



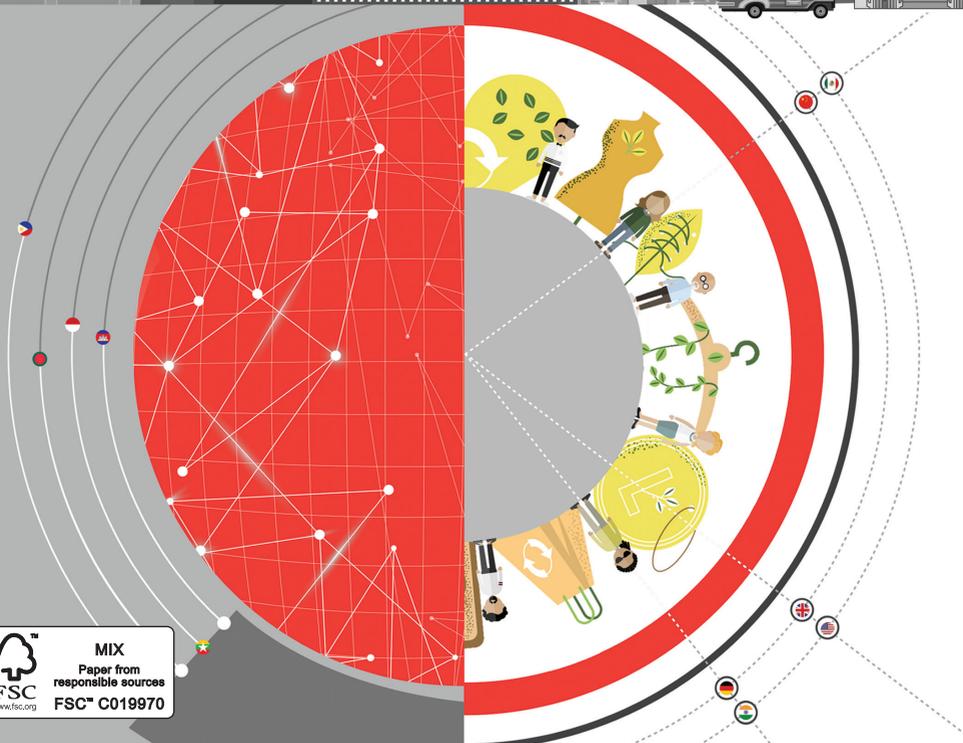
Luen Thai Holdings Limited

聯泰控股有限公司

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

2022 INTERIM REPORT

BEYOND OUR NEXT CHAPTER



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EXECUTIVE DIRECTORS

QU Zhiming, *Chairman*
TAN Siu Lin, *Honorary Life Chairman*
TAN Cho Lung Raymond, *Chief Executive Officer*
HUANG Jie
ZHANG Min

NON-EXECUTIVE DIRECTOR

MOK Siu Wan, Anne

INDEPENDENT NON-EXECUTIVE DIRECTORS

CHAN Henry
SEING Nea Yie
WANG Ching

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 33, which comprises the condensed consolidated statement of financial position of Luen Thai Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2022 and the condensed consolidated statement of profit or loss, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six-month period then ended, and notes, comprising significant accounting policies and other explanatory information. 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, 26 August 2022

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2022

	Note	As at 30 June 2022 US\$'000 (Unaudited)	As at 31 December 2021 US\$'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	7	121,696	126,157
Right-of-use assets	8	31,121	34,297
Intangible assets	7	45,233	45,567
Interests in joint ventures and an associate	13	5,182	2,135
Deferred income tax assets		2,419	2,426
Deposits, prepayments and other receivables	10	4,812	3,330
Total non-current assets		210,463	213,912
Current assets			
Inventories	9	107,450	72,696
Trade and other receivables	10	216,676	171,971
Prepaid income tax		4,207	4,250
Derivative financial instruments		26	1
Cash and bank balances		97,701	99,149
Restricted cash		15	16
Total current assets		426,075	348,083
Total assets		636,538	561,995
EQUITY			
Equity attributable to owners of the Company			
Share capital	11	10,341	10,341
Other reserves	12	(201)	1,610
Retained earnings		193,750	189,513
		203,890	201,464
Non-controlling interests		1,546	2,407
Total equity		205,436	203,871

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 30 JUNE 2022

	Note	As at 30 June 2022 US\$'000 (Unaudited)	As at 31 December 2021 US\$'000 (Audited)
LIABILITIES			
Non-current liabilities			
Borrowings	14	3,889	5,000
Lease liabilities		24,170	26,581
Retirement benefit obligations		12,597	11,175
Deferred income tax liabilities		2,975	3,100
Total non-current liabilities		43,631	45,856
Current liabilities			
Trade and other payables	15	201,496	154,387
Borrowings	14	173,732	144,769
Lease liabilities		4,380	4,833
Current income tax liabilities		7,863	8,279
Total current liabilities		387,471	312,268
Total liabilities		431,102	358,124
Total equity and liabilities		636,538	561,995

