not need to be reinstated in the financial statements as if it had never been classified as 'held for sale' or 'held for distribution' simply because the manner of disposal has changed. It also explains that the guidance on changes in a plan of sale should be applied to an asset (or disposal group) which ceases to be held for distribution but is not classified as 'held for sale'.

  - HKFRS 7, 'Financial instruments: Disclosures', which includes two amendments:

    i) Service contracts

    If an entity transfers a financial asset to a third party under conditions which allow the transferor to derecognize the asset, HKFRS 7 requires disclosure of all types of continuing involvement that the entity might still have in the transferred assets. It provides guidance about what is meant by continuing involvement.

    There is a consequential amendment to HKFRS 1 to give the same relief to first time adopters.

    ii) Interim financial statements

    It clarifies the additional disclosure required by the amendments to HKFRS 7, 'Disclosure — offsetting financial assets and financial liabilities' is not specifically required for all interim periods, unless required by HKAS 34.

  - HKAS 19, 'Employee benefits', clarifies when determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important, not the country where they arise. The assessment of whether there is a deep market in high-quality corporate bonds is based on corporate bonds in that currency, not corporate bonds in a particular country. Similarly, where there is no deep market in high-quality corporate bonds in that currency, government bonds in the relevant currency should be used. The Group is yet to assess the full impact of amendment and intends to adopt on 1 January 2017.

The Group is yet to assess the full impact of Annual improvements 2014 and intends to adopt the amendments no later than the accounting period beginning on or after 1 January 2016.

- HKFRS 9, 'Financial instruments', sets out the requirements for recognizing and in measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. This standard replaces HKAS 39 Financial instrument: Recognition and measurement. The Group is yet to assess the full impact of amendment and intends to adopt on 1 January 2018.

There are no other HKASs, HKFRSs or HK (IFRIC) interpretations that are not yet effective that would be expected to have a material impact on the Group.

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 year ended 31 December 2014 and 2013 is as follows:

	Casual and fashion apparel *US$'000*	Life-style apparel *US$'000*	Sweaters *US$'000*	Accessories *US$'000*	Freight forwarding/ logistics services *US$'000*	Real estate *US$'000*	Total *US$'000*
For the year ended 31 December 2014							
Total segment revenue	**1,013,349**	**91,086**	**112,980**	**379,662**	**21,212**	**—**	**1,618,289**
Inter-segment revenue	**(306,074)**	**(1,183)**	**(15,943)**	**(70,341)**	**(520)**	**—**	**(394,061)**
Revenue (from external customers)	**707,275**	**89,903**	**97,037**	**309,321**	**20,692**	**—**	**1,224,228**
Segment profit/(loss) for the year	**27,816**	**(20,688)**	**3,086**	**12,340**	**2,317**	**1,684**	**26,555**
Profit for the year includes:							
Depreciation and amortization	**(14,742)**	**(1,553)**	**(2,194)**	**(5,486)**	**(963)**	**—**	**(24,938)**
Reversal of provision/(provision) for inventory obsolescence	**(1,964)**	**—**	**—**	**194**	**—**	**—**	**(1,770)**
Provision for impairment of trade and bills receivable	**(393)**	**(1,567)**	**(46)**	**(235)**	**(134)**	**—**	**(2,375)**
Provision for material claims	**—**	**(2,992)**	**—**	**—**	**—**	**—**	**(2,992)**
Impairment of goodwill and write-off of customer relationships	**—**	**(16,826)**	**—**	**(4,134)**	**—**	**—**	**(20,960)**
Share of profit of an associated company	**—**	**—**	**—**	**—**	**28**	**—**	**28**
Share of losses of joint ventures	**(833)**	**—**	**—**	**—**	**—**	**(27)**	**(860)**
Income tax (expense)/credit	**(2,424)**	**1,434**	**(1,421)**	**(295)**	**(225)**	**—**	**(2,931)**

