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LUEN THAI HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 311)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2024

GROUP FINANCIAL HIGHLIGHTS

	Six-month period ended 30 June	
	2024	2023
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Revenue	**304,522**	340,222
Operating (loss)/profit	**(2,602)**	6,060
(Loss)/profit attributable to owners of the Company	**(9,728)**	284
(Loss)/earnings per share *(US cents)*	**(0.94)**	0.03

The board of directors (the "Board") of Luen Thai Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the "Group" or "Luen Thai") for the six-month period ended 30 June 2024.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six-month period ended 30 June 2024

	Note	Six-month period ended 30 June 2024 US$'000 (Unaudited)	2023 US$'000 (Unaudited)
Revenue	3	**304,522**	340,222
Cost of sales		**(265,901)**	(293,067)
Gross profit		**38,621**	47,155
Other (loss)/gains — net		**(17)**	1,363
Selling and distribution expenses		**(809)**	(666)
General and administrative expenses		**(40,356)**	(41,792)
Provision for impairment of trade receivables		**(41)**	—
Operating (loss)/profit	4	**(2,602)**	6,060
Finance income	5	**343**	819
Finance costs	5	**(6,755)**	(6,672)
Finance costs — net	5	**(6,412)**	(5,853)
Share of profits of joint ventures and associates — net		**360**	308
(Loss)/profit before income tax		**(8,654)**	515
Income tax expense	6	**(1,154)**	(493)
(Loss)/profit for the period		**(9,808)**	22
(Loss)/profit attributable to			
Owners of the Company		**(9,728)**	284
Non-controlling interests		**(80)**	(262)
		(9,808)	22
(Loss)/earnings per share attributable to owners of the Company, expressed in US cents per share			
— Basic and diluted	7	**(0.94)**	0.03

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six-month period ended 30 June 2024

	Six-month period ended 30 June	
	2024	2023
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
(Loss)/profit for the period	**(9,808)**	22
Other comprehensive income/(loss)		
Item that may be reclassified to profit or loss:		
Currency translation differences	**465**	(2,031)
Total comprehensive loss for the period	**(9,343)**	(2,009)
Total comprehensive loss attributable to:		
Owners of the Company	**(8,946)**	(1,747)
Non-controlling interests	**(397)**	(262)
	(9,343)	(2,009)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2024

	Note	**As at 30 June 2024 US$'000 (Unaudited)**	As at 31 December 2023 US$'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		**98,845**	105,203
Right-of-use assets		**25,221**	25,039
Intangible assets		**43,897**	44,231
Interests in joint ventures and associates		**4,901**	5,893
Deferred income tax assets		**3,138**	3,455
Deposits, prepayments and other receivables	9	**4,669**	4,604
Total non-current assets		**180,671**	188,425
Current assets			
Inventories		**102,192**	65,292
Trade and other receivables	9	**143,872**	141,170
Prepaid income tax		**4,378**	4,330
Derivative financial instruments		**42**	—
Cash and bank balances		**81,212**	75,780
Total current assets		**331,696**	286,572
Total assets		**512,367**	474,997
EQUITY			
Equity attributable to owners of the Company			
Share capital		**10,341**	10,341
Other reserves	11	**(5,428)**	(2,680)
Retained earnings		**176,809**	183,007
		181,722	190,668
Non-controlling interests		**621**	1,018
Total equity		**182,343**	191,686

	Note	As at 30 June 2024 US$'000 (Unaudited)	As at 31 December 2023 US$'000 (Audited)
LIABILITIES			
Non-current liabilities			
Borrowings		—	556
Lease liabilities		**19,407**	19,930
Retirement benefit obligations		**3,618**	7,730
Deferred income tax liabilities		**2,317**	2,438
Total non-current liabilities		**25,342**	30,654
Current liabilities			
Trade and other payables	10	**129,516**	99,801
Borrowings		**164,006**	142,099
Lease liabilities		**4,185**	3,414
Derivative financial instruments		—	52
Current income tax liabilities		**6,975**	7,291
Total current liabilities		**304,682**	252,657
Total liabilities		**330,024**	283,311
Total equity and liabilities		**512,367**	474,997

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six-month period ended 30 June 2024

1. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six-month period ended 30 June 2024 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 2023 and any public announcements made by Luen Thai Holdings Limited during the interim reporting period.

2. ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2023, as described in those annual financial statements, except for the adoption of amended standards and interpretation for the financial year ending 31 December 2024 as described below.

Taxes on income in the six-month period ended are accrued using the tax rate that would be applicable to expected total annual earnings.

(a) Amended standards and interpretation relevant to and adopted by the Group

The following amended standards and interpretation have been adopted by the Group for the first time for the financial period beginning on or after 1 January 2024:

- Amendments to HKAS 1 — Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants
- Hong Kong Interpretation 5 (Revised) — Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause
- Amendments to HKFRS 16 — Lease Liability in a Sale and Leaseback
- Amendments to HKAS 7 and HKFRS 7 — Supplier Finance Arrangements

These amended standards and interpretation 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.

(b) New and amended standards and interpretation not yet adopted by the Group

Certain new standards and amendments to existing standards and interpretation have been published but are not effective for the financial year beginning on or after 1 January 2025 reporting periods and have not been early adopted by the Group.

- Amendments to HKAS 21 and HKFRS 1 — Lack of Exchangeability
- Amendments to HKFRS 9 and HKFRS 7 — Amendments to the Classification and Measurement of Financial Instruments
- HKFRS 18 — Presentation and Disclosure in Financial Statements
- HKFRS 19 — Subsidiaries without Public Accountability: Disclosures
- Amendments to Hong Kong Interpretation 5 — Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause
- Amendments to HKFRS 10 and HKAS 28 — Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The Group will apply the above new standards and amendments to existing standards and interpretation when they become effective.

The new standard and amendments to existing standards and interpretation are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

3. 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.

The executive directors assess the performance of each segment based on a measure of segment profit/(loss) 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-month period ended 30 June 2024 and 2023 is as follows:

	Apparel	**Accessories**	**Group Total**
	US$'000	***US$'000***	***US$'000***
	(Unaudited)	**(Unaudited)**	**(Unaudited)**
Six-month period ended 30 June 2024			
Revenue (from external customers)	**183,362**	**121,160**	**304,522**
Revenue recognized under HKFRS15			
— At a point in time	**183,336**	**120,943**	**304,279**
Rental income recognized under HKFRS16	**26**	**217**	**243**
	183,362	**121,160**	**304,522**
Segment (loss)/profit for the period	**(9,635)**	**5,277**	**(4,358)**
(Loss)/profit for the period includes:			
Depreciation and amortization	**(6,313)**	**(3,824)**	**(10,137)**
Share of profits of joint ventures and associates — net	**360**	**—**	**360**
Income tax expense	**(1,007)**	**(147)**	**(1,154)**

	Apparel	Accessories	Group Total
	US$'000	*US$'000*	*US$'000*
	(Unaudited)	(Unaudited)	(Unaudited)
Six-month period ended 30 June 2023			
Revenue (from external customers)	216,799	123,423	340,222
Revenue recognized under HKFRS15			
— At a point in time	216,573	123,129	339,702
Rental income recognized under HKFRS16	226	294	520
	216,799	123,423	340,222
Segment (loss)/profit for the period	(7,160)	10,496	3,336
(Loss)/profit for the period includes:			
Depreciation and amortization	(6,058)	(4,517)	(10,575)
Share of profits of joint ventures and associates — net	308	—	308
Income tax expense	(432)	(61)	(493)

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-month period ended 30 June	
	2024	2023
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Segment (loss)/profit for the period	**(4,358)**	3,336
Corporate expenses *(Note)*	**(5,450)**	(3,314)
(Loss)/profit for the period	**(9,808)**	22

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

4. OPERATING (LOSS)/PROFIT

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

	Six-month period ended 30 June	
	2024	2023
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Amortization of intangible assets	**334**	334
Depreciation of property, plant and equipment	**7,271**	8,236
Depreciation of right-of-use assets	**2,766**	2,862
Losses/(gains) on disposals of property, plant and equipment	**56**	(38)
Provision for impairment of trade receivables	**41**	—
Reversal of provision for inventory obsolescence	**—**	(763)
Provision for material claims	**709**	858
Restructuring cost	**3,864**	—

5. FINANCE COSTS — NET

	Six-month period ended 30 June	
	2024	2023
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Interest expenses arisen from lease liabilities from related companies	**(66)**	(66)
Interest expense on lease liabilities with third parties	**(809)**	(820)
Interest expense on bank loans and overdrafts	**(5,880)**	(5,786)
Finance costs	**(6,755)**	(6,672)
Interest income from bank deposits	**328**	406
Interest income from amounts due from a joint venture	**15**	411
Other interest income	**—**	2
Finance income	**343**	819
Finance costs — net	**(6,412)**	(5,853)

6. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2023: 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-month period ended 30 June	
	2024	2023
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Current income tax	**1,243**	859
Deferred income tax	**(89)**	(366)
	1,154	493

Notes

(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.