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 2022

	Note	Six months ended 30 June	
		2022 US\$'000 (Unaudited)	2021 US\$'000 (Unaudited)
Revenue	6	462,813	334,206
Cost of sales		(386,738)	(284,795)
Gross profit		76,075	49,411
Other gains/(losses) – net	16	680	(579)
Selling and distribution expenses		(826)	(871)
General and administrative expenses		(62,464)	(42,779)
(Provision for)/reversal of provision for impairment of trade receivables	17	(233)	241
Operating profit	17	13,232	5,423
Finance income	18	327	299
Finance costs	18	(3,465)	(2,675)
Finance costs – net	18	(3,138)	(2,376)
Share of losses of joint ventures and an associate – net	13	(1,650)	(646)
Profit before income tax		8,444	2,401
Income tax expense	19	(1,255)	(1,454)
Profit for the period		7,189	947
Profit attributable to			
Owners of the Company		7,598	958
Non-controlling interests		(409)	(11)
		7,189	947
Earnings per share attributable to owners of the Company, expressed in US cents per share			
– Basic and diluted	20	0.73	0.09

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 2022

	Six months ended 30 June	
	2022	2021
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
Profit for the period	7,189	947
Other comprehensive (loss)/income		
<i>Item that may be reclassified to profit or loss:</i>		
Currency translation differences	(1,811)	1,525
Total comprehensive income for the period, net of income tax	5,378	2,472
Total comprehensive income attributable to:		
Owners of the Company	5,787	2,483
Non-controlling interests	(409)	(11)
	5,378	2,472

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 2022

	Unaudited						
	Attributable to owners of the Company					Non-controlling interests	Total equity
	Share capital	Other reserves	Retained earnings	Total	Total		
US\$'000 (Note 11)	US\$'000 (Note 12)	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	
Balance at 1 January 2022	10,341	1,610	189,513	201,464	2,407	203,871	
Profit for the period	–	–	7,598	7,598	(409)	7,189	
Other comprehensive loss:							
Currency translation differences	–	(1,811)	–	(1,811)	–	(1,811)	
Total comprehensive income for the period ended 30 June 2022	–	(1,811)	7,598	5,787	(409)	5,378	
Total contributions by and distributions to owners of the Company, recognized directly in equity							
Final dividend declared (Note 21)	–	–	(3,361)	(3,361)	–	(3,361)	
Dividend declared to non-controlling interests	–	–	–	–	(452)	(452)	
Balance at 30 June 2022	10,341	(201)	193,750	203,890	1,546	205,436	

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

FOR THE PERIOD ENDED 30 JUNE 2021

	Unaudited						
	Attributable to owners of the Company					Non-controlling interests US\$'000	Total equity US\$'000
	Share capital	Other reserves	Retained earnings	Total			
	US\$'000 (Note 11)	US\$'000 (Note 12)	US\$'000	US\$'000	US\$'000		
Balance at 1 January 2021	10,341	(2,555)	178,318	186,104	2,490	188,594	
Profit for the period	–	–	958	958	(11)	947	
Other comprehensive income:							
Currency translation differences	–	1,525	–	1,525	–	1,525	
Total comprehensive income for the period ended 30 June 2021	–	1,525	958	2,483	(11)	2,472	
Balance at 30 June 2021	10,341	(1,030)	179,276	188,587	2,479	191,066	

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 2022

	Note	Six months ended 30 June	
		2022 US\$'000 (Unaudited)	2021 US\$'000 (Unaudited)
Cash flows from operating activities			
Cash generated from operations		(14,016)	21,888
Interest paid	18	(3,465)	(2,675)
Income tax paid		(1,803)	(691)
Net cash (used in)/generated from operating activities		(19,284)	18,522
Cash flows from investing activities			
Investment in a joint venture	13	(120)	–
Purchases of property, plant and equipment	7	(5,740)	(5,941)
Proceeds from disposals of property, plant and equipment		299	1,574
Interest received	18	327	299
Net cash used in investing activities		(5,234)	(4,068)
Cash flows from financing activities			
Net increase in bank borrowings of trade finances arising from transferred receivables		(6,500)	(1,435)
Net increase/(decrease) in bank borrowings of other trade finance		33,768	(1,042)
Proceeds from borrowings		18,401	11,432
Repayments of borrowings		(17,817)	(15,173)
Principal elements of lease payments		(3,210)	(1,374)
Dividends paid		(452)	–
Net cash generated from/(used in) financing activities		24,190	(7,592)
Net (decrease)/increase in cash and bank balances		(328)	6,862
Cash and bank balances at beginning of the period		99,149	66,198
Exchange losses on cash and bank balances		(1,120)	(203)
Cash and bank balances at end of the period		97,701	72,857

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, India 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 26 August 2022.

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 2022 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 2021 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 2021, as described in those annual financial statements, except for the adoption of amended standards, improvements and guideline effective for the financial year ending 31 December 2021 as described below.

(a) Amended standards, improvements and accounting guideline relevant to and adopted by the Group

The following amended standards, improvements and accounting guideline have been adopted by the Group for the first time for the financial period beginning on or after 1 January 2022:

- Amendments to HKFRS 3, HKAS 16 and HKAS 37 – Narrow-scope Amendments;
- Annual Improvements to HKFRSs 2018–2020; and
- Amendments to Accounting Guideline 5 – Merger Accounting for Common Control Combination.

These amended standards, improvements and accounting guideline have no material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

The Group has not adopted any other new accounting standards and other amendments to existing standards and interpretation that are not yet effective for this interim period.

4 ESTIMATES

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

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2021.

5 FINANCIAL RISK MANAGEMENT

5.1 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 2021.

There have been no changes in the risk management policies since 31 December 2021.

