



Luenthai

Luen Thai Holdings Limited

聯 泰 控 股 有 限 公 司

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

INTERIM REPORT 2017

CONTENTS

EXECUTIVE DIRECTORS

SHEN Yaoqing, *Chairman (appointed on 15 February 2017)*
TAN Siu Lin, *Honorary Life Chairman*
TAN Cho Lung Raymond, *Chief Executive Officer*
QU Zhiming *(appointed on 15 February 2017)*
MOK Siu Wan Anne
TAN Henry *(resigned on 15 February 2017)*

NON-EXECUTIVE DIRECTORS

HUANG Jie *(appointed on 15 February 2017)*
TAN Willie *(resigned on 15 February 2017)*
LU Chin Chu *(resigned on 15 February 2017)*

INDEPENDENT NON-EXECUTIVE DIRECTORS

CHAN Henry
CHEUNG Siu Kee
SEING Nea Yie

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 32, which comprises the interim condensed consolidated statement of financial position of Luen Thai Holdings Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2017 and the related interim condensed consolidated statement of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

Conclusion

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 29 August 2017

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	8	**5,299**	5,355
Property, plant and equipment	8	**59,014**	59,899
Intangible assets	8	**34,204**	34,423
Interests in joint ventures	13	**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	9	**73,728**	64,717
Trade and other receivables	10	**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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 30 JUNE 2017

	Note	**As at 30 June 2017 US$'000 (Unaudited)**	As at 31 December 2016 US$'000 (Audited)
EQUITY			
Equity attributable to owners of the Company			
Share capital	11	**10,341**	10,341
Other reserves	12	**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
LIABILITIES			
Non-current liabilities			
Other payables	15	**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	15	**146,370**	162,124
Borrowings	14	**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

The notes on pages 10 to 32 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE PERIOD ENDED 30 JUNE 2017

	Note	Six months ended 30 June 2017 US$'000 (Unaudited)	2016 US$'000 (Unaudited and restated)
Continuing operations			
Revenue	6	**353,313**	438,456
Cost of sales		**(297,399)**	(371,555)
Gross profit		**55,914**	66,901
Other gains, net	16	**1,067**	54
Selling and distribution expenses		**(1,760)**	(1,428)
General and administrative expenses		**(43,767)**	(49,970)
Operating profit	17	**11,454**	15,557
Finance income	18	**205**	282
Finance costs	18	**(1,096)**	(834)
Finance costs, net	18	**(891)**	(552)
Share of losses of joint ventures		**(1,343)**	(1,371)
Profit before income tax		**9,220**	13,634
Income tax expense	19	**(306)**	(1,970)
Profit for the period from continuing operations		**8,914**	11,664
Discontinued operations			
Loss for the period from discontinued operations	25	**—**	(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	20		
— From continuing operations		**0.87**	1.14
— From discontinued operations		**—**	(0.33)

The notes on pages 10 to 32 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE 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

The notes on pages 10 to 32 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 30 JUNE 2017

	Unaudited						
	Attributable to owners of the Company						
	Share capital US$'000	Share premium US$'000	Other reserves US$'000	Retained earnings US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
Balance at 1 January 2017	10,341	14,623	2,526	250,398	277,888	708	278,596
Profit for the period	–	–	–	9,035	9,035	(121)	8,914
Other comprehensive income:							
Currency translation differences	–	–	(455)	–	(455)	–	(455)
Total comprehensive income for the period ended 30 June 2017	–	–	(455)	9,035	8,580	(121)	8,459
Total transactions with owners of the Company, recognized directly within equity							
Dividends paid	–	–	–	(2,627)	(2,627)	–	(2,627)
Special dividends paid in relation to the general offer	–	(14,623)	–	(85,319)	(99,942)	–	(99,942)
Total transactions with owners of the Company	–	(14,623)	–	(87,946)	(102,569)	–	(102,569)
Balance at 30 June 2017	10,341	–	2,071	171,487	183,899	587	184,486