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 (or net loss after setting off the loss brought forward) for 2015/16 and 2016/17, no protective assessment was issued for these years. The tax provisions made as at 30 June 2024 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 as at 30 June 2024.

(ii) During the year ended 31 December 2019, the Group entered into an agreement with an independent third party to dispose of certain of its subsidiaries. The disposed subsidiaries were engaged in the investment holdings, manufacturing and trading of accessories and leasing of the properties. The disposal resulted in an indirect transfer of a Chinese company, which was captured under Public Notice [2015] No. 7 ("Public Notice 7"), the supplementary notice of Circular 698 issued by the PRC State Taxation Administration, of which any capital gain from the transaction was subject to withholding income tax ("WIT") at 10%.

At the date of disposal, there was a receivable balance on book of the disposed subsidiary. Management considers that there were sufficient supporting documents to substantiate the nature and amount and therefore this receivable balance could be excluded from WIT calculation and there will be no capital gain from the disposal transaction. The case is currently under review by the in-charge tax authority and there is no final assessment as at 30 June 2024. Management assessed that the maximum WIT exposure to be approximately RMB10,005,000 (equivalent to US$1,533,000). Despite the uncertain outcomes of the above case, management has provided for the abovementioned amount in full and considers that such provision to be sufficient but not excessive as at 30 June 2024.

(iii) Certain Cambodia incorporated subsidiaries of the Group have been under tax audits by the local tax authority since the year ended 31 December 2016. According to management's experience, the tax audits have been carried out by the local tax authority on a routine basis. On a case-by-case basis, management will determine whether or not to make provision, depending on the expected outcomes of the tax audits. They consider the provisions as at 30 June 2024 to be adequate but not excessive.

(iv) The Group is within the scope of the OECD Pillar Two model rules. Pillar Two legislation was enacted in Vietnam and became effective from 1 January 2024. The Group applies the exception to recognizing and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes, as provided in the amendments to HKAS 12 issued in July 2023. Under the Pillar Two legislation enacted in Vietnam, the Group is expected to be liable to pay a top-up tax for the difference between its GloBE effective tax rate per jurisdiction and the 15% minimum rate. The Group is in the process of assessing its exposure to the Pillar Two legislation for when it comes into effect. Based on the current assessment, the application of the Pillar Two legislation in Vietnam is not expected to affect the group's annual effective tax rate in 2024. The above assessment has been conducted based on data available for the Group only, the actual calculation at the ultimate parent group level may lead to different results. The Group will continue to assess the exposure to the Pillar Two legislation for when it comes into effect in other jurisdictions.

7. (LOSS)/EARNINGS PER SHARE

(a) Basic

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

	Six-month period ended 30 June	
	2024	2023
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
(Loss)/profit attributable to owners of the Company *(US$'000)*	**(9,728)**	284
Weighted average number of ordinary shares in issue *(thousands)*	**1,034,113**	1,034,113
Basic (loss)/earnings per share *(US cents per share)*	**(0.94)**	0.03

(b) Diluted

Diluted (loss)/earnings per share for the six-month period ended 30 June 2024 and 2023 are the same as the basic (loss)/earnings per share as there were no potential dilutive ordinary shares outstanding during the periods.

8. DIVIDENDS

Dividends recognized during the reporting period

	Six-month period ended 30 June	
	2024	2023
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Final dividend Nil (2022: US0.268 cent or HK2.10 cents) per ordinary share for the year ended 31 December 2023	**—**	2,771

No interim dividend was declared by the Board of Directors for the six-month period ended 30 June 2024 and 2023.

