INTERIM REPORT

2019

Luenthai

Luen Thai Holdings Limited

聯 泰 控 股 有 限 公 司

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

CONTENTS

EXECUTIVE DIRECTORS

SHEN Yaoqing, *Chairman*
TAN Siu Lin, *Honorary Life Chairman*
TAN Cho Lung Raymond, *Chief Executive Officer*
QU Zhiming
MOK Siu Wan Anne

NON-EXECUTIVE DIRECTOR

HUANG Jie

INDEPENDENT NON-EXECUTIVE DIRECTORS

CHAN Henry
SEING Nea Yie
WANG Ching (appointed on 8 April 2019)
CHEUNG Siu Kee (retired on 15 April 2019)

CHIEF FINANCIAL OFFICER

KORNBLUM Joerg

COMPANY SECRETARY

CHIU Chi Cheung

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

TO THE BOARD OF DIRECTORS OF LUEN THAI HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 3 to 37, which comprises the interim condensed consolidated statement of financial position of Luen Thai Holdings Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2019 and the interim condensed consolidated statement of profit or loss, the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material aspects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 29 August 2019

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2019

	Note	**As at 30 June 2019 US$'000 (Unaudited)**	As at 31 December 2018 US$'000 (Audited)
ASSETS			
Non-current assets			
Land use rights	8	**—**	5,628
Investment properties	8	**6,197**	6,510
Property, plant and equipment	8	**112,509**	109,297
Right-of-use assets	4	**20,873**	—
Intangible assets	8	**46,663**	47,066
Interests in joint ventures	13	**4,230**	4,551
Deferred income tax assets		**1,623**	1,599
Deposits, prepayments and other receivables	10	**5,166**	3,812
Total non-current assets		**197,261**	178,463
Current assets			
Inventories	9	**96,463**	87,858
Trade and other receivables	10	**189,507**	160,728
Prepaid income tax		**3,668**	9,661
Cash and bank balances		**55,947**	80,444
Restricted cash		**3,175**	3,180
Total current assets		**348,760**	341,871
Total assets		**546,021**	520,334
EQUITY			
Equity attributable to owners of the Company			
Share capital	11	**10,341**	10,341
Other reserves	12	**1,705**	2,028
Retained earnings		**191,920**	191,618
Total equity		**203,966**	203,987

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 30 JUNE 2019

	Note	**As at 30 June 2019 US$'000 (Unaudited)**	As at 31 December 2018 US$'000 (Audited)
LIABILITIES			
Non-current liabilities			
Borrowings	14	**22,800**	25,100
Other payables	15	**–**	688
Lease liabilities	4	**13,173**	–
Retirement benefit obligations		**8,789**	8,113
Deferred income tax liabilities		**3,783**	3,885
Total non-current liabilities		**48,545**	37,786
Current liabilities			
Trade and other payables	15	**152,086**	142,456
Borrowings	14	**132,311**	122,243
Lease liabilities	4	**3,364**	–
Derivative financial instruments		**26**	–
Current income tax liabilities		**5,723**	13,862
Total current liabilities		**293,510**	278,561
Total liabilities		**342,055**	316,347
Total equity and liabilities		**546,021**	520,334

The above condensed consolidated statement of financial position should be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE PERIOD ENDED 30 JUNE 2019

	Note	Six months ended 30 June 2019 US$'000 (Unaudited)	2018 US$'000 (Unaudited)
Revenue	7	**461,763**	378,151
Cost of sales		**(395,959)**	(325,200)
Gross profit		**65,804**	52,951
Other gains — net	16	**722**	2,499
Selling and distribution expenses		**(2,411)**	(1,278)
General and administrative expenses		**(52,783)**	(40,904)
Operating profit	17	**11,332**	13,268
Finance income	18	**342**	220
Finance costs	18	**(3,437)**	(1,446)
Finance costs — net	18	**(3,095)**	(1,226)
Share of losses of joint ventures		**(54)**	(1,409)
Profit before income tax		**8,183**	10,633
Income tax expense	19	**(1,627)**	(1,595)
Profit for the period		**6,556**	9,038
Profit attributable to owners of the Company		**6,556**	9,038
Earnings per share attributable to owners of the Company, expressed in US cents per share			
— Basic and diluted	20	**0.63**	0.87

The above condensed consolidated statement of profit or loss should be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD ENDED 30 JUNE 2019

	Six months ended 30 June	
	2019	2018
	US$'000	US$'000
	(Unaudited)	(Unaudited)
Profit for the period	**6,556**	9,038
Other comprehensive loss		
Item that may be reclassified to profit or loss:		
Currency translation differences	**(323)**	(1,731)
Total comprehensive income for the period, net of income tax	**6,233**	7,307
Total comprehensive income attributable to owners of the Company	**6,233**	7,307

The above condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 30 JUNE 2019

	Unaudited			
	Attributable to owners of the Company			
	Share capital US$'000	Other reserves US$'000	Retained earnings US$'000	Total equity US$'000
Balance at 31 December 2018	10,341	2,028	191,618	203,987
Changes in accounting policy *(note 4)*	–	–	(1,973)	(1,973)
Balance at 1 January 2019	10,341	2,028	189,645	202,014
Profit for the period	–	–	6,556	6,556
Other comprehensive loss:				
Currency translation differences	–	(323)	–	(323)
Total comprehensive income for the period ended 30 June 2019	–	(323)	6,556	6,233
Total transactions with owners of the Company, recognized directly in equity				
Dividends declared *(note 21)*	–	–	(4,281)	(4,281)
Total transactions with owners of the Company	–	–	(4,281)	(4,281)
Balance at 30 June 2019	10,341	1,705	191,920	203,966

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

FOR THE PERIOD ENDED 30 JUNE 2018

	Unaudited			
	Attributable to owners of the Company			
	Share capital US$'000	Other reserves US$'000	Retained earnings US$'000	Total equity US$'000
Balance at 1 January 2018	10,341	1,228	178,748	190,317
Profit for the period	–	–	9,038	9,038
Other comprehensive loss:				
Currency translation differences	–	(1,731)	–	(1,731)
Total comprehensive income for the period ended 30 June 2018	–	(1,731)	9,038	7,307
Total transactions with owners of the Company, recognized directly in equity				
Dividends paid	–	–	(7,725)	(7,725)
Total transactions with owners of the Company	–	–	(7,725)	(7,725)
Balance at 30 June 2018	10,341	(503)	180,061	189,899