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

FOR THE PERIOD ENDED 30 JUNE 2017

	Unaudited						
	Attributable to owners of the Company						
	Share capital US$'000	Share premium US$'000	Other reserves US$'000	Retained earnings US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
Balance at 1 January 2016	10,341	124,039	7,828	238,432	380,640	1,927	382,567
Profit for the period	–	–	–	8,362	8,362	(70)	8,292
Other comprehensive income:							
Currency translation differences	–	–	(1,120)	–	(1,120)	(11)	(1,131)
Total comprehensive income for the period ended 30 June 2016	–	–	(1,120)	8,362	7,242	(81)	7,161
Total transactions with owners of the Company, recognized directly within equity							
Dividends paid	–	–	–	(1,624)	(1,624)	–	(1,624)
Total transactions with owners of the Company	–	–	–	(1,624)	(1,624)	–	(1,624)
Balance at 30 June 2016	10,341	124,039	6,708	245,170	386,258	1,846	388,104

The notes on pages 10 to 32 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE PERIOD ENDED 30 JUNE 2017

	Note	Six months ended 30 June **2017** **US$'000** **(Unaudited)**	 2016 US$'000 (Unaudited)
Cash flows from operating activities			
Cash generated from operations		**2,756**	2,206
Interest paid	18	**(1,096)**	(1,050)
Income tax paid		**(2,582)**	(1,777)
Net cash used in operating activities		**(922)**	(621)
Cash flows from investing activities			
Purchases of property, plant and equipment	8	**(4,210)**	(5,945)
Decrease in bank deposits maturing beyond 3 months		**94**	2,440
Proceeds from disposals of property, plant and equipment		**270**	680
Repayment of consideration for the acquisition of additional interests in a subsidiary		**(833)**	(833)
Prepayment for the acquisition of additional interest in joint venture		**—**	(3,600)
Interest received	18	**205**	420
(Increase)/decrease in other non-current assets		**(400)**	671
Net cash used in investing activities		**(4,874)**	(6,167)
Cash flows from financing activities			
Net (decrease)/increase in trust receipt loans		**(15,087)**	4,504
Proceeds from borrowing		**31,935**	—
Repayment of borrowing		**(2,750)**	(5,758)
Dividends paid to the Company's shareholders		**(211,985)**	(1,624)
Net cash used in financing activities		**(197,887)**	(2,878)
Net decrease in cash and bank balances		**(203,683)**	(9,666)
Cash and bank balances at beginning of the period		**291,439**	175,835
Effect of foreign exchange rate change		**(246)**	373
Cash and bank balances at end of the period		**87,510**	166,542

The notes on pages 10 to 32 form an integral part of this condensed consolidated interim financial information.

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") were principally engaged in the manufacturing and trading of apparels and accessories, the provision of freight forwarding and logistics services and real estate development. The Group has manufacturing plants primarily in the People's Republic of China ("the PRC"), Cambodia, the Philippines and Vietnam.

On 25 October 2016, the Group entered into an agreement with Torpedo Management Limited, a wholly-owned subsidiary of Luen Thai Group Ltd. (formerly known as Helmsley Enterprises Limited), the then ultimate holding company of the Company, to dispose certain business and properties through disposal of certain subsidiaries. The disposed businesses consists of (i) retail sales and trading of apparel and accessories, (ii) footwear manufacturing, (iii) freight forwarding and logistics and (iv) real estate development. Upon completion of the disposal, the principal business of the Group will continue to be apparel and accessories manufacturing.

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 5/F, Nanyang Plaza, 57 Hung To Road, Kwun Tong, Kowloon, Hong Kong, respectively.

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

This condensed consolidated interim financial information is presented in United States dollars ("US$"), unless otherwise stated. This condensed consolidated interim financial information has been approved for issue by the Board of Directors on 29 August 2017.

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 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").

3 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.

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 2016.

5 FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price 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 2016.

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

5.2 Fair value estimation

The table below analyzes the Group's financial (liabilities)/assets that are carried at fair value, by valuation method, as at 30 June 2017 and 31 December 2016. The different levels are defined as follows:

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

	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
As at 30 June 2017				
Liabilities				
Derivative financial instruments	—	(215)	—	(215)
As at 31 December 2016				
Assets				
Derivative financial instruments	—	229	—	229

There were no changes in valuation techniques during the period.