5.2 Fair value estimation

The table below analyzes the Group's financial instruments that are carried at fair value, by valuation method, as at 30 June 2022 and 31 December 2021. The different levels are defined as follows:

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

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.2 Fair value estimation (Continued)

	Level 1 US\$'000	Level 2 US\$'000	Level 3 US\$'000	Total US\$'000
As at 30 June 2022				
Assets (unaudited)				
Derivative financial instruments	–	26	–	26
As at 31 December 2021				
Assets (audited)				
Derivative financial instruments	–	1	–	1

There were no changes in valuation techniques during the period.

5.3 Valuation technique used to derive fair values

Level 2 financial instruments 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.

5.4 Liquidity risk

Compared to year end, there have been no material changes to the policies and practices for the Group's liquidity and funding risks management as described in the annual financial statements for the year ended 31 December 2021.

6 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. The executive directors exclude certain one-off items that might not occur regularly and which introduce volatility into the results of the segment.

6 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 2022 and 2021 is as follows:

	Apparel US\$'000 (Unaudited)	Accessories US\$'000 (Unaudited)	Group Total US\$'000 (Unaudited)
Six months ended 30 June 2022			
Revenue (from external customers)	250,471	212,342	462,813
Revenue recognized under HKFRS 15 – At a point in time	250,200	212,044	462,244
Rental income recognized under HKFRS 16	271	298	569
	250,471	212,342	462,813
Segment profit/(loss) for the period	(1,235)	14,925	13,690
Profit/(loss) for the period includes:			
Depreciation and amortization	(5,731)	(5,563)	(11,294)
Share of losses of joint ventures and an associate – net (<i>Note 13</i>)	(1,650)	–	(1,650)
Income tax expense (<i>Note 19</i>)	(1,093)	(162)	(1,255)
Six months ended 30 June 2021			
Revenue (from external customers)	202,745	131,461	334,206
Revenue recognized under HKFRS 15 – At a point in time	202,734	131,428	334,162
Rental income recognized under HKFRS 16	11	33	44
Segment profit for the period	3,293	2,612	5,905
Profit for the period includes:			
Depreciation and amortization	(5,326)	(6,169)	(11,495)
Share of losses of joint ventures – net (<i>Note 13</i>)	(646)	–	(646)
Income tax (expense)/credit (<i>Note 19</i>)	(1,508)	54	(1,454)

6 SEGMENT INFORMATION (CONTINUED)

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.

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

	Six months ended 30 June	
	2022	2021
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
Segment profit for the period	13,690	5,905
Corporate expenses (<i>Note</i>)	(6,501)	(4,958)
Profit for the period	7,189	947

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

	Six months ended 30 June	
	2022	2021
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
Analysis of revenue by category		
Sales of garment, textile products and accessories	457,967	330,886
Other revenue	4,846	3,320
Total revenue	462,813	334,206

7 INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

	Intangible assets			Property, plant and equipment	Total
	Goodwill	Customer relationship	Total intangible assets		
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)

Six months ended 30 June 2022

Opening net book amount as at

1 January 2022	42,320	3,247	45,567	126,157	171,724
Additions	–	–	–	5,740	5,740
Disposals and write-off	–	–	–	(356)	(356)
Depreciation and amortization <i>(Note 17)</i>	–	(334)	(334)	(8,886)	(9,220)
Exchange differences	–	–	–	(959)	(959)

Closing net book amount as at

30 June 2022	42,320	2,913	45,233	121,696	166,929
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Six months ended 30 June 2021

Opening net book amount as at

1 January 2021	42,320	3,915	46,235	137,080	183,315
Additions	–	–	–	5,941	5,941
Disposals and write-off	–	–	–	(1,533)	(1,533)
Depreciation and amortization <i>(Note 17)</i>	–	(341)	(341)	(9,136)	(9,477)
Exchange differences	–	–	–	434	434

Closing net book amount as at

30 June 2021	42,320	3,574	45,894	132,786	178,680
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8 LEASES

This note provides information for leases where the Group is a lessee.

	Land and properties US\$'000 (Unaudited)	Land use rights US\$'000 (Unaudited)	Total US\$'000 (Unaudited)
Right-of-use assets			
As at 1 January 2022	28,782	5,515	34,297
Additions	346	—	346
Depreciation (<i>Note 17</i>)	(2,897)	(127)	(3,024)
Exchange differences	(484)	(14)	(498)
As at 30 June 2022	25,747	5,374	31,121

	Land and properties US\$'000 (Unaudited)	Land use rights US\$'000 (Unaudited)	Total US\$'000 (Unaudited)
Right-of-use assets			
As at 1 January 2021	24,417	5,761	30,178
Additions	7,792	—	7,792
Depreciation (<i>Note 17</i>)	(2,784)	(124)	(2,908)
Exchange differences	12	1	13
As at 30 June 2021	29,437	5,638	35,075

9 INVENTORIES

	As at 30 June 2022 US\$'000 (Unaudited)	As at 31 December 2021 US\$'000 (Audited)
Raw materials	52,618	35,840
Work in progress	44,893	31,245
Finished goods	9,939	5,611
	107,450	72,696

10 TRADE AND OTHER RECEIVABLES

	As at 30 June 2022 US\$'000 (Unaudited)	As at 31 December 2021 US\$'000 (Audited)
Current portion		
Trade receivables	120,552	94,577
Less: loss allowances	(4,434)	(4,201)
Trade receivables – net (<i>Note</i>)	116,118	90,376
Deposits, prepayments and other receivables	82,154	57,974
Amounts due from related parties (<i>Note 22(c)</i>)	18,404	23,621
	216,676	171,971
Non-current portion		
Deposits	2,210	2,213
Others	2,602	1,117
	4,812	3,330