The above condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE PERIOD ENDED 30 JUNE 2019

	Note	Six months ended 30 June 2019 US$'000 (Unaudited)	2018 US$'000 (Unaudited)
Cash flows from operating activities			
Cash (used in)/generated from operations		**(10,684)**	8,325
Interest paid	18	**(3,437)**	(1,446)
Income tax paid		**(3,899)**	(3,900)
Net cash (used in)/generated from operating activities		**(18,020)**	2,979
Cash flows from investing activities			
Purchases of property, plant and equipment	8	**(11,190)**	(4,813)
Decrease in bank deposits maturing beyond 3 months		**–**	2
Proceeds from disposals of property, plant and equipment		**233**	867
Dividend received from a joint venture	13	**267**	137
Interest received	18	**342**	220
Prepayment of property, plant and equipment		**(2,451)**	–
Net cash used in investing activities		**(12,799)**	(3,587)
Cash flows from financing activities			
Net increase/(decrease) in trade finance		**3,985**	(9,252)
Proceeds from borrowings		**7,983**	52,177
Repayments of borrowings		**(4,200)**	(51,016)
Principle elements of lease payments		**(1,560)**	–
Dividends paid to the Company's shareholders		**–**	(7,725)
Net cash generated from/(used in) financing activities		**6,208**	(15,816)
Net decrease in cash and bank balances		**(24,611)**	(16,424)
Cash and bank balances at beginning of the period		**80,443**	77,791
Exchange gains/(losses) on cash and bank balances		**115**	(403)
Cash and bank balances at end of the period		**55,947**	60,964

The above condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 GENERAL INFORMATION

Luen Thai Holdings Limited (the "Company") is principally an investment holding company. The Company and its subsidiaries (together, the "Group") are principally engaged in the manufacturing and trading of apparels and accessories. The Group has manufacturing plants primarily in the People's Republic of China (the "PRC"), Cambodia, the Philippines, Vietnam, Indonesia, Thailand and Myanmar.

The Company is a limited liability company incorporated in the Cayman Islands. The address of its registered office and principal place of business of the Company are Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands, and Rooms 1001–1005, 10/F, Nanyang Plaza, 57 Hung To Road, Kwun Tong, Kowloon, Hong Kong, respectively.

The Company has its primary listing on the Main Board of the Stock Exchange of Hong Kong Limited.

This condensed consolidated interim financial information is presented in United States dollars ("US$"), unless otherwise stated. This condensed consolidated interim financial information has been approved for issue by the Board of Directors on 29 August 2019.

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

2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2019 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting". The interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2018 and any public announcements made by Luen Thai Holdings Limited during the interim reporting period.

3 ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2018, as described in those annual financial statements, except for the adoption of new and amended standards effective for the financial year ending 31 December 2019 as described below.

(a) 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 2019:

- Annual Improvements 2015–2017 Cycle,
- HKAS 19 (Amendments) Plan Amendment, Curtailment or Settlement,
- HKAS 28 (Amendments) Long-term Interests in Associates and Joint Ventures,
- HKFRS 9 (Amendments) Prepayment Features with Negative Compensation, and
- HKFRS 16 Leases

The impact of the adoption of HKFRS 16 is disclosed in Note 4 below. Other new or amended standards did not have any material impact on the Group's accounting policies.

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

4 CHANGE IN ACCOUNTING POLICIES

This note explains the impact of the adoption of HKFRS 16 Leases on the Group's financial statements and discloses the new accounting policies that have been applied from 1 January 2019 in Note 4(b) below.

The Group has adopted HKFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognized in the opening consolidated statement of financial position on 1 January 2019.

(a) Adoption recognized on adoption of HKFRS 16

On adoption of HKFRS 16, the Group recognized lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 6.25%.

	2019 US$'000
Operating lease commitments disclosed as at 31 December 2018	**23,041**
Discounted using the lessee's incremental borrowing rate of at the date of initial application	**(7,640)**
Less: short-term and low-value leases recognized on a straight-line basis as expense	**(2,054)**
Lease liabilities recognized as at 1 January 2019	**13,347**
Current lease liabilities	**2,944**
Non-current lease liabilities	**10,403**
	13,347

The right-of-use assets were measured on a retrospective basis as if the new rules had always been applied. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

4 CHANGE IN ACCOUNTING POLICIES (CONTINUED)

(a) Adoption recognized on adoption of HKFRS 16 (Continued)

The recognized right-of-use assets relate to the following types of assets:

	30 June 2019 US$'000 (Unaudited)	1 January 2019 US$'000 (Unaudited)
Properties and land	**14,858**	11,639
Land use rights	**6,007**	5,628
Motor vehicles	**8**	12
	20,873	17,279

The change in accounting policy mainly affected the following items in the condensed consolidated statement of financial position on 1 January 2019:

- Right-of-use assets — increase by US$17,279,000
- Land use rights — decrease by US$5,628,000
- Lease liabilities — increase by US$13,347,000
- Current other payables — decrease by US$13,000
- Non-current other payables — decrease by US$688,000
- Current prepayment — decrease by US$63,000
- Non-current prepayment — decrease by US$915,000

The net impact on retained earnings on 1 January 2019 was a decrease of US$1,973,000. The impact on disclosure of segment and earnings per share are not significant.

4 CHANGE IN ACCOUNTING POLICIES (CONTINUED)

(a) Adoption recognized on adoption of HKFRS 16 (Continued)

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics,
- reliance on previous assessments on whether leases are onerous,
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases, and
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HKFRIC 4 *Determining whether an Arrangement contains a Lease*.

(b) The Group's leasing activities and how these are accounted for

The Group leases various properties and land, land use rights and motor vehicles. Rental contracts are typically made for fixed periods of 2 to 50 years but may have extension options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, leases of properties and land and motor vehicles were classified as operating leases. Payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the lease.

4 CHANGE IN ACCOUNTING POLICIES (CONTINUED)

(b) The Group's leasing activities and how these are accounted for (Continued)

From 1 January 2019, leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable, and

- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,

- any lease payments made at or before the commencement date less any lease incentives received,

- any initial direct costs, and

- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise office equipment.