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.3 Valuation technique used to derive Level 2 fair values

Level 2 trading and hedging derivatives comprise forward foreign exchange contracts and interest rate swaps. Forward foreign exchange contracts are fair valued using forward exchange rates that are quoted in an active market. Interest rate swaps are fair valued using forward interest rates extracted from observable yield curves. The effects of discounting are generally insignificant for Level 2 derivatives.

5.4 Fair value of financial assets and liabilities measured at amortised cost

The fair values of the trade and other receivables, cash and bank balances, restricted cash, borrowings, and trade and other payables as at 30 June 2017 approximate their carrying amounts.

5.5 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 2016.

6 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

6 SEGMENT INFORMATION (CONTINUED)

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 *(Note 8)*	**(3,034)**	**(792)**	**(1,738)**	**(5,564)**
Share of losses of joint ventures	**(1,343)**	**—**	**—**	**(1,343)**
Income tax expense *(Note 19)*	**(261)**	**123**	**(168)**	**(306)**

6 SEGMENT INFORMATION (CONTINUED)

	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 *(Note 8)*	(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 *(Note 19)*	(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.

6 SEGMENT INFORMATION (CONTINUED)

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.

	Six months ended 30 June	
	2017	2016
	US$'000	US$'000
	(Unaudited)	(Unaudited)
Analysis of revenue by category		
Sales of garment, textile products and accessories	**351,146**	455,315
Freight forwarding and logistics service fee	**—**	10,938
Other service revenue	**2,167**	7,357
Total revenue	**353,313**	473,610

7 SEASONALITY OF OPERATIONS

The sales for sweaters are subject to seasonal fluctuations, with peak demand in the second half of the year which is due to seasonal weather conditions. During the year ended 31 December 2016, 31% of revenues accumulated in the first half of the year (2015: 30%), with 69% accumulated in the second half of the year (2015: 70%).

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

	Intangible assets					
	Goodwill US$'000 (Unaudited)	Customer relationship US$'000 (Unaudited)	Total intangible assets US$'000 (Unaudited)	Property, plant and equipment US$'000 (Unaudited)	Land use rights US$'000 (Unaudited)	Total US$'000 (Unaudited)
Six months ended 30 June 2017						
Opening net book amount as at 1 January 2017	**33,726**	**697**	**34,423**	**59,899**	**5,355**	**99,677**
Additions	**–**	**–**	**–**	**4,210**	**–**	**4,210**
Disposals and write-off	**–**	**–**	**–**	**(194)**	**–**	**(194)**
Depreciation and amortization	**–**	**(219)**	**(219)**	**(5,262)**	**(83)**	**(5,564)**
Exchange differences	**–**	**–**	**–**	**361**	**27**	**388**
Closing net book amount as at 30 June 2017	**33,726**	**478**	**34,204**	**59,014**	**5,299**	**98,517**

	Intangible assets						
	Goodwill US$'000 (Unaudited)	Customer relationship US$'000 (Unaudited)	Total intangible assets US$'000 (Unaudited)	Investment properties US$'000 (Unaudited)	Property, plant and equipment US$'000 (Unaudited)	Land use rights US$'000 (Unaudited)	Total US$'000 (Unaudited)
Six months ended 30 June 2016							
Opening net book amount as at 1 January 2016	35,968	11,545	47,513	6,504	104,351	10,695	169,063
Additions	–	–	–	–	5,945	–	5,945
Disposals and write-off	–	–	–	–	(1,037)	–	(1,037)
Depreciation and amortization	–	(1,298)	(1,298)	(379)	(7,907)	(161)	(9,745)
Exchange differences	–	–	–	(149)	(1,229)	(95)	(1,473)
Closing net book amount as at 30 June 2016	35,968	10,247	46,215	5,976	100,123	10,439	162,753

9 INVENTORIES

	As at 30 June 2017 US$'000 (Unaudited)	As at 31 December 2016 US$'000 (Audited)
Raw materials	**26,396**	22,657
Work in progress	**40,637**	36,194
Finished goods	**6,695**	5,866
	73,728	64,717

10 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 *(Note 23(c))*	**321**	8,252
Amounts due from joint ventures *(Note 23(c))*	**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

10 TRADE AND OTHER RECEIVABLES (CONTINUED)

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

The impairment provision was approximately US$262,000 as at 30 June 2017 (31 December 2016: US$404,000). The provision made during the period has been included in general and administrative expenses in the condensed consolidated statement of profit or loss.

