LUEN THAI HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 311)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2017

GROUP FINANCIAL HIGHLIGHTS

	Six months ended 30 June	
	2017	2016
	US$'000	*US$'000*
	(Unaudited)	(Unaudited and restated)
Revenue		
— *Continuing operations*	**353,313**	438,456
— *Discontinued operations*	**—**	35,154
Operating profit/(loss)		
— *Continuing operations*	**11,454**	15,557
— *Discontinued operations*	**—**	(1,890)
Profit attributable to owners of the Company		
— *Continuing operations*	**9,035**	11,767
— *Discontinued operations*	**—**	(3,405)
Profit margin (ratio of profit attributable to owners of the Company to revenue)	**2.6%**	1.8%
Basic EPS *(US cents)*		
— *Continuing operations*	**0.87**	1.14
— *Discontinued operations*	**—**	(0.33)

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 months ended 30 June 2017.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months period ended 30 June 2017

	Note	Six months ended 30 June 2017 US$'000 (Unaudited)	2016 US$'000 (Unaudited and restated)
Continuing operations			
Revenue	3	**353,313**	438,456
Cost of sales		**(297,399)**	(371,555)
Gross profit		**55,914**	66,901
Other gains, net		**1,067**	54
Selling and distribution expenses		**(1,760)**	(1,428)
General and administrative expenses		**(43,767)**	(49,970)
Operating profit	4	**11,454**	15,557
Finance income		**205**	282
Finance costs		**(1,096)**	(834)
Finance costs, net	5	**(891)**	(552)
Share of losses of joint ventures		**(1,343)**	(1,371)
Profit before income tax		**9,220**	13,634
Income tax expense	6	**(306)**	(1,970)
Profit for the period from continuing operations		**8,914**	11,664
Discontinued operations			
Loss for the period from discontinued operations	12	**—**	(3,372)
Profit for the period		**8,914**	8,292
Profit attributable to:			
Owners of the Company		**9,035**	8,362
Non-controlling interests		**(121)**	(70)
		8,914	8,292
Profit attributable to owners of the Company arises from:			
Continuing operations		**9,035**	11,767
Discontinued operations		**—**	(3,405)
		9,035	8,362
Earnings per share attributable to owners of the Company			
(expressed in US cents per share)			
Basic and diluted	7		
— *Continuing operations*		**0.87**	1.14
— *Discontinued operations*		**—**	(0.33)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months period ended 30 June 2017

	Six months ended 30 June	
	2017	2016
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Profit for the period	**8,914**	8,292
Other comprehensive income		
Item that may be reclassified to profit or loss:		
Currency translation differences	**(455)**	(1,131)
Total comprehensive income for the period	**8,459**	7,161
Total comprehensive income for the period attributable to:		
— Owners of the Company	**8,580**	7,242
— Non-controlling interests	**(121)**	(81)
	8,459	7,161
Total comprehensive income attributable to owners of the Company arises from:		
— Continuing operations	**8,580**	11,277
— Discontinued operations	**—**	(4,035)
	8,580	7,242

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	Note	As at 30 June 2017 US$'000 (Unaudited)	As at 31 December 2016 US$'000 (Audited)
ASSETS			
Non-current assets			
Land use rights		**5,299**	5,355
Property, plant and equipment		**59,014**	59,899
Intangible assets		**34,204**	34,423
Interests in joint ventures		**12,354**	13,697
Deferred income tax assets		**926**	889
Other non-current assets		**5,824**	4,611
Total non-current assets		**117,621**	118,874
Current assets			
Inventories		**73,728**	64,717
Trade and other receivables	9	**145,805**	156,055
Prepaid income tax		**8,220**	8,157
Derivative financial instruments		**—**	229
Cash and bank balances		**87,510**	291,533
Restricted Cash		**2,377**	2,302
Total current assets		**317,640**	522,993
Total assets		**435,261**	641,867
EQUITY			
Equity attributable to owners of the Company			
Share capital		**10,341**	10,341
Other reserves	11	**2,071**	17,149
Retained earnings		**171,487**	250,398
		183,899	277,888
Non-controlling interests		**587**	708
Total equity		**184,486**	278,596