4 CHANGE IN ACCOUNTING POLICIES (CONTINUED)

(b) The Group's leasing activities and how these are accounted for (Continued)

Extension and termination options are included in a number of properties and land leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor. No lease payments made in 2019 were optional.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Potential future cash outflows of US$9,014,000 have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated).

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee. During the current financial period, no significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

5 ESTIMATES

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

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2018.

6 FINANCIAL RISK MANAGEMENT

6.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and cash flow interest rate risk), credit risk and liquidity risk.

The condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2018.

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

6.2 Fair value estimation

The table below analyzes the Group's financial liabilities that are carried at fair value, by valuation method, as at 30 June 2019. The different levels are defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2)
- Inputs for the asset and liability that are not based on observable market data (that is, unobservable inputs) (level 3)

	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
As at 30 June 2019				
Liabilities				
Derivative financial instruments	–	(26)	–	(26)

There were no changes in valuation techniques during the period.

6 FINANCIAL RISK MANAGEMENT (CONTINUED)

6.3 Valuation technique used to derive Level 2 fair values

Level 2 trading and hedging derivatives comprise forward foreign exchange contracts. Forward foreign exchange contracts are fair valued using forward exchange rates that are quoted in an active market. The effects of discounting are generally insignificant for Level 2 derivatives.

6.4 Liquidity risk

For the period ended 30 June 2019, there have been no material changes to the policies and practices for the Group's liquidity and funding risks management as described in the annual financial statements for the year ended 31 December 2018.

7 SEGMENT INFORMATION

The Group is principally engaged in the manufacturing and trading of apparels and accessories. Revenue consists of sales revenue from apparel and accessories.

The executive directors have been identified as the Group's chief operating decision-maker. The executive directors have determined the operating segments based on the information reviewed by them that are used to make strategic decisions.

7 SEGMENT INFORMATION (CONTINUED)

The executive directors assess the performance of each segment based on a measure of segment profit primarily. Assets and liabilities of the Group are regularly reviewed on a consolidated basis. The segment information provided to the executive directors for the reportable segments for the six months ended 30 June 2019 and 2018 is as follows:

	Apparel US$'000 (Unaudited)	Accessories US$'000 (Unaudited)	Total Group US$'000 (Unaudited)
Six months ended 30 June 2019			
Total segment revenue	**238,074**	**223,689**	**461,763**
Inter-segment revenue	**—**	**—**	**—**
Revenue (from external customers)	**238,074**	**223,689**	**461,763**
Timing of revenue recognition			
At a point in time	**238,074**	**222,718**	**460,792**
Over time	**—**	**971**	**971**
	238,074	**223,689**	**461,763**
Segment profit for the period	**8,169**	**4,096**	**12,265**
Profit for the period includes:			
Depreciation and amortization *(Note 17)*	**(5,198)**	**(4,950)**	**(10,148)**
Share of losses of joint ventures	**(54)**	**—**	**(54)**
Income tax expense *(Note 19)*	**(1,359)**	**(268)**	**(1,627)**

7 SEGMENT INFORMATION (CONTINUED)

	Apparel US$'000 (Unaudited)	Accessories US$'000 (Unaudited)	Total Group US$'000 (Unaudited)
Six months ended 30 June 2018			
Total segment revenue	238,350	139,801	378,151
Inter-segment revenue	—	—	—
Revenue (from external customers)	238,350	139,801	378,151
Timing of revenue recognition			
At a point in time	238,350	139,799	378,149
Over time	—	2	2
	238,350	139,801	378,151
Segment profit for the period	7,610	6,918	14,528
Profit for the period includes:			
Depreciation and amortization *(Note 17)*	(4,038)	(1,844)	(5,882)
Share of losses of joint ventures	(1,409)	—	(1,409)
Income tax expense *(Note 19)*	(1,314)	(281)	(1,595)

Revenues between segments are carried out in accordance with the terms mutually agreed between the respective parties and are equivalent to those that prevail in arm's length transactions. The revenue from external parties is derived from numerous external customers and the revenue reported to management is measured in a manner consistent with that in the condensed consolidated statement of profit or loss. Management assesses the performance of the operating segments based on a measure of profit before corporate expenses for the period.

7 SEGMENT INFORMATION (CONTINUED)

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

	Six months ended 30 June	
	2019	2018
	US$'000	US$'000
	(Unaudited)	(Unaudited)
Segment profit for the period	**12,265**	14,528
Corporate expenses *(Note)*	**(5,709)**	(5,490)
Profit for the period	**6,556**	9,038

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

	Six months ended 30 June	
	2019	2018
	US$'000	US$'000
	(Unaudited)	(Unaudited)
Analysis of revenue by category		
Sales of garment, textile products and accessories	**458,666**	374,900
Other service revenue	**3,097**	3,251
Total revenue	**461,763**	378,151

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

	Intangible assets						
	Goodwill US$'000 (Unaudited)	Customer relationship US$'000 (Unaudited)	Total intangible assets US$'000 (Unaudited)	Investment properties US$'000 (Unaudited)	Property, plant and equipment US$'000 (Unaudited)	Land use rights US$'000 (Unaudited)	Total US$'000 (Unaudited)
Six months ended 30 June 2019							
Opening net book amount as at 1 January 2019	**42,078**	**4,988**	**47,066**	**6,510**	**109,297**	**–**	**162,873**
Transfer to investment properties	**–**	**–**	**–**	**556**	**(530)**	**–**	**26**
Additions	**–**	**–**	**–**	**–**	**11,555**	**–**	**11,555**
Disposals and write-off	**–**	**–**	**–**	**–**	**(391)**	**–**	**(391)**
Depreciation and amortization	**–**	**(403)**	**(403)**	**(350)**	**(7,688)**	**–**	**(8,441)**
Exchange differences	**–**	**–**	**–**	**(519)**	**266**	**–**	**(253)**
Closing net book amount as at 30 June 2019	**42,078**	**4,585**	**46,663**	**6,197**	**112,509**	**–**	**165,369**
Six months ended 30 June 2018							
Opening net book amount as at 1 January 2018	33,726	348	34,074	–	86,101	5,257	125,432
Additions	–	–	–	–	6,246	–	6,246
Disposals and write-off	–	–	–	–	(714)	–	(714)
Depreciation and amortization	–	(130)	(130)	–	(5,667)	(85)	(5,882)
Exchange differences	–	–	–	–	(672)	(18)	(690)
Closing net book amount as at 30 June 2018	33,726	218	33,944	–	85,294	5,154	124,392