10 TRADE AND OTHER RECEIVABLES (CONTINUED)

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

	As at 30 June 2022 US\$'000 (Unaudited)	As at 31 December 2021 US\$'000 (Audited)
0 to 30 days	72,107	60,055
31 to 60 days	38,367	18,387
61 to 90 days	4,511	10,323
91 to 120 days	396	1,524
Over 120 days	5,171	4,288
	120,552	94,577

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 2021 (audited) and 30 June 2022 (unaudited)	1,034,113	10,341

12 OTHER RESERVES

	Capital reserve <i>(Note (i))</i> US\$'000 (Unaudited)	Other capital reserves <i>(Note (ii))</i> US\$'000 (Unaudited)	Employment benefit reserve US\$'000 (Unaudited)	Exchange reserve US\$'000 (Unaudited)	Total US\$'000 (Unaudited)
As at 1 January 2022	7,891	(2,795)	3,394	(6,880)	1,610
Currency translation differences	–	–	(216)	(1,595)	(1,811)
As at 30 June 2022	7,891	(2,795)	3,178	(8,475)	(201)
As at 1 January 2021	7,891	(2,795)	1,451	(9,102)	(2,555)
Currency translation differences	–	–	(729)	2,254	1,525
As at 30 June 2021	7,891	(2,795)	722	(6,848)	(1,030)

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 AND AN ASSOCIATE

	As at 30 June 2022 US\$'000 (Unaudited)	As at 31 December 2021 US\$'000 (Audited)
Interests in joint ventures	5,054	1,975
Interest in an associate	128	160
	5,182	2,135

(a) The movement of interests in joint ventures is provided as follows:

	Six months ended 30 June	
	2022 US\$'000 (Unaudited)	2021 US\$'000 (Unaudited)
Beginning of the period	1,975	3,649
Additions	120	–
Transfer from amounts due from joint ventures	4,577	–
Share of post-tax losses of joint ventures – net	(1,618)	(646)
End of the period	5,054	3,003

(b) The movement of interest in an associate is provided as follows:

	Six months ended 30 June	
	2022 US\$'000 (Unaudited)	2021 US\$'000 (Unaudited)
Beginning of the period	160	–
Share of post-tax losses of an associate	(88)	–
Realization of unrealized profit from trademark licensing income to an associate	56	–
End of the period	128	–

14 BORROWINGS

	As at 30 June 2022 US\$'000 (Unaudited)	As at 31 December 2021 US\$'000 (Audited)
Non-current		
Bank borrowings		
– Term loans	3,889	5,000
	3,889	5,000
Current		
Bank borrowings		
– Term loans	122,140	120,445
– Trade finances	51,592	24,324
	173,732	144,769
Total borrowings	177,621	149,769
Non-current borrowings		
Unsecured	3,889	5,000
Current borrowings		
Secured	8,759	4,228
Unsecured	164,973	140,541
	177,621	149,769

15 TRADE AND OTHER PAYABLES

	As at 30 June 2022 US\$'000 (Unaudited)	As at 31 December 2021 US\$'000 (Audited)
Trade payables	111,054	81,134
Contract liabilities	67	45
Other taxes payables	11,913	10,345
Accrued wages and salaries	28,380	23,889
Contingent liabilities (<i>Note i</i>)	16,965	16,965
Dividend payable (<i>Note 21(b)</i>)	3,361	–
Others	26,422	20,350
Amounts due to related parties (<i>Note 22(c)</i>)	3,334	1,659
	201,496	154,387

As at 30 June 2022 and 31 December 2021, the ageing analysis of the trade payables based on invoice date is as follows:

	As at 30 June 2022 US\$'000 (Unaudited)	As at 31 December 2021 US\$'000 (Audited)
0 to 30 days	93,457	66,577
31 to 60 days	10,794	3,376
61 to 90 days	1,816	6,326
Over 90 days	4,987	4,855
	111,054	81,134

15 TRADE AND OTHER PAYABLES (CONTINUED)

Note:

- (i) The Group has contingent liabilities regarding potential exposures to import duties, taxes and penalties in various overseas countries with aggregated amounts of approximately US\$21,354,000 as at 30 June 2022 (31 December 2021: Same).

Among the abovementioned contingent liabilities, US\$5,504,000 was recognized upon business combination of Universal Elite Holdings Limited ("Universal") and its subsidiaries in October 2018. Pursuant to the agreement for sale and purchase of the shares in Universal, such taxation claim in relation to periods prior to October 2018 will be indemnified entirely by the sellers. Accordingly, the Group has recognized an indemnification asset of US\$5,504,000. As at 30 June 2022, the amounts of the contingent liability and the indemnified asset in relation to the acquisition of Universal remained unchanged.

Also, a contingent liability of US\$11,461,000 was recognized upon business combination of Sachio Investments Limited ("Sachio") and its subsidiary in April 2020. Pursuant to the agreement for sale and purchase of the shares in Sachio, such taxation claim in relation to periods prior to April 2020 will be indemnified entirely by the sellers. Accordingly, the Group has recognized an indemnification asset of US\$11,461,000. As at 30 June 2022, the amounts of the contingent liability and the indemnified asset in relation to the acquisition of Sachio remained unchanged.

For the remaining contingent liabilities of approximately US\$4,389,000 (31 December 2021: Same), management considers it is not probable that outflows of resources embodying economic benefits would be required to settle these exposures and no additional provision is considered necessary.