9. TRADE AND OTHER RECEIVABLES

	As at 30 June 2024	As at 31 December 2023
	US$'000	*US$'000*
	(Unaudited)	(Audited)
Current portion		
Trade receivables	**89,295**	83,812
Less: loss allowances	**(4,586)**	(4,545)
Trade receivables — net	**84,709**	79,267
Amounts due from related parties	**18,725**	20,620
Less: loss allowances	**(119)**	(119)
Amounts due from related parties — net	**18,606**	20,501
Deposits, prepayments and other receivables	**23,834**	24,679
Indemnified assets	**16,723**	16,723
	143,872	141,170
Non-current portion		
Deposits	**2,232**	2,145
Others	**2,437**	2,459
	4,669	4,604

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 2024 *US$'000* **(Unaudited)**	As at 31 December 2023 *US$'000* (Audited)
0 to 30 days	**67,681**	49,228
31 to 60 days	**11,482**	17,708
61 to 90 days	**3,027**	9,372
91 to 120 days	**604**	2,587
Over 120 days	**6,501**	4,917
	89,295	83,812

10. TRADE AND OTHER PAYABLES

	As at 30 June 2024 *US$'000* **(Unaudited)**	As at 31 December 2023 *US$'000* (Audited)
Trade payables	**66,421**	44,485
Contract liabilities	**136**	106
Other taxes payables	**10,359**	9,038
Accrued wages and salaries	**18,231**	16,023
Contingent liabilities	**16,723**	16,723
Amounts due to related parties	**1,477**	680
Others	**16,169**	12,746
Trade and other payables	**129,516**	99,801

As at 30 June 2024 and 31 December 2023, the ageing analysis of the trade payables based on invoice date is as follows:

	As at 30 June 2024 *US$'000* **(Unaudited)**	As at 31 December 2023 *US$'000* (Audited)
0 to 30 days	**54,994**	35,617
31 to 60 days	**5,093**	3,527
61 to 90 days	**3,296**	2,023
Over 90 days	**3,038**	3,318
	66,421	44,485

11. OTHER RESERVES

	Capital reserve *US$'000* (Unaudited)	**Other capital reserves** *US$'000* (Unaudited)	**Employment benefit reserve** *US$'000* (Unaudited)	**Exchange reserve** *US$'000* (Unaudited)	**Total** *US$'000* (Unaudited)
As at 1 January 2024	**7,891**	**(2,795)**	**4,602**	**(12,378)**	**(2,680)**
Transfer of accumulated remeasurements of defined benefits obligations to retained earnings upon settlement	—	—	**(3,530)**	—	**(3,530)**
Currency translation differences	—	—	**(60)**	**842**	**782**
As at 30 June 2024	**7,891**	**(2,795)**	**1,012**	**(11,536)**	**(5,428)**
As at 1 January 2023	7,891	(2,795)	5,840	(11,819)	(883)
Currency translation differences	—	—	113	(2,144)	(2,031)
As at 30 June 2023	7,891	(2,795)	5,953	(13,963)	(2,914)

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS AND OVERVIEW

In the first half of 2024, global inflationary pressure has been reduced by a certain extent with the tighter monetary policy of the major central banks across the world. Global headline inflation is forecast to decline steadily, from an annual average of 6.8% in 2023 to 5.9% the in full year of 2024, with advanced economies returning to their inflation targets sooner than emerging markets and developing economies. The world economy continued to grow at a steady pace of 3.2%, although this growth is below the historical annual average of 3.8% for the years 2000 to 2019.

Despite consecutive improvements in certain macroeconomic indicators, consumer confidence remained fragile due to complex geopolitical environment. With the Russia-Ukraine war continuing with no sign of subsiding, the global supply chains have been stricken by the consecutive sanctions imposed by European countries and the United States of America ("USA") against Russia, causing a sluggish global economic recovery. The continuation of Israeli military action in Gaza has also further heated up the geopolitics of the region.

Against the aforementioned backdrop, the Group's revenue decreased by approximately 10.5% to approximately US$304,522,000 for the six months ended 30 June 2024. Such decrease in revenue was mainly attributable to reduction in orders from the Group's customers caused by various factors, including but not limited to: (i) missed shipment and shipment delays caused by freight unavailability and compliance with customs laws and regulations in the USA, our major market; and (ii) inventory gluts for certain major customers of the Group which caused them to scale back their manufacturing orders. In line with the frail sales performance, the gross profit of the Group declined substantially by approximately US$8,534,000 from approximately US$47,155,000 to approximately US$38,621,000.