9 INVENTORIES

	As at 30 June 2019 US$'000 (Unaudited)	As at 31 December 2018 US$'000 (Audited)
Raw materials	**37,256**	37,083
Work in progress	**51,205**	42,301
Finished goods	**8,002**	8,474
	96,463	87,858

10 TRADE AND OTHER RECEIVABLES

	As at 30 June 2019 US$'000 (Unaudited)	As at 31 December 2018 US$'000 (Audited)
Current portion		
Trade and bills receivables — net	**156,812**	126,689
Deposits, prepayments and other receivables	**25,134**	28,575
Amounts due from related parties *(Note 22(c))*	**7,561**	5,464
	189,507	160,728
Non-current portion		
Prepayments for purchases of property, plant and equipment	**2,451**	365
Deposits	**1,839**	1,647
Others	**876**	1,800
	5,166	3,812

10 TRADE AND OTHER RECEIVABLES (CONTINUED)

	As at 30 June 2019 US$'000 (Unaudited)	As at 31 December 2018 US$'000 (Audited)
Trade and bills receivables	**157,089**	126,802
Less: loss allowances	**(277)**	(113)
Trade and bills receivables — net	**156,812**	126,689

The Group normally grants credit terms to its customers up to 120 days. The ageing analysis of the trade and bills receivables based on invoice date is as follows:

	As at 30 June 2019 US$'000 (Unaudited)	As at 31 December 2018 US$'000 (Audited)
0 to 30 days	**88,683**	75,015
31 to 60 days	**46,702**	30,786
61 to 90 days	**10,845**	10,581
91 to 120 days	**3,735**	4,158
Over 120 days	**7,124**	6,262
	157,089	126,802

11 SHARE CAPITAL

	Number of shares '000	Nominal value US$'000
Issued and fully paid — ordinary shares of US$0.01 each		
As at 31 December 2018 (audited) and 30 June 2019 (unaudited)	1,034,113	10,341

Share option

There has been no change in the status of the Group's share option scheme during the period ended 30 June 2019. As at 30 June 2019 and 31 December 2018, there is no outstanding share option under the share option scheme. No share options have been granted or vested during the period ended 30 June 2019.

12 OTHER RESERVES

	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 2019	**7,891**	**(4,466)**	**4,793**	**(6,190)**	**2,028**
Currency translation differences	**–**	**–**	**19**	**(342)**	**(323)**
As at 30 June 2019	**7,891**	**(4,466)**	**4,812**	**(6,532)**	**1,705**
As at 1 January 2018	7,891	(4,466)	1,144	(3,341)	1,228
Currency translation differences	–	–	(32)	(1,699)	(1,731)
As at 30 June 2018	7,891	(4,466)	1,112	(5,040)	(503)

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 non-controlling interests and the subsequent derecognition of such financial liabilities upon the put options are exercised, expired or terminated; and (ii) the difference between the amount by which the non-controlling interests are acquired and the fair value of the consideration paid.

13 INTERESTS IN JOINT VENTURES

	Six months ended 30 June	
	2019	2018
	US$'000	US$'000
	(Unaudited)	(Unaudited)
Beginning of the period	**4,551**	9,139
Share of post-tax losses of joint ventures	**(54)**	(1,409)
Dividends received	**(267)**	(137)
End of the period	**4,230**	7,593

14 BORROWINGS

	As at 30 June 2019	As at 31 December 2018
	US$'000	US$'000
	(Unaudited)	(Audited)
Non-current		
Bank borrowings		
— Term loans	**22,800**	25,100
	22,800	25,100
Current		
Bank borrowings		
— Term loans	**79,150**	73,067
— Trade finances	**53,161**	49,176
	132,311	122,243
Total borrowings	**155,111**	147,343

15 TRADE AND OTHER PAYABLES

	As at 30 June 2019 US$'000 (Unaudited)	As at 31 December 2018 US$'000 (Audited)
Trade and bills payables	**77,394**	75,730
Contract liability	**300**	400
Other payables and accruals	**68,175**	63,546
Amounts due to related parties *(Note 22(c))*	**6,217**	3,468
	152,086	143,144
Less: non-current	**–**	(688)
Trade and other payables, current	**152,086**	142,456

As at 30 June 2019 and 31 December 2018, the ageing analysis of the trade and bills payables based on invoice date is as follows:

	As at 30 June 2019 US$'000 (Unaudited)	As at 31 December 2018 US$'000 (Audited)
0 to 30 days	**66,434**	63,284
31 to 60 days	**7,495**	7,694
61 to 90 days	**902**	2,441
Over 90 days	**2,563**	2,311
	77,394	75,730

16 OTHER GAINS — NET

	Six months ended 30 June	
	2019	2018
	US$'000	US$'000
	(Unaudited)	(Unaudited)
Net unrealized (losses)/gains on forward foreign exchange contracts	**(26)**	67
Net realized gains on forward foreign exchange contracts	**79**	34
Net foreign exchange gains	**669**	2,398
	722	2,499

17 OPERATING PROFIT

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

	Six months ended 30 June	
	2019	2018
	US$'000	US$'000
	(Unaudited)	(Unaudited)
Amortization of land use rights *(Note 8)*	**—**	85
Amortization of intangible assets *(Note 8)*	**403**	130
Depreciation of property, plant and equipment *(Note 8)*	**7,688**	5,667
Depreciation of right-of-use assets	**1,707**	—
Depreciation and amortization of investment properties *(Note 8)*	**350**	—
Losses/(gains) on disposals of property, plant and equipment	**158**	(143)
Provision for impairment of receivables	**164**	76
Provision for inventory obsolescence	**145**	248
Reversal of provision for material claims	**(1,863)**	(938)
Redundancy expenses	**2,923**	—

18 FINANCE COSTS — NET

	Six months ended 30 June	
	2019	2018
	US$'000	US$'000
	(Unaudited)	(Unaudited)
Interest expense on lease liabilities	**(450)**	–
Interest expense on bank loans and overdrafts	**(2,987)**	(1,446)
Finance costs	**(3,437)**	(1,446)
Interest income from bank deposits	**224**	152
Effective interest income from amount due from a joint venture	**118**	68
Finance income	**342**	220
Finance costs — net	**(3,095)**	(1,226)

19 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 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	
	2019	2018
	US$'000	US$'000
	(Unaudited)	(Unaudited)
Current income tax	**1,755**	1,630
Deferred income tax	**(128)**	(35)
	1,627	1,595

19 INCOME TAX EXPENSE (CONTINUED)

(i) The Inland Revenue Department ("IRD") has been reviewing the eligibility of a Hong Kong incorporated subsidiary's 50% or 100% offshore profits claim for previous years. A Macao incorporated subsidiary also reached a case settlement with the IRD during this interim period.