16 OTHER GAINS/(LOSSES) – NET

	Six months ended 30 June	
	2022	2021
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
Fair value changes on derivatives	25	–
Net realised gains/(losses) on forward foreign exchange contracts	85	(58)
Net foreign exchange gains/(losses)	570	(521)
	680	(579)

17 OPERATING PROFIT

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

	Six months ended 30 June	
	2022	2021
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
Amortization of intangible assets (<i>Note 7</i>)	334	341
Depreciation of property, plant and equipment (<i>Note 7</i>)	8,886	9,136
Depreciation of right-of-use assets (<i>Note 8</i>)	3,024	2,908
Losses/(gains) on disposals of property, plant and equipment	57	(41)
Provision for/(reversal of provision for) impairment of trade receivables	233	(241)
Provision for/(reversal of provision for) inventory obsolescence	1,685	(468)
Provision for material claims	1,263	124
Termination expenses	1,454	2,155

18 FINANCE COSTS – NET

	Six months ended 30 June	
	2022	2021
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
Interest expense on lease liabilities	(972)	(933)
Interest expense on bank loans and overdrafts	(2,493)	(1,742)
Finance costs	(3,465)	(2,675)
Interest income from bank deposits	200	220
Interest income from amounts due from joint ventures (Note 22(a))	103	79
Other interest income	24	–
Finance income	327	299
Finance costs – net	(3,138)	(2,376)

19 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2021: Same) 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	
	2022	2021
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
Current income tax	1,437	1,492
Deferred income tax	(182)	(38)
	1,255	1,454

19 INCOME TAX EXPENSE (CONTINUED)

Notes:

(i) Hong Kong profits tax

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.

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 2014/15 on the basis of no 50:50 apportionment for 2000/01 to 2011/12 and no 100% offshore profit for 2012/13 to 2014/15 with the amount of US\$3,820,000 (equivalent to HK\$29,797,000). The subsidiary has lodged objections against the above assessments for 2000/01 to 2014/15 by the statutory deadlines. Since the subsidiary was in loss position for 2015/16, no protective assessment was issued for this year. The tax provisions made as at 30 June 2022 for the years of assessment 2000/01 to 2021/22 were approximately US\$811,000 (equivalent to HK\$6,323,000). Pending settlement of the objections, it has paid a total sum of US\$3,695,000 (equivalent to HK\$28,823,000) in the form of tax reserve certificates in respect of the tax in dispute up to the year of assessment 2014/15.

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. Management considers the tax provisions made in relation to the abovementioned case to be adequate but not excessive.

(ii) Overseas income tax

In prior years, an overseas tax authority ("Tax Authority") performed an assessment on the tax position of an overseas incorporated subsidiary for certain periods during the years ended 31 December 2016 and 2017 and issued a revised assessment to demand additional tax payment of US\$319,000. The overseas incorporated subsidiary lodged an objection letter against the above assessment. Up to date, no feedback from the Tax Authority was received. Despite the uncertain outcome of the case, management has provided for the abovementioned amount in full and considers the provision as at 30 June 2022 to be adequate but not excessive.

The Tax Authority has also performed an assessment on another overseas incorporated subsidiary for the year ended 31 December 2016 and issued a revised assessment to demand additional tax payment, inclusive of penalties and interests, at US\$830,000. Management wrote a letter requesting for settlement on the underpaid tax amount on the condition of a waiver of the penalties and interests. During the year ended 31 December 2021, the Tax authority issued a revised letter and revised notification agreeing to waive 50% of the penalties and interests with a reassessed liability of US\$665,000. Management has filed a letter to the Tax Authority requesting for monthly instalment of the reassessed liability, the Tax Authority has accepted the Management's request in April 2022 and the case has then been closed. The unsettled amount as at 30 June 2020 of US\$166,000 has been fully provided for.

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	
	2022	2021
	(Unaudited)	(Unaudited)
Profit attributable to owners of the Company (US\$'000)	7,598	958
Weighted average number of ordinary shares in issue (thousands)	1,034,113	1,034,113
Basic earnings per share (US\$ cents per share)	0.73	0.09

(b) Diluted

Diluted earnings per share for the six months ended 30 June 2022 and 2021 are 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	
	2022	2021
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)

Final dividend of US\$0.325 cent or
HK\$2.53 cents (2020: Nil) per ordinary
share for the year ended 31 December
2021

3,361

–

The final dividend of US\$0.325 cents or HK\$2.53 cents per ordinary share of the Company, totaling US\$3,361,000 for the year ended 31 December 2022 has not been paid during the six months ended 30 June 2022.

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

	Six months ended 30 June	
	2022	2021
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)

Interim dividend – US\$0.220 cent or
HK\$1.72 cents (2021: Nil) per ordinary
share

2,275

–

The interim dividend of US\$0.220 cent per share (2021: Nil) was declared by the Board of Directors on 26 August 2022. This condensed consolidated interim financial information does not reflect this dividend payable.