	Note	As at 30 June 2017 US$'000 (Unaudited)	As at 31 December 2016 US$'000 (Audited)
LIABILITIES			
Non-current liabilities			
Other payables	10	**629**	811
Retirement benefit obligations		**9,879**	9,160
Deferred income tax liabilities		**2,371**	2,408
Total non-current liabilities		**12,879**	12,379
Current liabilities			
Trade and other payables	10	**146,370**	162,124
Borrowings		**84,282**	70,184
Dividend payable		**—**	109,416
Derivative financial instruments		**215**	—
Current income tax liabilities		**7,029**	9,168
Total current liabilities		**237,896**	350,892
Total liabilities		**250,775**	363,271
Total equity and liabilities		**435,261**	641,867

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months period ended 30 June 2017

1. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2017 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim financial reporting". The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2016, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

2. ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2016, as described in those annual financial statements.

New and amended standards relevant to and adopted by the Group

The following new and amended standards have been adopted by the Group for the first time for the financial period beginning on or after 1 January 2017:

- Amendments to HKAS 7 "Disclosure initiative"
- Amendments to HKAS 12 "Recognition of deferred tax assets for unrealised losses"
- Amendments to HKFRS 12 "Disclosure of interests in other entities"

The adoption of the above new or amended standards or interpretations did not have a material impact on the Group's condensed consolidated interim financial information.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

There are no other new or amended standards or interpretations that are effective for the first time for this interim period and are relevant to the Group.

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

3. SEGMENT INFORMATION

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

Management considers the business from a product perspective whereby management assesses the performance of casual and fashion apparel, sweaters and accessories. The Group is organised on a worldwide basis into three (2016: five) main business segments:

(1) Casual and fashion apparel

(2) Sweaters

(3) Accessories

The segment information provided to the executive directors for the reportable segments for the six months ended 30 June 2017 and 2016 is as follows:

	Casual and fashion apparel *US$'000* (Unaudited)	Sweaters *US$'000* (Unaudited)	Accessories *US$'000* (Unaudited)	Total Group *US$'000* (Unaudited)
Six months ended 30 June 2017				
Total segment revenue	**229,528**	**20,798**	**102,987**	**353,313**
Inter-segment revenue	**—**	**—**	**—**	**—**
Revenue (from external customers)	**229,528**	**20,798**	**102,987**	**353,313**
Segment profit/(loss) for the period	**13,304**	**(2,552)**	**4,295**	**15,047**
Profit/(loss) for the period includes:				
Depreciation and amortization	**(3,034)**	**(792)**	**(1,738)**	**(5,564)**
Share of losses of joint ventures	**(1,343)**	**—**	**—**	**(1,343)**
Income tax expense	**(261)**	**123**	**(168)**	**(306)**

	Casual and fashion apparel *US$'000* (Unaudited and restated)	Sweaters *US$'000* (Unaudited and restated)	Accessories *US$'000* (Unaudited and restated)	Continuing operations sub-total *US$'000* (Unaudited and restated)	Discontinued operations *US$'000* (Unaudited and restated)	Total Group *US$'000* (Unaudited and restated)
Six months ended 30 June 2016						
Total segment revenue	294,501	29,220	134,037	457,758	35,377	493,135
Inter-segment revenue	(395)	—	(18,907)	(19,302)	(223)	(19,525)
Revenue (from external customers)	294,106	29,220	115,130	438,456	35,154	473,610
Segment profit/(loss) for the period	11,166	(2,046)	7,653	16,773	(3,372)	13,401
Profit/(loss) for the period includes:						
Depreciation and amortization	(4,127)	(1,010)	(1,832)	(6,969)	(2,776)	(9,745)
Share of profit of an associated company	—	—	—	—	12	12
Share of losses of joint ventures	(1,371)	—	—	(1,371)	(1,952)	(3,323)
Income tax expense	(1,776)	(34)	(160)	(1,970)	(332)	(2,302)