In respect of the Hong Kong incorporated subsidiary, the IRD tentatively disallowed the 50% or 100% offshore profits claim for the previous years and issued notices of additional assessments/assessments for the years of assessment 2000/01 to 2012/13 on the basis of no 50:50 apportionment for 2000/01 to 2011/12 and no 100% offshore profit for 2012/13 with the amount of US$3,812,000. The subsidiary has lodged objection against the above assessments by the statutory deadlines and, pending settlement of the objections, it has paid a total sum of US$3,663,000 in the form of tax reserve certificates in respect of the tax in dispute up to and including the year of assessment 2012/13.

Management has thoroughly revisited the situations and concluded that there are grounds for the Hong Kong incorporated subsidiary to sustain its 50% or 100% offshore tax filing position.

In respect of the Macao incorporated subsidiary, in December 2018, it has submitted a settlement proposal to the IRD to offer the trading profits for the years of assessment 2005/06 to 2009/10 as taxable. Meanwhile the trading profits thereafter up to and including the year of assessment 2017/18 will not be subject to profits tax in Hong Kong. Accordingly, a provision of income tax liabilities in relation to the proposal of US$7,587,000 has been made in respect of the years of assessment 2005/06 to 2009/10 as at 31 December 2018. The proposal was prepared on a without prejudice basis solely to expedite the progress and achieve full settlement. It shall not be construed as an admission of liability or wrongdoing of the Macao incorporated subsidiary or any other subsidiaries of the Company. The settlement proposal was accepted by IRD in April 2019 with a final tax and interest payable of US$7,578,000. It has fully settled the tax liabilities.

19 INCOME TAX EXPENSE (CONTINUED)

(ii) In prior years and during the period, an overseas tax authority performed tax assessments on overseas incorporated subsidiaries' tax position for the years ended 31 December 2016, 2017 and 2018 and certain periods during the years ended 31 December 2016, 2017, 2018 and 2019 and issued tax assessments/revised tax assessments to demand additional tax payment of US$319,000. The subsidiaries have lodged objection letters to this overseas tax authority. With respect to these tax assessments, management believes that they have grounds to defend their tax position since there are various interpretations of tax rules in that country and a clear calculation basis for the additional tax payment was not provided. Management considers the provision as at 30 June 2019 is adequate.

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

20 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 period.

	Six months ended 30 June	
	2019	2018
	US$'000	US$'000
	(Unaudited)	(Unaudited)
Profit attributable to owners of the Company	**6,556**	9,038
Weighted average number of ordinary shares in issue (thousands)	**1,034,113**	1,034,113
Basic earnings per share (US cents per share)	**0.63**	0.87

20 EARNINGS PER SHARE (CONTINUED)

(b) Diluted

Diluted earnings per share for the six months ended 30 June 2019 and 2018 is the same as the basic earnings per share as there were no potential dilutive ordinary shares outstanding during the periods.

21 DIVIDENDS

(a) Dividends recognized during the reporting period

	Six months ended 30 June	
	2019	2018
	US$'000	US$'000
	(Unaudited)	(Unaudited)
Final dividend of US0.414 cent or equivalent to HK3.24 cents (2017: US0.747 cent) per ordinary share for the year ended 31 December 2018	**4,281**	7,724

(b) Dividend not recognized at the end of the reporting period

	Six months ended 30 June	
	2019	2018
	US$'000	US$'000
	(Unaudited)	(Unaudited)
Interim dividend — US0.190 cent or equivalent to HK1.49 cents (2018: US0.262 cent) per ordinary share	**1,965**	2,709

The interim dividend of US0.190 cent per share (2018: US0.262 cent per share) was declared by the Board of Directors on 29 August 2019. This condensed consolidated interim financial information does not reflect this dividend payable.

22 RELATED-PARTY TRANSACTIONS

(a) Significant transactions with related parties

The directors regard the immediate holding company of the Company to be Shangtex (Hong Kong) Limited, a company incorporated in Hong Kong, and the ultimate holding company of the Company to be Shangtex Holding Co., Ltd, a company incorporated in the PRC which indirectly holds 100% interest in Shangtex (Hong Kong) Limited.

During the period, other than the transactions and balances with related parties as disclosed in respective notes in this condensed consolidated interim financial information, the Group had the following transactions with related companies and joint ventures.

(i) Provision of goods and services

	Six months ended 30 June	
	2019	2018
	US$'000	US$'000
	(Unaudited)	(Unaudited)
Recharge of material costs and other expenses to		
— related companies	**156**	239
— joint ventures	**6,232**	9,822
	6,388	10,061
Sales of apparels, textile products and accessories to related companies	**9,572**	8,657
Management fee income from joint ventures	**1,447**	741

22 RELATED-PARTY TRANSACTIONS (CONTINUED)

(a) Significant transactions with related parties (Continued)

(ii) Purchases of goods and services

	Six months ended 30 June	
	2019	2018
	US$'000	US$'000
	(Unaudited)	(Unaudited)
Rental expenses for occupying office premises, warehouses and staff quarters charged by related companies	**1,352**	691
Professional and technological support service fees to related companies	**960**	968
Freight forwarding and logistics services charged by related companies	**1,203**	1,137

22 RELATED-PARTY TRANSACTIONS (CONTINUED)

(a) Significant transactions with related parties (Continued)

(ii) Purchases of goods and services (Continued)

	Six months ended 30 June	
	2019	2018
	US$'000	US$'000
	(Unaudited)	(Unaudited)
Subcontracting fee charged by		
— related companies	**1,143**	—
— joint ventures	**1,153**	1,027
	2,296	1,027
Recharge of material costs and other expenses by		
— related companies	**427**	507
— joint ventures	**248**	400
	675	907
Purchases of materials from		
— related companies	**250**	158
— joint ventures	**2,591**	8,957
	2,841	9,115

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

22 RELATED-PARTY TRANSACTIONS (CONTINUED)

(b) Key management compensation

	Six months ended 30 June	
	2019	2018
	US$'000	US$'000
	(Unaudited)	(Unaudited)
Salaries and allowances	**4,517**	3,801
Others	**187**	186
	4,704	3,987

(c) Amounts due from/to related companies and joint ventures

	As at 30 June 2019	As at 31 December 2018
	US$'000	US$'000
	(Unaudited)	(Audited)
Amounts due from related parties *(Note 10)*		
— joint ventures	**7,366**	4,579
— related companies	**195**	885
Amounts due to related parties *(Note 15)*		
— joint ventures	**—**	2,445
— related companies	**6,217**	1,023

The amounts due from joint ventures and related companies arise mainly from trade transactions. They are unsecured, interest-free and repayable on demand.