Except for certain amounts due from related companies and joint ventures of US$3,492,000 (31 December 2016: US$10,795,000) which are non-trade in nature, amounts due from related parties and joint ventures are unsecured, interest-free, repayable on demand and of trade in nature. They are neither past due nor impaired and have no past default history.

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 2016 (audited) and 30 June 2017 (unaudited)	**1,034,113**	10,341

11 SHARE CAPITAL (CONTINUED)

Share option

Compared to year end, there has been no change in the status of the Group's share option scheme. As at 30 June 2017 and 31 December 2016, there is no outstanding share option under the share option scheme. No share options have been granted or vested during the period ended 30 June 2017.

12 OTHER RESERVES

	Share premium US$'000 (Unaudited)	Capital reserve (Note (i)) US$'000 (Unaudited)	Other capital reserves (Note (ii)) US$'000 (Unaudited)	Employment benefit reserve US$'000 (Unaudited)	Exchange reserve US$'000 (Unaudited)	Total US$'000 (Unaudited)
As at 1 January 2017	**14,623**	**7,891**	**(4,799)**	**1,164**	**(1,730)**	**17,149**
Special dividends 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

Notes:

(i) The capital reserve of the Group represents the difference between the nominal value of the shares of the subsidiaries acquired pursuant to the Initial Public Offerings ("IPO") reorganization and the nominal value of the Company's shares issued in exchange thereof.

(ii) Other capital reserves primarily represent (i) the initial recognition of the financial liabilities in relation to the put options granted to the non-controlling interests and the subsequent derecognition of such financial liabilities upon the put options are exercised, expired or terminated; and (ii) the difference between the amount by which the non-controlling interests are acquired and the fair value of the consideration paid.

13 INTERESTS IN JOINT VENTURES

	Six months ended 30 June 2017 US$'000 (Unaudited)	Six months ended 30 June 2016 US$'000 (Unaudited)
Beginning of the period	**13,697**	14,590
Elimination of intercompany transactions	**—**	(274)
Share of post-tax losses of joint ventures	**(1,343)**	(3,323)
Share of exchange reserve	**—**	(31)
End of the period	**12,354**	10,962

14 BORROWINGS

	As at 30 June 2017 US$'000 (Unaudited)	As at 31 December 2016 US$'000 (Audited)
Trust receipt bank loans	**19,097**	34,184
Portion of bank borrowings due for repayment within one year	**56,685**	5,500
Portion of bank borrowings due for repayment after one year which contain a repayment on demand clause	**8,500**	30,500
Total borrowings	**84,282**	70,184

15 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 *(Note 23(c))*	**2,101**	412
Amounts due to joint ventures *(Note 23(c))*	**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

16 OTHER GAINS/(LOSS), NET

	Six months ended 30 June		
	2017	2016	
		Continuing operations	Discontinued operations
	US$'000	US$'000	US$'000
	(Unaudited)	(Unaudited and restated)	
Net unrealized (loss)/gains on forward foreign exchange contracts	**(215)**	122	—
Net realized gains on forward foreign exchange contracts	**150**	64	—
Net foreign exchange gains/(loss)	**1,132**	(132)	(1,024)
	1,067	54	(1,024)

17 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 *(Note 8)*	**83**	85	76
Amortization of intangible assets *(Note 8)*	**219**	1,298	—
Depreciation of property, plant and equipment *(Note 8)*	**5,262**	5,586	2,321
Depreciation of investment properties *(Note 8)*	**—**	—	379
(Gains)/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**	—	—

18 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

19 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

19 INCOME TAX EXPENSE (CONTINUED)

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 that 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.

19 INCOME TAX EXPENSE (CONTINUED)

Notes: (Continued)

(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 and interest on the additional tax 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.

20 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)		
— From continuing operations	**0.87**	1.14
— From 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.

21 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 dividends 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 declared by the Board of Directors on 29 August 2017. This condensed consolidated interim financial information does not reflect this dividend payable.