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

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

	Six months ended 30 June	
	2017	2016
	US$'000	*US$'000*
	(Unaudited)	(Unaudited and restated)
Segment profit for the period		
— Continuing operations	**15,047**	16,773
— Discontinued operations	**—**	(3,372)
Unallocated corporate expenses *(Note)*	**(6,133)**	(5,109)
Profit for the period	**8,914**	8,292

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

4. OPERATING PROFIT

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

	Six months ended 30 June		
	2017	2016	
		Continuing operations	Discontinued operations
	US$'000	*US$'000*	*US$'000*
	(Unaudited)	(Unaudited and restated)	
Amortization of land use rights	**83**	85	76
Amortization of intangible assets	**219**	1,298	—
Depreciation of property, plant and equipment	**5,262**	5,586	2,321
Depreciation of investment properties	**—**	—	379
(Gain)/loss on disposals of property, plant and equipment	**(76)**	(18)	375
Provision for/(reversal of) impairment of receivables	**42**	(104)	76
(Reversal of)/provision for inventory obsolescence	**(191)**	232	(15)
Provision for claims on materials	**23**	—	—

5. FINANCE COSTS, NET

	Six months ended 30 June		
	2017	2016	
		Continuing operations	Discontinued operations
	US$'000	*US$'000*	*US$'000*
	(Unaudited)	(Unaudited and restated)	
Interest expense on bank loans and overdrafts	**(1,096)**	(834)	(216)
Finance costs	**(1,096)**	(834)	(216)
Interest income from bank deposits	**205**	282	138
Effective interest income from amount due from a joint venture	**—**	—	868
Finance income	**205**	282	1,006
Finance (costs)/income, net	**(891)**	(552)	790

6. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profit for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

	Six months ended 30 June		
	2017	2016	
		Continuing operations	Discontinued operations
	US$'000	*US$'000*	*US$'000*
	(Unaudited)	(Unaudited and restated)	
Current income tax	**306**	2,022	332
Deferred income tax credit	**—**	(52)	—
	306	1,970	332

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 as well as reviewing the business and operations of a Macao incorporated subsidiary on the basis of where its operations were carried out.

In respect of the Hong Kong incorporated subsidiary, the IRD tentatively disallowed the 50% or 100% offshore profits claim for the previous years and issued notices of additional assessments/assessments for the years of assessment 2000/01 to 2012/13 on the basis of no 50:50 apportionment for 2000/01 to 2011/12 and no 100% offshore profit for 2012/13 with the amount of US$3,812,000.

In respect of the Macao incorporated subsidiary, the IRD has issued estimated assessments for the years of assessment 2005/06 to 2010/11 based on this subsidiary's profit before taxation with the amount of US$8,784,000.

These subsidiaries have lodged objection against the above assessments by the statutory deadlines and, pending settlement of the objections, they have paid a total sum of US$8,162,000 (31 December 2016: US$7,088,000) in the form of tax reserve certificates in respect of the tax in dispute up to and including the year of assessment 2012/13 for the Hong Kong incorporated subsidiary, and for the years of assessment 2005/06 to 2010/11 for the Macao incorporated subsidiary and the amount paid was included in prepayments in the condensed consolidated statement of financial position as at 30 June 2017.

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 and for the Macao incorporated subsidiary to argue its entire profits are not subject to Hong Kong profits tax based on their business operations. In fact, any additional taxation claims in relation to periods prior to June 2004 will be indemnified and reimbursed entirely by certain shareholders of the Company in accordance with the deeds of the indemnity dated 27 June 2004 in connection with the group reorganization in contemplation of the listing of the Company's shares on The Stock Exchange of Hong Kong Limited.

(ii) In prior years and during the period, an overseas tax authority performed tax assessments on overseas incorporated subsidiaries' tax position for the years ended 31 December 2011, 2012, 2013, 2014 and certain periods during the years ended 31 December 2015 and 2016 and issued tax assessments/revised tax assessments to demand additional tax payment of US$7,295,000. The subsidiaries have lodged objection letters to this overseas tax authority. With respect to these tax assessments, management believes that they have grounds to defend their tax position since there are various interpretations of tax rules in that country and this overseas subsidiary did not provide a clear calculation basis for the additional tax payment. Management considers the provision is adequate as at 30 June 2017.