22 RELATED-PARTY TRANSACTIONS AND BALANCES

(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	
	2022	2021
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
Recharge of material costs and other expenses to		
– related companies	90	807
– joint ventures	7,335	4,006
	7,425	4,813
Sales of apparels, textile products and accessories to		
– related companies	23,103	28,781
– joint ventures	1,062	–
	24,165	28,781
Management fee income from joint ventures	2,047	4,769
Interest income from amounts due from joint ventures <i>(Note 18)</i>	103	79

22 RELATED-PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(a) Significant transactions with related parties (Continued)

(ii) Purchases of goods and services

	Six months ended 30 June	
	2022 US\$'000 (Unaudited)	2021 US\$'000 (Unaudited)
Acquisition of right-of-use assets from a related company	—	1,834
Interest expenses arisen from lease liabilities from related companies	88	58
Professional and technological support service fees to related companies	990	990
Freight forwarding and logistics services charged by related companies	1,399	879
Subcontracting fees charged by joint ventures	1,944	1,525
Recharge of material costs and other expenses by – related companies	506	467
– joint ventures	1,875	388
	2,381	855
Purchases of goods from joint ventures	9,503	6,854
Management fee income to joint ventures	2,675	2,835

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

22 RELATED-PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(b) Key management compensation

	Six months ended 30 June	
	2022	2021
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
Salaries and allowances	1,260	1,367
Others	1,762	136
	3,022	1,503

(c) Balances with related parties

(i) Amounts due from/to related parties arising from sales and purchases of goods and services or loans

	As at	As at
	30 June	31 December
	2022	2021
	US\$'000	US\$'000
	(Unaudited)	(Audited)
Amounts due from related parties (Note 10)		
– joint ventures	15,968	19,843
– an associate	53	–
– related companies	2,383	3,778
	18,404	23,621
Amounts due to related parties (Note 15)		
– joint ventures	1,641	–
– an associate	–	160
– related companies	1,693	1,499
	3,334	1,659

22 RELATED-PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(c) Balances with related parties (Continued)

(i) Amounts due from/to related parties arising from sales and purchases of goods and services or loans (Continued)

During the period, US\$4,577,000 of the financial supports included in amounts due from joint ventures have been transferred to interests in joint ventures as Management considered that these amounts were extensions of the Group's investment in a joint venture and the settlements of which are not likely to occur in the foreseeable future. As a result, as at 30 June 2022, the amounts due from joint ventures include US\$7,731,000 (31 December 2021: US\$11,945,000) financial supports to a joint venture in the form of shareholder loans. These loans are unsecured and interest-bearing. The remaining amounts due from joint ventures, an associate and related companies arise mainly from trade transactions. They are unsecured, interest-free and repayable on demand in accordance with credit terms.

The amounts due to joint ventures and related companies are unsecured, interest-free and repayable on demand. As at 31 December 2021, the amount due to an associate represented the outstanding capital contribution to a newly formed associate. The carrying amounts of these payable balances approximate their fair values.

(ii) Period-end balances arising from leases

	As at 30 June 2022 US\$'000 (Unaudited)	As at 31 December 2021 US\$'000 (Audited)
Lease liabilities from leases with related parties	1,091	1,679

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 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS AND OVERVIEW

The most significant impact of the coronavirus disease 2019 (the “COVID-19”) pandemic, undoubtedly, was on the wellbeing and health of people all over the globe. The imposition of consequent lockdowns had a rippling effect on every aspect of the economic and social fabric of communities. All industries of the economy in the world contracted unprecedentedly and are still recovering from fundamental challenge posed by the COVID-19 pandemic.

The still ongoing COVID-19 pandemic has put tremendous pressure on the international shipping capacity, as the shipping companies’ ability to relocate their shipping containers has been affected due to port restrictions. The prevalence of the COVID-19 pandemic at various production bases has also caused disruptions to the supply chain, which further boosted the pre-order sentiment among retail brands. In a hope to minimize the risk of shipping delays resulting from the persistent global supply chain crisis, various customers of the Group increased the orders for certain seasonal merchandize which were previously typically made in the second half of the year.

On the other hand, despite continued economic uncertainty and turbulence brought by the COVID-19 pandemic, the increasing vaccination coverage has enabled more and more countries to adopt a co-existent approach in dealing with the COVID-19. With the easing of social distancing measures and lockdown restrictions entirely in certain western countries, economic activity and consumer sentiment have been rebounded impressively during the first half of 2022, particularly in the Group’s major export markets, namely the United States of America (“USA”) and Europe. In view of the recovery of the retail markets in the relevant countries and the pre-ordering of seasonal merchandize mentioned above, the Group’s revenue for the first six months ended 30 June 2022 was approximately US\$462,813,000, representing an increase of 38.5% from approximately US\$334,206,000 for the six months ended 30 June 2021.

Gross profit of the Group increased substantially by approximately 54.0% from US\$49,411,000 to US\$76,075,000. Such increase was in line with the enhancement of sales performance of the Group and the improvement of gross profit margin. The gross profit margin increased from 14.8% for the six months ended 30 June 2021 to 16.4% for the six months ended 30 June 2022. The increase in gross profit margin was primarily due to the drastic increase in the segment revenue of the Accessories Division, which has a relatively higher gross profit margin than our apparel business. As a result of the foregoing, the Group recorded a net profit attributable to owners of the Company ("Net Profit") of approximately US\$7,598,000 for the period ended 30 June 2022, as compared to a Net Profit amounting to approximately US\$958,000 for the corresponding period last year.

SEGMENTAL REVIEW

Apparel and Accessories businesses accounted for approximately 54.1% and 45.9% respectively of the Group's total revenue for the period under review.

Apparel

Segment revenue of the Apparel Division increased by approximately 23.5% period-to-period to approximately US\$250,471,000 for the six months ended 30 June 2022. Despite the increase in segment revenue, the Apparel Division incurred a segment loss of approximately US\$1,235,000, when compared to a segment profit of approximately US\$3,293,000 for the corresponding period in 2021.