The credit quality of these receivable balances that are neither past due nor impaired can be assessed by reference to historical information about counterparty default rates. None of them have defaults and been renegotiated in the past.

22 RELATED-PARTY TRANSACTIONS (CONTINUED)

(c) Amounts due from/to related companies and joint ventures (Continued)

The amounts due to related companies are unsecured, interest-free and repayable on demand, and the carrying amounts of these balances approximate their fair values and are denominated in US$ except for an amount due to a related party of US$3,644,000 denominated in Chinese Renminbi (31 December 2018: Nil) which is interest-bearing with effective interest rate 4.35% (31 December 2018: Nil).

23 CONTINGENT LIABILITIES AND LITIGATION

As at 30 June 2019 and 31 December 2018, a group of subsidiaries acquired in prior year has a contingent liability regarding potential exposure to overseas import duties, taxes and penalties of approximately US$5,504,000. The contingent liability was recognized upon business combination during the year ended 31 December 2018. Pursuant to the agreement for sale and purchase of the shares of these subsidiaries in 2018, such taxation claim in relation to periods prior to the acquisition will be indemnified entirely by the former shareholders of the these subsidiaries. Accordingly, the Group has also recognized an indemnification asset.

The board (the "Board") of directors (the "Directors") of Luen Thai Holdings Limited (the "Company") is pleased to present the interim report together with the unaudited condensed consolidated financial information of the Company and its subsidiaries (collectively, the "Group" or "Luen Thai") for the six months ended 30 June 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS AND OVERVIEW

After robust growth in 2017 and early 2018, the global economic activity slowed down notably in the second half of 2018 due to various external factors including the rise of economic protectionism, the fear of Hard Brexit and the sluggish economic growth of certain economic giants such as China and Germany. In addition, customer's expectation on speediness, quality and pricing of products and services has been raised to a greater extent due to the increasing popularity of online shopping, which also posed challenge to our OEM business.

Despite such difficult business environment and volatile global economic situation, the Group recorded revenue of approximately US$461,763,000 for the period under review, representing an increase of 22.1% or US$83,612,000 as compared to revenue of approximately US$378,151,000 for the same period in last year. Such significant increase in revenue was attributable to the expansion in production capacity of the accessories products following the completion of the acquisition of Universal Elite Holdings Limited and its subsidiaries (collectively, "Universal Group") in October 2018. In line with the increase in revenue, gross profit for the period increased substantially by 24.3% to US$65,804,000.

Profit attributable to owners of the Company ("Net Profit") amounted to approximately US$6,556,000 for the period ended 30 June 2019, representing a significant decrease of US$2,482,000 or 27.5% compared to corresponding period in last year. Such decrease was mainly attributable to the one-off costs incurred for the downsizing of a factory in Dongguan, Guangdong province of the People's Republic of China (the "PRC"), including redundancy expenses and other related expenses, which amounted to approximately US$2,923,000. Excluding such non-recurring expenses, the Net Profit would have been increased by 4.9% to US$9,479,000 and the net profit margin rose from approximately 1.4% to 2.1%.

SEGMENTAL REVIEW

Apparel and Accessories businesses accounted for approximately 51.6% and 48.4% respectively of the Group's total revenue for the period under review.

Apparel

For the first half of 2019, revenue generated from the Apparel Division was approximately US$238,074,000. As compared to the corresponding period in last year, it decreased slightly by approximately US$276,000 or 0.1%. The negligible decrease of the segment revenue of the Apparel Division was mainly due to mild increase in average selling price offset weakening demand from its brand customers.

Despite the decrease in segment revenue, the segment profit of the Apparel Division increased by 7.3% to approximately US$8,169,000 as compared to the same period of 2018. Such improvement was mainly attributable to the continuing restructuring and reorganization for enhancement of overall cost-effectiveness and efficiency within the Apparel Division.

Accessories

For the first half of 2019, revenue from the Accessories Division amounted to approximately US$223,689,000, representing an increase of approximately 60.0% as compared to the corresponding period in last year. Such increase was a direct result of the acquisition of the Universal Group.

The Accessories Division recorded a segment profit of US$4,096,000, with a decrease of approximately 40.8% from approximately US$6,918,000 when compared with the same period in last year. The decrease in segment profit was a combined effect of (i) positive impact of completion of the acquisition of the Universal Group in late 2018; and (ii) the one-off expenses relating to the downsizing of a factory as mentioned under the heading "Results of Operations and Overview" above.

MARKETS

Geographically, Europe and the United States of America ("US") continued to be our major export markets for the period under review. The total revenue derived from customers in Europe and the US collectively accounted for approximately 75.4% of the Group's total revenue in the first half of 2019.

The Group's revenue from the Asia market (mainly the PRC and Japan) was approximately US$57,512,000, which accounted for approximately 12.5% of the Group's total revenue in the first half of 2019.

LIQUIDITY AND FINANCIAL RESOURCE

The financial position of the Group remained healthy. As at 30 June 2019, the total cash and bank deposits of the Group amounted to approximately US$59,122,000, representing a decrease of approximately US$24,502,000 over the balance as at 31 December 2018. The Group's total bank borrowings as at 30 June 2019 was approximately US$155,111,000, representing an increase of approximately 5.3% as compared to approximately US$147,343,000 as at 31 December 2018.

Gearing ratio is defined as net debt (representing bank borrowings net of cash and bank balances) divided by shareholders' equity. As at 30 June 2019, the gearing ratio of the Group was approximately 47.1%.