	Casual and fashion apparel	Life-style apparel	Sweaters	Accessories	Freight forwarding/ logistics services	Real estate	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
For the year ended 31 December 2013							
Total segment revenue	951,670	132,405	122,502	406,745	18,984	—	1,632,306
Inter-segment revenue	(287,146)	(590)	(20,951)	(94,407)	(514)	—	(403,608)
Revenue (from external customers)	664,524	131,815	101,551	312,338	18,470	—	1,228,698
Segment profit for the year	35,346	4,746	1,601	13,550	1,394	3,861	60,498
Profit for the year includes:							
Depreciation and amortization	(12,871)	(1,552)	(2,319)	(5,698)	(959)	—	(23,399)
Provision for inventory obsolescence	(1,462)	—	—	(656)	—	—	(2,118)
Reversal of provision/(provision) for impairment of trade and bills receivable	100	(280)	(115)	26	(205)	—	(474)
Share of loss of an associated company	—	—	—	—	(9)	—	(9)
Share of profits/(losses) of joint ventures	100	—	—	—	—	(600)	(500)
Income tax (expense)/credit	(3,309)	(687)	(914)	2,541	(220)	—	(2,589)

Revenues between segments are carried out in accordance with the terms mutually agreed between the respective parties. The revenue from external parties is derived from numerous external customers and the revenue reported to the management is measured in a manner consistent with that in the consolidated income statement. The management assesses the performance of the operating segments based on a measure of profit before corporate expenses and effective interest expense on convertible bond for the year.

A reconciliation of total segment profit to the profit for the year is provided as follows:

	2014	2013
	US$'000	*US$'000*
Segment profit for the year	**26,555**	60,498
Corporate expenses *(Note)*	**(10,130)**	(10,265)
Effective interest expense on convertible bond	**—**	(102)
Profit for the year	**16,425**	50,131

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

	2014	2013
	US$'000	*US$'000*
Analysis of revenue by category		
Sales of garment, textile products and accessories	**1,195,034**	1,201,414
Freight forwarding and logistics service fee	**20,692**	18,470
Others	**8,502**	8,814
Total revenue	**1,224,228**	1,228,698

The Group's revenue is mainly derived from customers located in the United States of America (the "United States"), Europe, Japan, Canada and the PRC, while the Group's business activities are conducted predominantly in Hong Kong, Macao, the PRC, the Philippines, Vietnam, Cambodia and the United States.

	2014	2013
	US$'000	*US$'000*
Analysis of revenue by geographical location		
United States	**621,592**	620,250
Europe	**271,861**	308,215
PRC (including Hong Kong and Macao)	**109,333**	118,012
Japan	**86,135**	89,596
Canada	**34,703**	27,550
Others	**100,604**	65,075
	1,224,228	1,228,698

Revenue is allocated based on the countries where the Group's customers are located.

Revenue of approximately US$162,844,000 (2013: US$176,444,000), US$135,613,000 (2013: US$145,821,000) and US$134,124,000 (2013: US$94,600,000) are derived from three (2013: two) single external customers whose sales to whom account for more than 10% of the total year revenue. These revenues are attributable to the segments of casual and fashion apparel and accessories.

4. OTHER (LOSSES)/GAINS — NET

	2014	2013
	US$'000	*US$'000*
Fair value gains/(losses) on derivative financial instruments		
— net gains/(losses) on forward foreign exchange contracts	**575**	(244)
— net gains on interest rate swaps	**—**	285
Net (losses)/gains on forward foreign exchange contracts	**(29)**	950
Net foreign exchange (losses)/gains	**(3,374)**	985
	(2,828)	1,976