22 COMMITMENTS

(a) Operating lease commitments

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	As at 30 June 2017	As at 31 December 2016
	US$'000	US$'000
	(Unaudited)	(Audited)
Land and buildings		
— Not later than 1 year	**4,137**	5,753
— Later than 1 year and no later than 5 years	**8,790**	9,631
— Later than 5 years	**8,950**	9,096
	21,877	24,480
Property, plant and equipment		
— Not later than 1 year	**112**	79
— Later than 1 year and no later than 5 years	**38**	49
	150	128

22 COMMITMENTS (CONTINUED)

(b) Capital commitments

As at 31 December 2016 and 30 June 2017, the Group had no material capital commitments.

23 RELATED-PARTY TRANSACTIONS

(a) Significant transactions with related parties

On 26 October 2016, Shangtex (Hong Kong) Limited (the "Offeror"), Capital Glory Limited, Hanium Industries Limited, Double Joy Investments Limited, Wincare International Company Limited, Tan Siu Lin Foundation Limited, Ms. Cynthia Yiu, Mr. Justin Tan, Hampton Asset Limited and Mr. Sunny Tan (the "Selling Shareholders") entered into an irrevocable undertaking where the Offeror agreed to purchase and the Selling Shareholders agreed to sell 520,849,598 shares of the Company which represented approximately 50.37% of the entire issued share capital of the Company.

The transaction was completed on 14 February 2017, upon which the shareholding of the Selling Shareholders, its ultimate beneficial owners and their respective concerted parties in the Company has decreased from approximately 70.27% to 19.82%.

As such, immediately after the completion of the transaction, the Offeror owns 74.50% interest in the Company's equity. The directors regard the immediate holding company of the Company to be the Offerer, 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 the Offeror.

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.

23 RELATED-PARTY TRANSACTIONS (CONTINUED)

(a) Significant transactions with related parties (Continued)

(i) Provision of goods and services

	Six months ended 30 June	
	2017	2016
	US$'000	US$'000
	(Unaudited)	(Unaudited)
Service income from joint ventures	**—**	82
Recharge of material costs and other expenses to		
— related companies	**179**	594
— joint ventures	**480**	777
	659	1,371

(ii) Purchases of goods and services

	Six months ended 30 June	
	2017	2016
	US$'000	US$'000
	(Unaudited)	(Unaudited)
Professional and technological support service fees to related companies	**968**	1,036
Freight forwarding & logistics service charges	**1,004**	1,080
Subcontracting fee charged by joint ventures	**4,785**	4,193
Recharge of material costs and other expenses from		
— related companies	**997**	353
— joint ventures	**484**	2,867
	1,481	3,220

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

23 RELATED-PARTY TRANSACTIONS (CONTINUED)

(b) Key management compensation

	Six months ended 30 June	
	2017	2016
	US$'000	US$'000
	(Unaudited)	(Unaudited)
Salaries and allowances	**3,824**	3,490
Others	**211**	192
	4,035	3,682

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

As at 30 June 2017 and 31 December 2016, the outstanding balances with the related companies and joint ventures are unsecured, non-interest bearing and repayable on demand.

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

(d) In accordance with the deed 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, any claims, actions, losses, damages, tax and charges against the Group in relation to periods prior to July 2004 would, subject to the terms contained in the deed, be indemnified and reimbursed by certain of the then shareholders of the Company.

24 CONTINGENT LIABILITIES AND LITIGATION

As at 1 January and 30 June 2017, the Group had no material contingent liabilities.

25 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.

25 DISCONTINUED OPERATIONS (CONTINUED)

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)

26 COMPARATIVE FIGURES

Following the disposal of certain business and properties through disposal of certain subsidiaries as described in Note 1, the disposed businesses were presented as discontinued operations and certain comparative figures have been restated according to Hong Kong Financial Reporting Standard 5 "Non-current Assets Held for Sale and Discontinued Operations" to conform with current presentation. The details have been disclosed in Note 25 to the condensed consolidated interim financial information.

27 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.

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 2017.

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 by approximately 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 businesses 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 approximately 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 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 orders 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 continued to be our major 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 Resources

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 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 its sports apparel business. We believe that the growth potential of the sports apparel business with 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.