The decrease in segment result of the Apparel Division was also due to the start-up losses relating to our on-demand manufacturing business and the launch of an innovative printing/dyeing technologies through various joint ventures. In addition, our business in the People's Republic of China (the "PRC") was unavoidably affected to some extent due to sporadic outbreaks of COVID-19 in a number of provinces in the PRC during the first half of 2022 which disrupted the production schedules and orders allocations of the Group's factories. Under such circumstances, the efficiency of our factories for apparel manufacturing has not been optimized and the profitability of these factories has been inevitably driven down.

Accessories

For the first half of 2022, revenue generated from the Accessories Division was approximately US\$212,342,000, representing an increase of approximately US\$80,881,000 or 61.5% when compared with same period last year.

The Accessories Division recorded a segment profit of approximately US\$14,925,000, with an increase of approximately 471.4% from approximately US\$2,612,000 last year. The substantial increase in the segment profit of the Accessories Division was mainly attributable to (i) strong growth momentum of order inflows from certain existing major customers; (ii) continuous improvement in production efficiency in Cambodia; (iii) recovery of the business in Myanmar to a certain extent due to improvement of political tension since the coup d'état in February 2021; and (iv) certain effective cost saving initiatives.

MARKETS

Geographically, Europe and the USA remained our major export markets for the period under review. The total revenue derived from customers in Europe and the USA collectively was approximately US\$324,324,000, which accounted for approximately 70.1% of the Group's total revenue in the first half of 2022.

The Group's revenue from the Asia market (mainly the PRC and Japan) was approximately US\$80,785,000, which accounted for approximately 17.5% of the Group's total revenue in the first half of 2022.

LIQUIDITY AND FINANCIAL RESOURCE

The financial position of the Group remained healthy. As at 30 June 2022, the total cash and bank deposits of the Group amounted to approximately US\$97,701,000, representing a decrease of approximately US\$1,448,000 over the balance as at 31 December 2021. The Group's total bank borrowings as at 30 June 2022 was approximately US\$177,621,000, representing an increase of approximately 18.6% as compared to approximately US\$149,769,000 as at 31 December 2021.

Gearing ratio is defined as net debt (representing bank borrowings net of cash and bank balances) divided by shareholders' equity. As at 30 June 2022, the gearing ratio of the Group was approximately 39.2%.

As at 30 June 2022, 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\$164,288,000 repayable within one year, approximately US\$9,444,000 repayable in the second year and approximately US\$3,889,000 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, Cambodian Riel, Chinese Yuan, Burmese Kyat 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

The impact of the COVID-19 pandemic will still linger in the remaining of 2022, as there are uncontrollable factors such as travel restrictions and lockdown implemented by government authorities around the world from time to time. The market sentiment has also been jittery since the start of the first quarter of 2022 due to the Russia-Ukraine war and international sanctions against Russia, coupled with the on-going geopolitical tensions between the PRC and the USA, the global economy is full of uncertainty.

According to International Monetary Fund's World Economic Outlook findings in July 2022, compared with the projections made in April 2022, both global growth and inflation rates have been adjusted with a pessimistic outlook. The global growth has been further revised downward to 3.2% and 2.9% in 2022 and 2023, respectively, which is lower than that projected in the April 2022 by 0.4 and 0.7 percentage point, respectively. Despite the slowdown in worldwide economic activities, global inflation has been revised upward from 5.7% in advanced economies and 8.7% in developing and emerging economies to 6.6% and 9.5%, respectively. Due to adverse impact of cost pressures from the increase in energy price and disrupted supply chains, inflation has picked up in many economies, particularly in the USA and certain major European economies, our major export markets. To tame the elevated inflation, central banks are expected to accelerate the interest rate hikes. Fears of inflation mixed with tightening monetary policies would probably further dampen consumer spending and undermine business confidence.

In addition, as disclosed in the "Results of Operations and Overview" section above, the management of the Group believes that pre-ordering of seasonal merchandize has been made by various customers during the first half of 2022. In view of this, it is more likely there will be a corresponding decrease in sales in the second half of the year as compared to the preceding year. Encountering such difficult and uncertain market, it will be relatively more challenging for the Group's business and operations in the second half of the year.

The Board remains cautiously optimistic and prudent about the prospects of the core business of the Group in the long term. The Group's management will continue to take proactive measures to mitigate the operational risks of the Group, enhance operational efficiency, reduce costs and tightly manage its cash flow. The Group will also continue to closely monitor the market conditions and will make timely adjustments to its business strategies when necessary.

The Group is dedicated to developing high quality products to cater for the customers' needs and will continuously develop products embracing the needs for future development in the industry. In addition to its own research and development, the Group also partnered with NTX™, a textile technology solutions company, to integrate Cooltrans® and e-Nanofiber™ into our production and product development processes. With this technology, the management of the Group is confident that the Group will be able to maintain its leading position in production technologies in the industry and achieve the ambitious sustainability goals to satisfy the future development direction of the market.

The Group's management also believes that the well-being of the Group's employees is essential to the success of the Group. The Group's management is of the view that the high vaccination rates will help protect our employees from being infected with COVID-19 and may potentially reduce the impact of any future measures which may be imposed by the local governments in the unfortunate event of a resurgence of COVID-19 cases in the relevant countries. As of early March 2022, approximately 96% of the Group's employees have received at least two doses of a COVID-19 vaccine. For the Group's production facilities in the PRC, Cambodia and Philippines, the vaccination rates of the Group's employees are approximately 98%, 97% and 96% respectively.