The Group incurred one-off general and administrative expenses in an aggregate amount of approximately US$3,900,000 during the six months ended 30 June 2024, which was primarily caused by severance payments paid by the Group to former employees who were laid-off pursuant to the management decision to reduce operating costs for the Group's manufacturing plants in the longer run in view of the reduction in orders mentioned above, as well as legal costs and expenses incurred relating to compliance with customs laws and regulations in the USA.

Interest hikes had been suspended by the Federal Reserve of the USA since July 2023, but the interest rates remain at a historical high. As a consequence, the net finance cost of the Group increased by approximately 9.6% to approximately US$6,412,000 for the six months ended 30 June 2024 as compared to approximately US$5,853,000 for the corresponding period in 2023.

As a result of the foregoing, the Group incurred a net loss attributable to equity holders of the Company ("Net Loss") amounting to approximately US$9,728,000 for the reporting period, as compared to a net profit attributable to equity holders of the Company of approximately US$284,000 for six months ended 30 June 2023.

SEGMENTAL REVIEW

Our Apparel and Accessories businesses respectively accounted for approximately 60.2% and 39.8% of the Group's total revenue for the period under review.

Apparel

The Apparel Division recorded a revenue of approximately US$183,362,000 for the six months ended 30 June 2024, representing a period-to-period decline of approximately 15.4% or US$33,437,000. Such decrease in segment revenue was mainly attributable to reduction in orders from the Group's customers caused by various factors as mentioned under the section headed "Results of Operations and Overview" above. In line with decrease in segment revenue, the Apparel Division incurred a segment loss of approximately US$9,635,000, representing an increase of segment loss by approximately US$2,475,000 or 34.6% when compared with same period last year.

Accessories

For the first half of 2024, revenue generated from the Accessories Division was approximately US$121,160,000, representing a decrease of approximately US$2,263,000 or 1.8% when compared with same period last year. The Accessories Division recorded a segment profit of approximately US$5,277,000, representing a decrease of approximately US$5,219,000 or 49.7% when compared with same period last year.

MARKETS

Geographically, Europe and the US remained our major export markets for the period under review. The total revenue derived from customers in Europe and the US collectively was approximately US$180,714,000, which accounted for approximately 59.3% of the Group's total revenue in the first half of 2024.

The Group's revenue from the Asia market (mainly the People's Republic of China ("PRC") and Japan) was approximately US$67,332,000, which accounted for approximately 22.1% of the Group's total revenue in the first half of 2024.

LIQUIDITY AND FINANCIAL RESOURCES

The financial position of the Group remained healthy. As at 30 June 2024, the total cash and bank deposits of the Group amounted to approximately US$81,212,000, representing an increase of approximately US$5,432,000 over the balance as at 31 December 2023. The Group's total bank borrowings as at 30 June 2024 was approximately US$164,006,000, representing an increase of approximately US$21,351,000 as compared to approximately US$142,655,000 as at 31 December 2023.

As at 30 June 2024, based on the scheduled repayments set out in the relevant loan agreements with banks, all the Group's bank borrowings of approximately US$164,006,000 are repayable within one year.

Gearing ratio is defined as net debt (representing bank borrowings net of cash and bank balances) divided by shareholders' equity. As at 30 June 2024, the gearing ratio of the Group was approximately 45.6%.

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

Looking forward, it is expected that the monetary policy of the Federal Reserve Banks will continue to seek a balance between inflation and economic growth, and an interest rate cut is thus likely to happen in the near future, which may probably enhance consumer sentiment. The economy of the PRC has also demonstrated a solid start in 2024, with 5% year-on-year growth during the first half of 2024, in line with the annual growth targets.

However, the global economy will continue to be volatile due to the uncertainties and concerns over the geopolitical issues including but not limited to the protracted war between Russia and it Ukraine, the continuation of the war in Israel and its surrounding areas, and persistent trade tensions between the PRC and USA. In addition, with the USA presidential election well underway, the upcoming election result will affect the economy of USA and pose uncertainty to the global economy in the short term.

In view of this continuing dynamic situation, our management will continue to assess the impact of the global economic backdrop on the Group's financial performance and business operations, and closely monitor the Group's exposure to the market uncertainties and business risks in connection therewith. In order to minimize the risks and to provide sustainable growth for the Group, the management of the Group will continue to implement appropriate financial management measures in order to well prepare for the upcoming challenges and to take advantage of any opportunities that may arise in the future.