As at 30 June 2019, 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$115,811,000 repayable within one year, approximately US$9,200,000 repayable in the second year and approximately US$30,100,000 repayable in the third to fifth year.

FOREIGN EXCHANGE RISK MANAGEMENT

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

On 1 August 2019, US announced that a 10% tariff will be imposed on a final US$300 billion worth of Chinese imports on 1 September 2019, prompting the PRC to halt purchases of agricultural products from US. The PRC is also accused as a currency manipulator by the US. The ceasefire of the trade war was broken due to such announcement and a trade deal was not expected to be completed in the near future. Even though the US-PRC trade war has currently no significant impact on our business, as the Group has been reducing our PRC production capacities. However, the impact remains unpredictable, as certain customers may intend either to reduce or postpone their purchasing orders.

In addition, the possibility of Hard Brexit is growing, as the Brexit deadline is imminent (i.e. 31 October 2019). The eventual impact of Brexit remain unknown and unclear, but the turmoil of the Hard Brexit was taking its toll. Under such circumstances, it is expected that the global economy will continue to be volatile and consumer sentiment will remain fragile.

Facing these challenges, the Group will continue proactively exploring appropriate location in Southeast Asian countries for establishment of a new production base and development of new technology with a view to improving our competitive edge and diversifying the geographical location.

On the other hand, as described in the section headed "Results of Operations and Overview" above, the Net Profit for the period under review decreased by approximately 27.5%. Despite the substantial decline, the Board would like to emphasize that the downsizing costs are non-recurring and one-off in nature, these expenses do not affect the normal operations of the Group. The Group's financial position remains stable and the Group has adequate financial resources to fund its continued growth. The Board will closely review the Group's operations and strategies with a view to improving its business performance and the Company's shareholders' return in the long run.

As disclosed in the latest annual report, the strategic acquisition of Universal Group was completed last year. Such acquisition allows the Group to own production facilities in four Generalized System of Preference ("GSP") beneficiary countries (i.e. Philippines, Cambodia, Myanmar and Thailand) and enables the Group to increase its production capacity immediately to meet the growing demand of accessories products produced in those GSP countries. Hence, the Group's competitiveness in the production of bags was further enhanced.

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES, AND FUTURE PLAN FOR MATERIAL INVESTMENTS OF CAPITAL ASSETS

Other than as disclosed elsewhere in this management discussion and analysis or in the condensed consolidated financial information for the six months ended 30 June 2019, there were no material acquisitions or disposals of subsidiaries, associates and joint ventures during the period.

Luen Thai will continue to look for value-enhancing acquisition and joint venture opportunities to further expand our product range, production capacity and diversify our geographical risk, if it thinks fit. It is expected that internal resources and bank borrowings will be adequate to meet the necessary funding requirements.

The Company will make further announcement in accordance with the Listing Rules, where applicable, if any investments and acquisition opportunities materialize.

CONTINGENT LIABILITIES

As at 30 June 2019 and 31 December 2018, a group of subsidiaries acquired in prior year has a contingent liability regarding potential exposure to overseas import duties, taxes and penalties of approximately US$5,504,000. The contingent liability was recognized upon business combination during the year ended 31 December 2018. Pursuant to the agreement for sale and purchase of the shares of these subsidiaries in 2018, such taxation claim in relation to periods prior to the acquisition will be indemnified entirely by the former shareholders of the these subsidiaries. Accordingly, the Group has also recognized an indemnification asset.

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 and accessories manufacturing industry.

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

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

OTHER INFORMATION

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK1.49 cents per share (2018: HK2.04 cents) for the six months ended 30 June 2019 to be payable to shareholders whose names appear on the Register of Members of the Company on 4 October 2019.

The interim dividend will be paid on or around 25 October 2019.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 2 October 2019 to 4 October 2019, 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 30 September 2019 to qualify for the interim dividend mentioned above.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

UPDATE ON DIRECTORS' INFORMATION

The change of directors' information as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules are set out below:

Dr. Wang Ching has been appointed as an independent non-executive director, a member of each of the audit committee, the remuneration committee and the nomination committee of the Company with effect from 8 April 2019.

Mr. Cheung Siu Kee retired as an independent non-executive director of the Company upon the expiration of his service agreement on 15 April 2019. Following the retirement of Mr. Cheung Siu Kee, he also ceased to be a member of each of the audit committee, the remuneration committee and the nomination committee of the Company.

Dr. Tan Siu Lin, an executive director and honorary life chairman of the Company was appointed as a non-executive director and chairman of S.A.I. Leisure Group Company Limited (Stock code: 1832), a company listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 16 May 2019.

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules. The biographical details of Directors are available on the company's website.

SHARE OPTIONS

A share option scheme of the Company was approved and adopted by way of an ordinary resolution in the annual general meeting of the Company held on 26 May 2014 (the "Share Option Scheme").

No share options were granted to or exercised by any Directors or Chief Executive of the Company or employees of the Group or other participants, nor were cancelled or lapsed during the six months ended 30 June 2019.

As at 30 June 2019 and 31 December 2018, the Company had no share options outstanding under the Share Option Scheme.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 30 June 2019, the interests of the Directors and chief executives of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register maintained by the Company under Section 352 of the SFO, or otherwise notified to the Company and Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

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

Name of Director	Capacity	Number of Shares	Approximate percentage of Interests in the Company *(Note a)*
TAN Siu Lin	Trustee *(Note b)*	1,840,757	0.18%
	Interest of controlled corporation *(Note b)*	9,752,986	0.94%
TAN Cho Lung, Raymond	Interest of controlled corporation *(Note c)*	15,655,639	1.51%
	Interest of spouse *(Note c)*	2,050,000	0.20%
MOK Siu Wan, Anne	Beneficial owner *(Note d)*	2,000,000	0.19%

Notes:

(a) The percentage has been compiled based on the total number of shares of the Company in issue (i.e. 1,034,112,666) as at 30 June 2019.

(b) Dr. Tan Siu Lin as a trustee indirectly controls the entire issued capital of Wincare International Company Limited, which in turn holds directly 1,840,757 Shares. Dr. Tan Siu Lin also controls and is a subscriber and founding member of Tan Siu Lin Foundation Limited, which in turn owns directly 9,752,986 Shares.