5. EXPENSES BY NATURE

	2014	2013
	US$'000	*US$'000*
Raw materials and consumables used	**783,864**	806,980
Changes in inventories of finished goods and work in progress	**10,992**	20,561
Employee benefit expenses	**253,247**	244,960
Gains on disposals of property, plant and equipment — net	**(134)**	(120)
Auditors' remuneration	**1,347**	1,363
Amortization of land use rights	**326**	333
Amortization of intangible assets	**4,267**	3,718
Depreciation of property, plant and equipment	**19,587**	19,348
Depreciation of investment properties	**758**	—
Provision for impairment of trade and bills receivable	**2,375**	474
Provision for material claims	**2,992**	—
Provision for inventory obsolescence	**1,770**	2,118
Operating leases		
— office premises and warehouses	**9,767**	9,226
— plant and machinery	**559**	415
Transportation expenses	**6,955**	7,192
Commission	**2**	345
Communication, supplies and utilities	**30,618**	29,550
Other expenses	**53,776**	32,737
	1,183,068	1,179,200

6. FINANCE INCOME — NET

	2014	2013
	US$'000	*US$'000*
Interest expense on bank loans and overdrafts	**(3,102)**	(3,513)
Interest expense on finance lease	**—**	(11)
Effective interest expenses on convertible bond	**—**	(102)
Finance costs	**(3,102)**	(3,626)
Interest income from bank deposits	**2,013**	2,210
Effective interest income from amount due from a joint venture	**2,665**	3,171
Finance income	**4,678**	5,381
Finance income — net	**1,576**	1,755

7. 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 year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

	2014	2013
	US$'000	*US$'000*
Current income tax	**4,735**	6,534
Under/(over)-provision in prior years	**197**	(3,277)
Deferred income tax	**(2,001)**	(668)
Income tax expense	**2,931**	2,589

Note:

(i) Same as previous year, 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 31 December 2014, the Group has paid an amount of US$3,686,000 in the form of Tax Reserve Certificate which the amount has been included in prepaid income tax in the consolidated statement of financial position and the Group considers that sufficient tax provision has been made in the consolidated financial statements.

8. EARNINGS PER SHARE

(a) Basic

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 year.

	2014	2013
	US$'000	*US$'000*
Profit attributable to owners of the Company	**21,574**	48,221
Weighted average number of ordinary shares in issue *(thousands)*	**1,034,113**	1,018,685
Basic earnings per share *(US cents per share)*	**2.1**	4.7

(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 year ended 31 December 2013, the Company had share options and convertible bond which had 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 number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the 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 31 December 2013 and 2014. During the year ended 31 December 2014, no share options have been granted or vested or convertible bond have been issued. Hence, there is no dilutive effect on its ordinary shares.

	2014	2013
	US$'000	*US$'000*
Earnings		
Profit attributable to owners of the company	**21,574**	48,221
Interest expense on convertible bond, net of tax	**—**	102
Profit used to determine diluted earnings per share	**21,574**	48,323
Weighted average number of ordinary shares in issue *(thousands)*	**1,034,113**	1,018,685
Adjustments for:		
— Assumed conversion of 11,500,000 convertible bond outstanding at the beginning of the year up to 17 April 2013 *(thousands)*	**—**	3,340
— Assumed conversion of 18,246,666 convertible bond outstanding at the beginning of the year up to 9 July 2013 *(thousands)*	**—**	9,448
— Share options *(thousands)*	**—**	831
Weighted average number of ordinary shares for diluted earnings per share *(thousands)*	**1,034,113**	1,032,304
Diluted earnings per share *(US cents per share)*	**2.1**	4.7

9. IMPAIRMENT LOSS ON GOODWILL AND WRITE-OFF OF CUSTOMER RELATIONSHIPS

For the year ended 31 December 2014, due to the loss of certain key customers and the unsatisfactory performance of the Group's life-style apparel and footwear businesses, the Group has made a provision for impairment of goodwill of US$8,576,000 (2013: Nil) and US$1,506,000 (2013: Nil) for life-style apparel and footwear businesses, respectively. In addition, the Group has written off customer relationships of US$10,878,000 (2013: Nil).