OTHER INFORMATION

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.

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.

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 2017.

As at 30 June 2017 and 31 December 2016, the Company had no share options outstanding under the Share Option Scheme.

Directors' and Chief Executives' Interests in Shares

As at 30 June 2017, the interests of the Directors and chief executives of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register maintained by the Company under Section 352 of the

SFO, or otherwise notified to the Company and Stock Exchange pursuant to the Model Code contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

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

Name of Director	Capacity	Number of Shares	Approximate percentage of Interests in the Company (Note a)
TAN Siu Lin	Trustee *(Note b)*	1,840,757	0.18%
	Interest of controlled corporation *(Note b)*	7,447,986	0.72%
MOK Siu Wan, Anne	Beneficial owner *(Note c)*	2,000,000	0.19%

Notes:

(a) The percentage has been compiled based on the total number of shares of the Company in issue (i.e. 1,034,112,666) as at 30 June 2017.

(b) Dr. Tan Siu Lin as a trustee indirectly controls the entire issued capital of Wincare International Company Limited, which in turn holds directly 1,840,757 Shares. Dr. Tan Siu Lin also controls and is a subscriber and founding member of Tan Siu Lin Foundation Limited, which in turn owns directly 7,447,986 Shares.

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

Substantial Shareholders

As at 30 June 2017, the register of substantial shareholders maintained pursuant to Section 336 of the SFO showed that other than the interests disclosed in "Directors' and Chief Executives' Interests in Shares", the following shareholders had notified the Company of their relevant interests in the issued capital of the Company.

Long position in the Shares

Name of shareholder	Note	Capacity	Number of Ordinary shares beneficially held	Approximate percentage of interests in the Company (Note a)
Shangtex (Hong Kong) Limited	(b)	Beneficial owner	770,461,936	74.50%
Shangtex Holdings Co., Ltd.	(b & c)	Interest of controlled corporation	770,461,936	74.50%
Capital Glory Limited	(d)	Beneficial owner	173,951,544	16.82%
Luen Thai Group Ltd. (formerly known as Helmsley Enterprises Limited)	(d & e)	Interest of controlled corporation	191,155,543	18.48%
Dr. Tan Henry	(f)	Interest of controlled corporation	195,290,168	18.88%

Notes:

(a) The percentage has been complied based on the total number of shares of the Company in issue (i.e. 1,034,112,666) as at 30 June 2017.

(b) Shangtex (Hong Kong) Limited ("Shangtex HK"), a company incorporated in Hong Kong with limited liability, is a wholly owned subsidiary of Shangtex Holdings Co., Ltd. ("Shangtex"). Shangtex is therefore deemed to be interested in the interests of Shangtex HK held in the Company.

(c) Shangtex, a company incorporated in the People's Republic of China with limited liability.

(d) Capital Glory Limited ("Capital Glory"), a company incorporated in the British Virgin Islands ("BVI") with limited liability, is a wholly owned subsidiary of Luen Thai Group Ltd. ("LT Group"). LT Group is therefore deemed to be interested in the interests of Capital Glory held in the Company.

(e) LT Group, a company incorporated in the Commonwealth of Bahamas.

(f) Dr. Tan Henry is the beneficial owner of 2,750 issued shares (representing 55% interest) in LT Group. Dr. Tan Henry is also the settler of a trust which indirectly holds 750 issued shares (representing 15% interests) in LT Group. LT Group wholly owns Capital Glory and indirectly owns Hanium Industries Limited, which own 173,951,544 Shares and 17,203,999 Shares respectively.

Dr. Tan Henry also has a controlling interest in Double Joy Investments Limited, a company incorporated in the BVI, which directly owns 4,134,625 Shares.

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

Corporate Governance Practices

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

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

Audit Committee: The Audit Committee has been set up to provide advice and recommendations to the Board. Mr. Huang Jie and the three independent non-executive Directors of the Company, namely, Mr. Chan Henry, 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.

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

Model Code

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

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 interim report, 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 interim report, 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.

Disclosure of Information on the Company and the Stock Exchange's Website

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

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

Hong Kong, 29 August 2017