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

There was no significant investments and material acquisition or disposal of subsidiaries, associates and joint ventures during the period ended 30 June 2022.

Despite the existing difficult and challenging industry conditions, Luen Thai will continue to look for value-enhancing investments which meet our stringent requirements in order to further expand our product range, production capacity and diversify our geographical risk.

FUTURE PLAN FOR MATERIAL INVESTMENTS OF CAPITAL ASSETS

There was no specific plan for material investments or capital assets as at 30 June 2022 (2021: Nil).

CONTINGENT LIABILITIES

The Group has contingent liabilities regarding potential exposures to import duties, taxes and penalties in various overseas countries with aggregated amounts of approximately US\$21,354,000 as at 30 June 2022 (31 December 2021: Same).

Among the abovementioned contingent liabilities, US\$5,504,000 was recognized upon business combination of Universal Elite Holdings Limited ("Universal") and its subsidiaries in October 2018. Pursuant to the agreement for sale and purchase of the shares in Universal, such taxation claim in relation to periods prior to October 2018 will be indemnified entirely by the sellers. Accordingly, the Group has recognized an indemnification asset of US\$5,504,000. As at 30 June 2022, the amounts of the contingent liability and the indemnified asset in relation to the acquisition of Universal remained unchanged.

Also, a contingent liability of US\$11,461,000 was recognized upon business combination of Sachio Investments Limited ("Sachio") and its subsidiary in April 2020. Pursuant to the agreement for sale and purchase of the shares in Sachio, such taxation claim in relation to periods prior to April 2020 will be indemnified entirely by the sellers. Accordingly, the Group has recognized an indemnification asset of US\$11,461,000. As at 30 June 2022, the amounts of the contingent liability and the indemnified asset in relation to the acquisition of Sachio remained unchanged.

For the remaining contingent liabilities of approximately US\$4,389,000 (31 December 2021: Same), management considers it is not probable that outflows of resources embodying economic benefits would be required to settle these exposures and no additional provision is considered necessary.

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.

With over 47,000 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 employees' 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 HK1.72 cents per share (2021: NIL) for the six months ended 30 June 2022 to be payable to shareholders whose names appear on the Register of Members of the Company on 6 October 2022.

The interim dividend will be paid on or around 28 October 2022.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 4 October 2022 to 6 October 2022, both days inclusive, during which period no transfer of shares will be registered. All transfers, accompanied by the relevant share certificates, must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on 3 October 2022 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 during the six months ended 30 June 2022.

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 2022.

As at 30 June 2022 and 31 December 2021, the Company had no share options outstanding under the Share Option Scheme.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 30 June 2022, the Directors and chief executives of the Company had the following interests and short positions in the shares, underlying shares (in respect of positions held pursuant to equity derivatives), and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which (a) were required to be notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO to be entered in the register maintained by the Company referred to therein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"):

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)	10,992,986	1.06%
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 in issue (i.e. 1,034,112,666) as at 30 June 2022.
- (b) Dr. Tan Siu Lin as a trustee indirectly controls the entire issued share 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 10,992,986 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.

Other than the interests disclosed above, none of the Directors nor the chief executives nor their associates had any interests or short positions in any shares, underlying shares (in respect of positions held pursuant to equity derivatives) or debentures of the Company or any of its associated corporations as at 30 June 2022.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 30 June 2022, so far as is known to the Directors and chief executives of the Company, the following persons (other than any Directors or chief executives of the Company) were substantial shareholders, had notified the Company of their relevant interests in shares and underlying shares representing 5% or more of the issued share capital of the Company which were required to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or which were required to be recorded in the register required to be kept under Section 336 of Part XV of the SFO:

Long position in the Shares

Name of shareholder	Note	Capacity	Number of Ordinary shares beneficially held	Approximate percentage of interests in the Company <i>(Note a)</i>
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 Holding 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%
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%

Name of shareholder	Note	Capacity	Number of Ordinary shares beneficially held	Approximate percentage of interests in the Company (Note a)
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 compiled based on the total number of Shares in issue (i.e. 1,034,112,666 Shares) as at 30 June 2022.
- (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 approximately 84.51% 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 Luen Thai Capital Limited (formerly known as 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, the Company has not been notified of any other relevant interests or short positions in the shares or underlying shares (in respect of positions held pursuant to equity derivatives) of the Company as at 30 June 2022.

CORPORATE GOVERNANCE PRACTICES

Throughout the six-month period ended 30 June 2022, the Company has complied with the applicable code provisions of the Corporate Governance Code as set out in the Appendix 14 to the Listing Rules.

Luen Thai acknowledges the need for 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. Ms. Mok Siu Wan, Anne 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. 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 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. QU Zhiming 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. Zhang Min, with Mr. Tan Cho Lung, Raymond as the Committee Chairman.

Corporate governance practices of the Company during the six-month period ended 30 June 2022 were in line with those practices set out in the Corporate Governance Report in the Company's 2021 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 2022.

At the request of the Board, the Company's external auditor, PricewaterhouseCoopers, has carried out a review of the unaudited condensed consolidated interim financial information in accordance with Hong Kong Standard on Review Engagement 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

COMPLIANCE WITH THE MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

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 as set out in Appendix 10 of the Listing Rules. After having made specific enquiry of all Directors, all 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 2022.

By order of the Board

Tan Cho Lung Raymond

Chief Executive Officer and Executive Director

Hong Kong, 26 August 2022