10. DIVIDENDS

	2014	2013
	US$'000	*US$'000*
Interim dividend paid of US0.476 cent or equivalent to HK3.69 cents (2013: US0.526 cent) per ordinary share	**4,922**	5,439
Proposed final dividend of US0.632 cent or equivalent to HK4.90 cents (2013: US0.873 cent) per ordinary share	**6,536**	9,028
	11,458	14,467

The directors have recommended the payment of a final dividend of US0.632 cent per ordinary share, totaling US$6,536,000. Such dividend is to be approved by the shareholders at the forthcoming annual general meeting ("AGM"). These financial statements do not reflect this proposed dividend.

11. TRADE AND OTHER RECEIVABLES

	2014	2013
	US$'000	*US$'000*
Trade and bills receivable — net	**178,813**	171,789
Deposits, prepayment and other receivables	**26,164**	22,238
Amounts due from related companies	**3,125**	1,568
Amounts due from joint ventures	**21,221**	27,878
	229,323	223,473

	2014	2013
	US$'000	*US$'000*
Trade and bills receivable	**181,360**	173,084
Less: provision for impairment	**(2,547)**	(1,295)
Trade and bills receivable — net	**178,813**	171,789

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

The Group normally grants credit terms to its customers up to 120 days. The ageing analysis of the trade and bills receivable based on due date, net of provision, is as follows:

	2014	2013
	US$'000	*US$'000*
Current	**146,092**	135,597
1 to 30 days	**20,829**	17,185
31 to 60 days	**6,746**	7,179
61 to 90 days	**1,479**	7,806
91 to 120 days	**1,589**	1,021
Over 120 days	**2,078**	3,001
Amounts past due but not impaired	**32,721**	36,192
	178,813	171,789

12. TRADE AND OTHER PAYABLES

	2014	2013
	US$'000	*US$'000*
Trade and bills payable	**103,907**	126,078
Other payables and accruals	**113,519**	99,685
Amounts due to related companies	**2,730**	2,336
Amounts due to joint ventures	**56**	112
	220,212	228,211

At 31 December 2014 and 2013, the ageing analysis of the trade and bills payable based on invoice date is as follows:

	2014	2013
	US$'000	*US$'000*
0 to 30 days	**94,357**	106,871
31 to 60 days	**6,737**	12,598
61 to 90 days	**2,199**	4,017
Over 90 days	**614**	2,592
	103,907	126,078

13. OTHER RESERVES

	Share premium	**Capital reserve**	**Share-based compensation reserves**	**Convertible bond equity conversion reserve**	**Employment benefits reserve**	**Exchange reserve**	**Total**
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
At 1 January 2013	117,832	6,923	142	980	(4,015)	10,152	132,014
Currency translation differences	—	—	—	—	—	(2,563)	(2,563)
Actuarial gains on retirement benefit obligations	—	—	—	—	4,713	—	4,713
Exercise of share options by employees	513	—	(142)	—	—	—	371
Conversion of convertible bond	5,694	—	—	(980)	—	—	4,714
At 31 December 2013	124,039	6,923	—	—	698	7,589	139,249
At 1 January 2014	**124,039**	**6,923**	**—**	**—**	**698**	**7,589**	**139,249**
Currency translation differences	**—**	**—**	**—**	**—**	**—**	**(2,082)**	**(2,082)**
Actuarial losses on retirement benefit obligations	**—**	**—**	**—**	**—**	**(1,415)**	**—**	**(1,415)**
At 31 December 2014	**124,039**	**6,923**	**—**	**—**	**(717)**	**5,507**	**135,752**

14. EVENT AFTER THE BALANCE SHEET DATE

On 10 February 2015, the Group entered into a subscription agreement with Duc Hanh Garment Joint Stock Company ("DHG"), pursuant to which DHG shall allot and issue and the Group shall subscribe for 3,122,450 shares for a consideration of Vietnam Dong ("VND") 54,229,000,000 (equivalent to approximately US$2,540,000). DHG is principally engaged in the manufacturing of garments and accessories. Upon completion of the transaction, the Group will hold 51% of the total issued capital of DHG.

The above transaction had no financial impact to the consolidated financial statements for the year ended 31 December 2014 since the completion of the transaction was subsequent to the year end.