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

(iii) During the period, a PRC tax authority performed a transfer pricing audit on a PRC incorporated subsidiary's tax position for the years ended 31 December 2006 to 2014 and issued an initial tax assessment proposal with an additional tax payment of US$2,153,000. The subsidiary has lodged an objection letter to the PRC tax authority. Management believes that it has grounds to defend its tax position and negotiate with the PRC tax authority as the proposal is not regarded as a final tax assessment. Management considers the provision is adequate as at 30 June 2017.

7. EARNINGS PER SHARE

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

(a) Basic

	Six months ended 30 June	
	2017	2016
	US$'000	*US$'000*
	(Unaudited)	(Unaudited and restated)
Profit attributable to owners of the Company arises from:		
— Continuing operations	**9,035**	11,767
— Discontinued operations	**—**	(3,405)
	9,035	8,362
Weighted average number of ordinary shares in issue *(thousands)*	**1,034,113**	1,034,113
Basic earnings per share *(US cents per share)*		
— Continuing operations	**0.87**	1.14
— Discontinued operations	**—**	(0.33)

(b) Diluted

Diluted earnings per share for the six months ended 30 June 2017 and 2016 is the same as the basic earnings per share as there were no potential dilutive ordinary shares outstanding during the periods.

8. DIVIDENDS

	Six months ended 30 June	
	2017	2016
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Interim dividend — US0.524 cent or equivalent to HK4.07 cents (2016: US0.485 cent) per ordinary share	**5,419**	5,015
Special dividend paid in relation to the general offer of US9.665 cents or equivalent to HK74.9 cents (2016:nil) per ordinary share	**99,942**	—
	105,361	5,015

The interim dividend of US0.524 cent per share (2016: US0.485 cent per share) was proposed by the Board of Directors on 29 August 2017. This condensed consolidated interim financial information does not reflect this dividend payable.

9. TRADE AND OTHER RECEIVABLES

	As at 30 June 2017 US$'000 (Unaudited)	As at 31 December 2016 US$'000 (Audited)
Trade and bills receivables, net	**116,729**	124,529
Deposits, prepayments and other receivables	**22,859**	17,614
Amounts due from related companies	**321**	8,252
Amounts due from joint ventures	**5,896**	5,660
	145,805	156,055

	As at 30 June 2017 US$'000 (Unaudited)	As at 31 December 2016 US$'000 (Audited)
Trade and bills receivables	**116,991**	124,933
Less: provision for impairment of trade and bills receivables	**(262)**	(404)
Trade and bills receivables, net	**116,729**	124,529

The Group normally grants credit terms to its customers up to 120 days. The ageing analysis by due date of trade and bills receivables net of provision for impairment is as follows:

	As at 30 June 2017 US$'000 (Unaudited)	As at 31 December 2016 US$'000 (Audited)
Current	**99,620**	111,656
1 to 30 days	**12,577**	8,101
31 to 60 days	**4,532**	2,148
61 to 90 days	**—**	1,851
Over 90 days	**—**	773
Amounts past due but not impaired	**17,109**	12,873
	116,729	124,529

10. TRADE AND OTHER PAYABLES

	As at 30 June 2017 US$'000 (Unaudited)	As at 31 December 2016 US$'000 (Audited)
Trade and bills payable	**65,778**	70,795
Other payables and accruals	**78,265**	89,505
Amounts due to related companies	**2,101**	412
Amounts due to joint ventures	**855**	1,757
Amounts due to non-controlling interests	**—**	466
	146,999	162,935
Less: non-current	**(629)**	(811)
Trade and other payables, current	**146,370**	162,124

As at 30 June 2017 and 31 December 2016, the ageing analysis of the trade and bills payable based on invoice date is as follows:

	As at 30 June 2017 US$'000 (Unaudited)	As at 31 December 2016 US$'000 (Audited)
0 to 30 days	**62,446**	64,191
31 to 60 days	**1,235**	2,912
61 to 90 days	**859**	2,026
Over 90 days	**1,238**	1,666
	65,778	70,795