(c) Mr. Tan Cho Lung, Raymond wholly owns Flying Base Limited, which directly owns 15,655,639 Shares.

A total of 2,050,000 Shares was held by an associate of Mr. Tan Cho Lung, Raymond. Mr. Tan is therefore deemed under Part XV of the SFO to be interested in all of the 2,050,000 Shares acquired by his associate.

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

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2019, the register of substantial shareholders maintained pursuant to Section 336 of the SFO showed that other than the interests disclosed in "Directors' and Chief Executives' Interests in Shares", the following shareholders had notified the Company of their relevant interests in the issued capital of the Company.

Long position in the Shares

Name of shareholder	Note	Capacity	Number of Ordinary shares beneficially held	Approximate percentage of interests in the Company *(Note a)*
Shangtex (Hong Kong) Limited	(b)	Beneficial owner	730,461,936	70.64%
Shangtex Investment Co., Ltd.	(b)	Interest of controlled corporation	730,461,936	70.64%
Shangtex Holdings Co., Ltd.	(b)	Interest of controlled corporation	730,461,936	70.64%
Orient International (Holding) Co., Ltd.	(b)	Interest of controlled corporation	730,461,936	70.64%

Name of shareholder	Note	Capacity	Number of Ordinary shares beneficially held	Approximate percentage of interests in the Company *(Note a)*
Shanghai Guosheng Group Co., Ltd.	(b)	Interest of controlled corporation	730,461,936	70.64%
Double Joy Investments Limited	(c)	Beneficial owner	71,975,726	6.96%
Dr. Tan Henry	(d)	Interest of controlled corporation	89,179,725	8.62%
Ms. Tan Chiu Joise	(d)	Interest of controlled corporation Interest of spouse	89,179,725	8.62%

Notes:

(a) The percentage has been complied based on the total number of shares of the Company in issue (i.e. 1,034,112,666 Shares) as at 30 June 2019.

(b) Based on the information recorded in the register required to be kept under section 336 of the SFO, Shangtex (Hong Kong) Limited ("Shangtex HK") directly holds 730,461,936 Shares. Shangtex HK is 100% directly owned by Shangtex Investment Co., Ltd ("Shangtex Investment"). Shangtex Investment is 100% directly owned by Shangtex Holding Co., Ltd ("Shangtex"). Orient International (Holding) Co., Ltd ("Orient International") directly holds 76.33% in Shangtex. Shanghai Guosheng Group Co., Ltd directly holds 34% in Orient International.

(c) Double Joy Investments Limited ("Double Joy") is a company incorporated in the British Virgin Islands with limited liability and is owned by Ms. Tan Chiu Joise and Dr. Tan Henry in equal shares. Each Ms. Tan Chiu Joise and Dr. Tan Henry is deemed to be interested in the 71,975,726 Shares held by Double Joy.

(d) Both Dr. Tan Henry and Ms. Tan Chiu Joise are deemed to be interested in the 71,975,726 Shares held by Double Joy as mentioned in note (c) above; and

Dr. Tan Henry wholly owns Hanium Industries Limited, which directly owns 17,203,999 Shares. Ms. Tan Chiu Joise is the wife of Dr. Tan Henry and is deemed to be interested in the shares which are interested by Dr. Tan Henry under Part XV of the SFO.

Save as disclosed above, so far as is known to the Directors, there was no other person (not being a Director or Chief Executive of the Company) who had interest or a short position in the Shares or underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group.

CORPORATE GOVERNANCE PRACTICES

Throughout the six-month period ended 30 June 2019, the Company had complied with the applicable code provisions of the Corporate Governance Code (the "CG Code") as set out in the Appendix 14 of the Listing Rules. The Board Diversity Policy is published on the website of the Company for public information.

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

Audit Committee: The Audit Committee has been set up to provide advice and recommendations to the Board. Mr. Huang Jie and the three independent non-executive Directors of the Company, namely, Mr. Chan Henry, Dr. Wang Ching, and Mr. Seing Nea Yie as the Committee Chairman, comprise the Audit Committee. Each committee member possesses appropriate finance and/or industry expertise to advise the Board.

Remuneration Committee: The Remuneration Committee has been set up with the responsibility of recommending to the Board the remuneration policy for all Directors and the senior management. Mr. Qu Zhiming and the three independent non-executive Directors of the Company, namely, Mr. Chan Henry, Dr. Wang Ching, and Mr. Seing Nea Yie as the Committee Chairman, comprise the Remuneration Committee.

Nomination Committee: The Nomination Committee has been set up with responsibility of making recommendation to the Board on the appointment or re- appointment of Directors. Mr. Shen Yaoqing as the Committee Chairman and the three independent non-executive Directors of the Company, namely, Mr. Chan Henry, Mr. Seing Nea Yie and Dr. Wang Ching, comprise the Nomination Committee.

Financing and Banking Committee: The Financing and Banking Committee has been set up to review and approve any banking facility of the Group, and to ensure that each facility is in the best commercial interest of the Group as a whole. The Financing and Banking Committee comprises two members, namely Mr. Tan Cho Lung, Raymond and Mr. Qu Zhiming, with Mr. Tan Cho Lung, Raymond as the Committee Chairman.

Corporate governance practices of the Company during the six-month period ended 30 June 2019 were in line with those practices set out in the Corporate Governance Report in the Company's 2018 Annual Report.

REVIEW OF INTERIM FINANCIAL INFORMATION

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and has discussed with the management regarding the auditing, internal control and financial reporting matters. The Audit Committee has discussed and reviewed the unaudited interim financial information and the interim report for the six months ended 30 June 2019. Such unaudited condensed consolidated interim financial information has also been reviewed by the Company's auditor, PricewaterhouseCoopers, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

MODEL CODE

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"). After having made specific enquiry of all Directors, the Directors confirmed that they have complied with the required standards as set out in the Model Code and the code of conduct regarding securities transactions by Directors adopted by the Company during the six months ended 30 June 2019.

DISCLOSURE OF INFORMATION ON THE COMPANY AND THE STOCK EXCHANGE'S WEBSITE

This interim report will be published on the websites of the Company (http://www.luenthai.com) and the Stock Exchange (http://www.hkex.com.hk).

By order of the Board
Tan Cho Lung Raymond
Chief Executive Officer and Executive Director

Hong Kong, 29 August 2019