MANAGEMENT DISCUSSION & ANALYSIS

Result Review

For the year ended 31 December 2014, the Group's revenue amounted to approximately US$1,224,228,000, representing a slight decrease of approximately 0.4% over 2013. The Group produced about 132 million units of apparel and accessories products in 2014 representing an increase of 0.8% over 2013. The slight decrease in revenue was resulted from the sales slump of the Life-style Apparel Division with an offsetting effect on the full-year impact on the integration of the Ocean Sky Group which was completed on 30 April 2013.

The overall gross profit margin in 2014 was approximately 17.7% which is about 0.4 percentage point over 2013. The profit attributable to owners of the Company ("Net Profit") decreased to approximately US$21,574,000 as compared to approximately US$48,221,000 in 2013, representing a decrease of approximately US$26,647,000 or 55.3%. Such decrease was mainly attributable to the one-off non-cash expenses relating to the impairment loss on certain carrying amount of goodwill and write-off of intangible assets of the Life-style Apparel Division and the footwear business under the Accessories Division which amounted to approximately US$12,489,000 (net of the write-off borne by non-controlling interests) and US$4,134,000, respectively. Excluding these one-off non-cash expenses mentioned above, the Net Profit would have been approximately US$38,197,000 for the year under review.

In addition, the decrease in the Net Profit was also due to other one-off expenses resulting from the bankruptcy of a major European customer of Life-style Apparel Division and the delay in shipments arising from labour disputes between dockworkers and their employers in the U.S. West Coast ports. These one-off expenses included (1) written down of the trade receivables and a provision of material claims from suppliers due to the bankruptcy of the above customer, and (2) extra transshipment costs, overtime costs, and penalties paid/payable to those customers affected by the labour disputes aforementioned.

Segmental Review

Apparel and Accessories businesses represented the Group's most significant source of revenue, which accounted for approximately 73.0% and 25.3% respectively of the Group's total revenue for the year under review.

Apparel Supply Chain Management Services

The Casual and Fashion Apparel Division generated a segment profit of approximately US$27,816,000 which decreased by approximately US$7,530,000 when compared with the last corresponding year. Such decrease in the segment profit was primarily attributable to certain customers (and in particular our major Japan customer) who were more cautious in placing orders, as they continued to face a tough retail environment due to weak consumer sentiment; and the integration of the Ocean Sky Group was less than desirable due to staff redeployment and rapid employee turnover. However, the Board believes that the acquisition of Ocean Sky Group could bring in additional revenue and growth to the Group in the medium term despite the temporary unfavourable performance.

During the year under review, the business performance of the Life-style Apparel Division was adversely affected by a considerable drop in orders placed by certain top customers of the Division. The principal reasons for such drop in orders were due to the fact that one of such customers has changed its outsourcing strategy resulting in a shift of its outsourcing suppliers, while the other customer had been declared bankrupt in Europe. As a consequence, the Life-style Apparel Division incurred a segment loss of approximately US$20,688,000 in 2014 as compared to a segment profit of approximately US$4,746,000 in 2013. However, such significant decline in segment result was mainly due to the one-off non-cash expenses mentioned above. The management of the Life-Style Division has been putting substantial effort in developing new customers and the Board has confidence in the long-term development and prospect of the Life-style Apparel Division.

The Sweaters Division has reported a segment profit of approximately US$3,086,000 for 2014, representing a significant improvement of approximately 92.8% when compared to that of 2013. The increase in segment profit was mainly 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

With the change of production mix, orders from a new luxury bag customer and the stabilization of the operations in the Philippines, the Accessories Division remained profitable, despite a one-time impairment loss on the goodwill and intangible asset relating to the footwear business. The Accessories Division recorded a segment profit of approximately US$12,340,000, representing a decrease of approximately 8.9% from last year. The management therefore expects the future performance of the Accessories Division will depend on the operating environment of our major customers.

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"). During the year under review, despite the pre-sale of the Qingyuan Project slowed down to a certain extent in the first half of the year, the pre-sale in the second half of the year picked up very well.