11. OTHER RESERVES

	Share premium US$'000 (Unaudited)	Capital reserve US$'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 2017	**14,623**	**7,891**	**(4,799)**	**1,164**	**(1,730)**	**17,149**
Special dividend paid in relation to the general offer	**(14,623)**	**—**	**—**	**—**	**—**	**(14,623)**
Currency translation differences	**—**	**—**	**—**	**52**	**(507)**	**(455)**
As at 30 June 2017	**—**	**7,891**	**(4,799)**	**1,216**	**(2,237)**	**2,071**
As at 1 January 2016	124,039	7,891	(4,799)	(40)	4,776	131,867
Currency translation differences	—	—	—	—	(1,120)	(1,120)
As at 30 June 2016	124,039	7,891	(4,799)	(40)	3,656	130,747

12. DISCONTINUED OPERATIONS

On 25 October 2016, the Group disposed certain business and properties through the disposal of certain of its subsidiaries. As the disposed businesses are considered as separate major lines of businesses, the corresponding operations had been classified as discontinued operations as a result of the completion of such disposal.

The result of the discontinued operations for the period ended 30 June 2016 is set out below:

	Six months ended 30 June 2016 *US$'000* (Unaudited and restated)
Revenue	35,154
Cost of sales	(21,193)
Gross profit	13,961
Other income — rental income	673
Other loss	(1,024)
Selling and distribution expenses	(1,061)
General and administrative expenses	(14,439)
Operating loss	(1,890)
Finance income	1,006
Finance costs	(216)
Finance income, net	790
Share of profit of an associated company	12
Share of loss of a joint venture	(1,952)
Loss before income tax	(3,040)
Income tax expense	(332)
Loss for the period from discontinued operations	(3,372)
Profit attributable to:	
Owners of the Company	(3,405)
Non-controlling interests	33
	(3,372)

13. SUBSEQUENT EVENTS

On 31 July 2017, Trumpinvest Holdings Limited ("Seller"), the beneficiary owner of 50 ordinary shares of Partner Joy Group Limited ("Partner Joy"), a subsidiary of the Company, has entered into a Sale and Purchase Agreement ("Agreement") with Fortune Investment Overseas Limited ("Fortune Investment"), a wholly owned subsidiary of the Company. Pursuant to the Agreement, the Seller will sell and Fortune Investment will purchase the 50 ordinary shares of Partner Joy, representing 5% equity interest in Partner Joy, at a fair-value consideration of approximately US$1,645,000. The consideration will be paid half upon completion and another half in one year after the completion date.

MANAGEMENT DISCUSSION AND ANALYSIS

Results of Operations and Overview

During the period under review, the Company's operating environment remained very challenging owing not only to the poor US consumer sentiment but also the continuous demand from our customers for shorter lead time and re-direction of sourcing outside China. Hence, the revenue of the Group decreased approximately by 19.4% to approximately US$353,313,000.

As a result of the decrease in the Group's revenue, the gross profit of the Group for the six months ended 30 June 2017 also decreased correspondingly by approximately 16.4% to approximately US$55,914,000. Despite the decrease in revenue, the profit attributable to owners of the Company for the period under review increased by approximately 8.0% to approximately US$9,035,000. Performance of the Group's business is covered in more detail under the "Segmental Review" section below.

Segmental Review

Apparel and Accessories business accounted for approximately 70.9% and 29.1% respectively of the Group's total revenue for the period under review.

Continuing Operations

Apparel

Segment revenue of the Casual and Fashion Apparel Division amounted to approximately US$229,528,000 for the first six months in 2017, representing a decrease of 22.0% as compared with the same period in 2016. Such decrease was mainly attributable to the shrinking demand from certain of our customers who were still struggling with their traditional brick & mortar business model. Despite the drop in segment revenue, the segment profit increased by approximately 19.1% to approximately US$13,304,000. The profit margin of the Casual and Fashion Apparel Division also improved from approximately 3.8% to approximately 5.8%. The increases in segment profit and improvement in segment profit margin are as a result of continuous improvement in Cambodia operation, in particular the production of sportswear product and the stringent cost controls.