In addition, the Group will continue to implement stringent cost control measures, including reducing manufacturing costs, distribution costs and administrative expenses, and achieving greater synergies on overall administrative efficiency by sharing internal resources. The Group will also pay relentless focus on our long-term sustainable strategy, further streamlining and consolidating our diversified production bases, and reinforcing our strategic resilience to serve and grow with our customers. The Group will also continue to closely monitor the market conditions and will make timely adjustments to its business strategies whenever necessary.

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 2024.

FUTURE PLAN FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

There was no specific plan for material investments or capital assets as at 30 June 2024 (2023: Nil) or as at the date of this announcement.

CHARGE OF ASSETS

The Group's assets were not charged to third parties as of 30 June 2024 (2023: Nil).

CONTINGENT LIABILITIES

The Group has contingent liabilities regarding potential exposures to import duties, other taxes and penalties in various overseas countries with aggregated amounts of approximately US$21,112,000 as at 30 June 2024 (31 December 2023: 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 at the acquisition date. During the year ended 31 December 2022, one subsidiary of Universal has paid the IRD an amount of US$22,000 to settle a tax case related to periods prior to the acquisition. The amount has been recovered from the previous owners in full. Accordingly, the amounts of contingent liability and indemnified assets have been reduced to US$5,482,000 as at 31 December 2022. As at 30 June 2024, 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 the acquisition date. During the year ended 31 December 2022, the subsidiary of Sachio has paid the Cambodia tax authority a total amount of US$220,000 on cases related to periods prior to the acquisition. The amount has been recovered from the previous owner in full. Accordingly, the amounts of contingent liability and indemnified assets have been reduced to US$11,241,000. As at 30 June 2024, the amounts of the contingent liability and the indemnified asset in relation to the acquisition of Sachio remained unchanged.

HUMAN RESOURCES, AND CORPORATE SOCIAL RESPONSIBILITY

Luen Thai continues to be an employer of choice through focused and strategic human resources strategies and social responsibility programmes that are aligned with the Company's growth and changing needs. Improved governance and strengthened partnership serve as the foundation for all these initiatives as Luen Thai maintains its position as a leader in Corporate Social Responsibility in the apparel and accessories manufacturing industry.

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

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

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2024 (2023: Nil).

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-month period ended 30 June 2024.

CORPORATE GOVERNANCE PRACTICES

Throughout the six-month period ended 30 June 2024, the Company has complied with the applicable code provisions of the Corporate Governance Code as set out in the Appendix C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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 announcement, 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. Fok Yue San, Sandy and the three independent non-executive Directors of the Company, namely, Mr. Chan Henry, Dr. Wang Ching, and Mr. Lee Cheuk Yin, Dannis 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. Zhang Min and the three independent non-executive Directors of the Company, namely, Dr. Wang Ching, Mr. Lee Cheuk Yin, Dannis and Mr. Chan Henry 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. Wang Weimin as the Committee Chairman and the three independent non-executive Directors of the Company, namely, Mr. Chan Henry, Dr. Wang Ching and Mr. Lee Cheuk Yin, Dannis, 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. Jin Xin, with Mr. Tan Cho Lung, Raymond as the Committee Chairman.

Corporate governance practices of the Company during the six-month period ended 30 June 2024 were in line with those practices set out in the Corporate Governance Report in the Company's 2023 Annual Report.

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 for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix C3 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-month period ended 30 June 2024.

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-month period ended 30 June 2024.

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.

PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND THE INTERIM REPORT

This results announcement is published on the websites of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (www.luenthai.com). The interim report of the Company for the six-month period ended 30 June 2024 containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and published on the above websites in due course.

By order of the Board
Luen Thai Holdings Limited
Tan Cho Lung, Raymond
Chief Executive Officer and Executive Director

Hong Kong, 28 August 2024

As at the date of this announcement, the Board comprises Mr. Wang Weimin, Dr. Tan Siu Lin, Mr. Tan Cho Lung, Raymond, Mr. Zhang Min and Mr. Jin Xin as executive Directors; Ms. Fok Yue San, Sandy as non-executive Director; Mr. Chan Henry, Dr. Wang Ching and Mr. Lee Cheuk Yin, Dannis as independent non-executive Directors.