Although the Group recognized its pre-sale revenue of the Qingyuan Project in 2014, 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, the division reported a segment profit of only approximately US$1,684,000 in 2014 as compared to a segment profit of approximately US$3,861,000 for the last corresponding year due to the sharing of the operating loss of the joint venture with Sunshine 100.

The site of the Qingyuan Project is close to the Guangzhou-Qingyuan Light Rail system which will connect Qingyuan with the Guangzhou Metro, and passengers will be able to travel between these two places in less than half an hour. The Guangzhou-Qingyuan Light Rail system is currently under construction and is expected to be operational in late 2017. 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 revenue of approximately US$20,692,000 for the year under review, representing an increase of approximately 12.0% over 2013.

Markets

Geographically, the USA was the Group's key export market for the year under review, accounting for approximately 50.8% of the total revenue of the Group in 2014. The revenue derived from customers in the USA is approximately US$621,592,000, representing an increase of approximately US$1,342,000 over 2013.

Europe remained the second largest export market of the Group in 2014. Europe constituted approximately 22.2% of the Group's total revenue in 2014. The revenue derived from customers in Europe is approximately US$271,861,000, representing a decrease of approximately US$36,354,000 over that recorded for 2013.

Asia market (comprising mainly the PRC and Japan) made up approximately 16.0% of the Group's total revenue in 2014.

Acquisitions and Joint Ventures

It has been one of the Group's strategies to strengthen its core business by way of selective value-enhancing acquisitions and joint ventures. During the year 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 ("TNS"), pursuant to which TNS shall allot and issue and Sunny Force shall subscribe for subscription shares for a consideration of VND189 billion which is equivalent to approximately US$9 million or HK$70 million. TNS is a joint stock company incorporated under the laws of Vietnam on 27 December 2012. The subscription in TNS was completed in April 2014 and TNS became a jointly controlled entity of the Group. TNS is principally engaged in fabric manufacturing in Vietnam.

The Board believes that the infrastructure, the rapid development of the textile/garment industries coupled with the trade preferences should make Vietnam a country of choice. Luen Thai will continue to invest in Vietnam through the building of additional apparel manufacturing facilities and industrial park.

Future Plans and Prospect

Challenging Operating Environment

2015 is still going to be challenging for the Group's business and operations. Minimum wage in China will increase again in 2015. Moreover, at the request of our major Japanese customer, Luen Thai will tighten and control the overtime work of our workers in Dongguan which shall inevitably affect the productivity of our Casual and Fashion Apparel Division.

Increase Investment in Vietnam

Vietnam has already entered into free trade agreement ("FTA") with China and Japan and it is also generally expected by the market that the FTA between European Union and Vietnam and the Trans-Pacific Partnership Agreement will also be signed in 2015. These trade preferences (whether existing or potential) together with the abundant supply of skilled and hardworking labour make Vietnam as a strategic choice for the Group to invest in the next few years.

In order to cope with the Company's strategy, 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") on 10 February 2015 pursuant to which LTIG shall subscribe for subscription shares for a consideration of VND54,229,000,000 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 expected to be completed in June 2015. The Board believes that the Group can enhance its competitiveness and gain market share through its investment TNS and DHG.

In addition, the Group has been considering a plan to form a joint venture to invest into a garment and textile industrial park in Vietnam. Such investment is an important strategic step for the Company to strengthen its position in Vietnam through (1) inviting upstream players to set up fabric mills in the industrial park; (2) investing in these upstream players to facilitate the transformation of certain portion of the Group's business into a vertical model; (3) increasing the profitability of the Group by selling water, steam, electricity to the other industry players within the industrial park. As this potential investment has not entered into any legally binding agreement, there are no other details to be disclosed at this stage. The Company will comply with the Listing Rules and issue announcement related to this industrial park investment when an agreement is concluded and signed.

Increase Production Capacities Outside China

In addition to the aforementioned expansions in Vietnam, the Group will continue to increase the production capacities in Cambodia and the Philippines to cope with the requirements of our customers. The Board believes that with this balanced portfolio of production bases, the Group can better serve and grow with customers.