The Sweaters Division reported a loss of approximately US$2,552,000 in the first half of 2017 due primarily to the seasonal nature of its business. The loss for the period represents an increase of approximately 24.7% as compared to the same period last year.

Accessories

For the first half of 2017, the Accessories Division reported a revenue of approximately US$102,987,000 and a segment profit of approximately US$4,295,000, representing a segment margin of approximately 4.2% as compared to approximately 6.6% for the same period last year. The revenue of the division for the period decreased by about 10.5% which was primarily due to the continuing reduction of orders placed with our factories in China. On the other hand, our customers' requests to shorten the lead time have put additional pressure and disruption to our factories. As a result, the efficiency of the factories has not been optimized and more overtime has been incurred and hence the profitability of our factories has been negatively affected.

Moreover, the trade preference policy is also one of the factors affecting the Group's revenue. For the past few years, while most of the customers' decision to move their orders out of China is clear, some customers decided to place orders in the Philippines in expectation of duty benefit from the U.S. GSP Update for Production and Diversification and Trade Enhancement Act (commonly referred to as the GSP UPDATE). However, the Philippines was excluded from the trade beneficiary list of the GSP UPDATE notwithstanding the coverage of the GSP UPDATE was expanded by the Office of the US Trade Representative in June 2016. (There is further update on the GSP UPDATE in 2017. Please refer to 'Trade Preference Update' under 'Future Plans and Prospect' section below.) Other customers, on the other hand, were attracted to place order in Vietnam in expectation that the Trans-Pacific Partnership ("TPP") would go through. However, the expected export tariff benefit for placing orders in Vietnam did not materialize due to United States' official withdrawal from TPP in January 2017. Under such ever changing trade policy and preferences, customers' order placement decisions were fairly unstable and sometimes unpredictable, which had an adverse effect on the Group's revenue for the period under review.

Discontinued Operations

As stated in the Company's announcement dated 3 January 2017, the Group disposed of its non-core businesses including (i) retail sales and trading of apparel and accessories; (ii) footwear manufacturing; (iii) freight forwarding and logistics and (iv) real estate development, to certain connected person of the Group for a total consideration of approximately US$110 million on 31 December 2016.

Markets

Geographically, Europe and the USA remained our key export markets for the period under review despite the economic downturn in Europe. The total revenue derived from customers in Europe and the USA collectively accounted for approximately 73.1% of the Group's total revenue in the first half of 2017.

The Group's revenue from the Asia market (mainly the PRC and Japan) was approximately US$51,671,000, which accounted for approximately 14.6% of the Group's total revenue in the first half of 2017.

Liquidity and Financial Resource

The financial position of the Group remained healthy. As at 30 June 2017, the total cash and bank deposits of the Group amounted to approximately US$89,887,000, representing a decrease of approximately US$203,948,000 over the balance as at 31 December 2016. The Group's total bank borrowings as at 30 June 2017 was approximately US$84,282,000, representing an increase of approximately 20.1% as compared to approximately US$70,184,000 as at 31 December 2016.

Gearing ratio is defined as net debt (representing bank borrowings net of cash and bank balances) divided by shareholders' equity. As at 30 June 2017, the Group was in a net cash position. Hence, gearing ratio was not applicable.

As at 30 June 2017, 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 two years, with approximately US$75,782,000 repayable within one year and approximately US$8,500,000 repayable in the second year.

Foreign Exchange Risk Management

The Group adopts a prudent policy to hedge against the fluctuations in exchange rates. Most of the Group's operating activities are denominated in US dollar, Euro, Hong Kong dollar, Vietnam Dong, Cambodian Riel, Chinese Yuan and Philippine Peso. For those activities denominated in other currencies, the Group may enter into forward contracts to hedge its receivables and payables denominated in foreign currencies against the exchange rate fluctuations.