Although the operation for 2015 is going to be challenging, the Board believes the enhancement of production capacities outside China will enable the Group to sustain its long term growth and development.

Investor Relations and communications

The Group acknowledges the importance of communication with our shareholders. The Group has a policy of proactively promoting investor relations through meetings with analysts and investors, and participation in investors' conferences, company interviews and manufacturing plant visits. The annual general meeting will be called by giving not less than 20 clear business days' notice and our Directors shall be available at the annual general meeting to answer questions on the Group's businesses.

The Group encourages dual communication with both private and institutional investors and responds to their enquiries in an informative and timely manner. The Group has established various forms of communication channels to improve its transparency, including proactive and timely issuance of press releases so as to inform investors of our latest corporate developments. The Group regularly updates its corporate information on the Company's website (www.luenthai.com) in both English and Chinese on a timely basis to all concerned parties.

Contingent Liabilities

As at 31 December 2014, the Group had no material contingent liabilities.

Human Resources and Corporate Social Responsibility

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.

Financial Results and Liquidity

As at 31 December 2014, the total amount of cash and bank deposits of the Group was approximately US$217,547,000, representing a decrease of approximately US$11,893,000 as compared to that as at 31 December 2013. The Group's total bank borrowings as at 31 December 2014 was approximately US$145,183,000, representing a decrease of approximately US$31,593,000 as compared to that as at 31 December 2013.

As at 31 December 2014, based on the scheduled repayments set out in the relevant loan agreements with banks, the maturity profile of the Group's bank borrowings spread over five years with approximately US$96,834,000 repayable within one year, approximately US$10,211,000 in the second year and approximately US$38,138,000 in the third to fifth year.

Gearing ratio of the Company is defined as the net debt (represented by bank borrowings net of cash and bank balances) divided by shareholders' equity. As at 31 December 2014, the Group is in a net cash position. Hence, no gearing ratio is presented.

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.

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 year ended 31 December 2014.

CORPORATE GOVERNANCE

The Group 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 takes care to identify practices designed to achieve effective oversight, transparency and ethical behavior.

Throughout the year ended 31 December 2014, the Company was in compliance with the Code as set out in the Appendix 14 of the Listing Rules. The Company periodically reviews its corporate governance practices to ensure its continuous compliance.

Full details on the subject of corporate governance are set out in the Company's 2014 annual report.

AUDIT COMMITTEE

The Audit Committee was established with written terms of reference that set out the authorities and duties of the Committee adopted by the Board.

The Audit Committee's review covers the accounting principles and practices adopted by the Group, audit plans and findings of the internal and external auditors, and financial matters including the review of consolidated financial statements of the Group for the year ended 31 December 2014.

FINAL DIVIDEND

An interim dividend of US0.476 cent per share was paid to the shareholders during the year and the Directors recommend the payment of a final dividend of US0.632 cent per share (or equivalent to HK4.90 cents) to the shareholders on the register of members on 5 June 2015 totaling to approximately US$6,536,000.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 21 May 2015 to 26 May 2015 (both days inclusive), during which period no transfers of shares will be registered. To determine the entitlement to attend and vote at the AGM of the Company, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's Branch Share Registrars in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 20 May 2015.

In addition, the Board has resolved to recommend the payment of a final dividend of HK4.90 cents per share for members whose names appear on the Register of Members of the Company on 5 June 2015. The Register of Members of the Company will also be closed from 3 June 2015 to 5 June 2015 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, subject to approval at the AGM of the Company, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's Branch Share Registrars in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 2 June 2015.

PUBLICATION OF FINAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The Company's annual results announcement is published on the website of the Stock Exchange at http://www.hkexnews.hk and the Company's website at http://luenthai.quamir.com.

The annual report of the Company for year ended 31 December 2014 containing the information required by Appendix 16 of the Listing Rules will be dispatched to the shareholders in due course.

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

Hong Kong, 27 March 2015

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