Future Plans and Prospect

Synergy

Shangtex Holding Co., Ltd. ("Shangtex") is the holding company of the Company's controlling shareholder, Shangtex (Hong Kong) Limited. Shangtex possesses strong capability in fabric sourcing and development which is expected to be a vital complement to the Company's strong design, development and manufacturing capabilities. In addition, Shangtex has a leading textile manufacturing and trading business in China, the strong network of Shangtex in China is expected to facilitate Luen Thai's China-for-China business, in particular the China domestic sales to brands under Shangtex. For closer cooperation with Shangtex, the Company has entered into two framework agreements with Shangtex, the details of which are set out in the announcement of the Company dated 7 July 2017. Such closer cooperation would likely to create a win-win situation for both Shangtex and the Company in the near future.

Trade Preference Update

Effective from July 2017, the Philippines was eligible to enjoy the duty benefit under the GSP UPDATE. Since then, we are able to export our travel goods free of duty from our major production facilities in the Philippines and Cambodia to the U.S. market. In addition, bags manufactured in the Philippines and Cambodia are also entitled to export to European Union, Japan and China with zero duty under different GSP arrangements and free trade agreements.

The US withdrawal from the TPP coupled with the GSP UPDATE have positive impact to the development of the Group's accessories business. Despite there is uncertainty on future US trade policy, there are quite a number of accessories customers who intend to move part of their sourcing to Cambodia or expand their sourcing in the Philippines in the near future. In order to capture such valuable opportunities, part of the Group's Cambodia production capacities has been revamped for the production of bags and new capacities for the production of bags shall also be developed in the Philippines. We believe that the future prospect of the business growth in the Philippines and Cambodia is promising.

Strategic Partnership

In the first half of 2017, the Group became the only strategic partner of one of the famous footwear brands in the USA and Asia. This famous footwear brand has high penetration rate in the sports/casual shoes market, and has just started to develop the sports apparel business. We believe that the growth potential of the sports apparel business of this strategic partner could be huge. Through the utilization of the Group's experience in design, development and strong manufacturing capabilities, the Board believes that the business with this customer could grow substantially in the coming few years.

Future Factory and Innovation

Encountering the tough retail environment and the challenge of the growth of online stores, most of our customers including brands and department stores are struggling. Brands are under significant pressure to reduce costs and inventory while looking at shorter lead time and lower cost of production, as they are unable to pass the costs to their customers due to intense competition in the market. As a manufacturer, investment in vertical setup, smart factory and performance fabric could be a possible solution to these challenges. The Group is investing into our "future factory" in Cebu with focus on innovation, automation and integrating waterless fabric dyeing technology to shorten our delivery lead time. The Board believes that Group's competitiveness and production efficiency could be enhanced through the establishment of the "future factory" in the near future.

For the apparel manufacturing, the Group has invested in a printing factory in the Philippines which can shorten our delivery lead time and hence enhance the Group's competitiveness in certain print related apparel production. The Board believes that the Group's competitiveness and production efficiency could be enhanced through the establishment of the "future factory" and the new printing factory in the near future.

Acquisition

As disclosed in the Company's announcement dated 31 July 2017, Fortune Investment Overseas Limited ("Fortune Investment"), a wholly-owned subsidiary of the Company, entered into a Sale and Purchase Agreement ("SPA") with Trumpinvest Holdings Limited ("Trumpinvest").

Pursuant to the SPA, Fortune Investment acquired 5% of the entire issued share capital ("Sale Shares") of Partner Joy Group Limited ("Partner Joy") at the total consideration of US$1,645,448 ("Acquisition").

Upon completion of the Acquisition on 31 July 2017, Partner Joy became wholly-owned by Fortune Investment and an indirect wholly-owned subsidiary of the Company.

Partner Joy, through its wholly-owned subsidiaries, is principally engaged in the business of manufacturing and trading of sweaters. Having considered the scale of operation and historical financial performance of the Partner Joy and its subsidiaries ("Partner Joy Group"), the Board considers that the Acquisition can simplify the reporting structure and reduce the overall management costs of the Group and that the Group will enjoy the full benefit arising from the potential growth of the Partner Joy Group in the future.

Contingent Liabilities

As at 30 June 2017, the Group did not have any material contingent liabilities.

Human Resources, Social Responsibilities and Corporate Citizenship

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

With over 30,000 employees around the world, Luen Thai continuously strives to foster open communications with employees through various channels. Under its employee care initiatives, Luen Thai has provided safe and enjoyable work and living environments, equitable compensation and benefit schemes, and opportunities for career growth through a variety of formal and informal learning and development programmes; and a strong corporate culture where employee' contributions are recognized and rewarded.

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

CORPORATE GOVERNANCE PRACTICES

Throughout the six-month period ended 30 June 2017, the Company has complied with the applicable code provisions of the Corporate Governance Code (the "CG Code") as set out in the Appendix 14 of the Listing Rules. The Board Diversity Policy is published on the website of the Company for public information.

Luen Thai acknowledges the need and importance of corporate governance as one of the key elements in creating shareholders' value. It is committed to ensuring high standards of corporate governance in the interests of shareholders and taking care to identify practices designed to achieve effective oversight, transparency and ethical behavior. As at the date of this 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. Mr. Huang Jie and the three independent non-executive Directors of the Company, namely, Mr. Chan Henry, Mr. Cheung Siu Kee, and Mr. Seing Nea Yie as the Committee Chairman, comprise the Audit Committee. Each committee member possesses appropriate finance and/or industry expertise to advise the Board.

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

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

Bank Facility Committee: The Bank Facility Committee was set up in December 2005 to review and approve any banking facility of the Group, to ensure that each facility was in the best commercial interest of the Group as a whole. The Bank Facility Committee comprised two members, namely Dr. Tan Siu Lin and Dr. Tan Henry, with Dr. Tan Siu Lin as the Chairman. The Bank Facility Committee was dissolved on 15 February 2017.

Corporate governance practices of the Company during the six-month period ended 30 June 2017 were in line with those practices set out in the Corporate Governance Report in the Company's 2016 Annual Report.

MODEL CODE

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"). After having made specific enquiry of all Directors, the Directors confirmed that they have complied with the required standards as set out in the Model Code and the code of conduct regarding securities transactions by Directors adopted by the Company during the six months ended 30 June 2017.

REVIEW OF INTERIM RESULTS

The Group's unaudited interim financial information has been reviewed by the Company's audit committee. Such unaudited condensed consolidated interim financial information has also been reviewed by the Company's auditor, PricewaterhouseCoopers, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. The auditor's independent review report will be included in the Company's 2017 Interim Report.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK4.07 cents per share (2016: HK3.76 cents) for the six months ended 30 June 2017 to be payable to shareholders whose names appear on the Register of Members of the Company on 6 October 2017.

The interim dividend will be paid on or around 27 October 2017.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 3 October 2017 to 6 October 2017, 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 29 September 2017 to qualify for the interim dividend mentioned above.

PUBLIC FLOAT

Reference is made to the announcements of the Company dated 15 February 2017, 20 February 2017, 10 March 2017 and 25 May 2017.

As at the date of this announcement, the public float of the shares in the Company remains below the minimum 25% requirement as required under Rule 8.08(1)(a) of the Listing Rules. To the best of the knowledge, information and belief of the Directors, as at the date of this announcement, approximately 5.36% of the total number of issued shares in the Company are held by the public.

The Company is considering various options to restore the public float, and will make further announcement to inform its shareholders and potential investors on the status of the public float and any measures that may be introduced to restore the public float.

Shareholders of the Company and potential investors are advised to exercise caution when dealing in the securities of the Company.

DISCLOSURE OF INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

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

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

Hong Kong, 29 August 2017

As at the date of this announcement, the Board comprises Mr. Shen Yaoqing, Dr. Tan Siu Lin, Mr. Tan Cho Lung, Raymond, Mr. Qu Zhiming and Ms. Mok Siu Wan, Anne as executive Directors; Mr. Huang Jie as non-executive Director; Mr. Chan Henry, Mr. Cheung Siu Kee and Mr. Seing Nea Yie as independent non-executive Directors.