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## **LUEN THAI HOLDINGS LIMITED**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 311)**

### **ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2022**

#### **GROUP FINANCIAL HIGHLIGHTS**

	<b>Six months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
	<b>US\$'000</b>	<b>US\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Revenue	<b>462,813</b>	334,206
Operating profit	<b>13,232</b>	5,423
Profit attributable to owners of the Company	<b>7,598</b>	958
Profit margin (ratio of profit attributable to owners of the Company to revenue)	<b>1.6%</b>	0.3%
Earnings per share ( <i>US cents</i> )	<b>0.73</b>	0.09

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 2022.

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2022

		Six months ended 30 June	
		2022	2021
	Note	US\$'000	US\$'000
		(Unaudited)	(Unaudited)
Revenue	3	462,813	334,206
Cost of sales		<u>(386,738)</u>	<u>(284,795)</u>
<b>Gross profit</b>		<b>76,075</b>	49,411
Other gains/(losses) — net		680	(579)
Selling and distribution expenses		(826)	(871)
General and administrative expenses		(62,464)	(42,779)
(Provision for)/reversal of provision for impairment of trade receivables		<u>(233)</u>	<u>241</u>
<b>Operating profit</b>	4	<b><u>13,232</u></b>	<u>5,423</u>
Finance income	5	327	299
Finance costs	5	<u>(3,465)</u>	<u>(2,675)</u>
Finance costs — net	5	<u>(3,138)</u>	<u>(2,376)</u>
Share of losses of joint ventures and an associate — net		<u>(1,650)</u>	<u>(646)</u>
<b>Profit before income tax</b>		<b>8,444</b>	2,401
Income tax expense	6	<u>(1,255)</u>	<u>(1,454)</u>
<b>Profit for the period</b>		<b><u>7,189</u></b>	<u>947</u>
<b>Profit attributable to</b>			
Owners of the Company		7,598	958
Non-controlling interests		<u>(409)</u>	<u>(11)</u>
		<u>7,189</u>	<u>947</u>
<b>Earnings per share attributable to owners of the Company, expressed in US cents per share</b>			
Basic and diluted	7	<u>0.73</u>	<u>0.09</u>

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2022

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

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30 June 2022*

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

		As at 30 June 2022 <i>US\$'000</i> (Unaudited)	As at 31 December 2021 <i>US\$'000</i> (Audited)
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings		3,889	5,000
Lease liabilities		24,170	26,581
Retirement benefit obligations		12,597	11,175
Deferred income tax liabilities		2,975	3,100
		<u>43,631</u>	<u>45,856</u>
<b>Total non-current liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	10	201,496	154,387
Borrowings		173,732	144,769
Lease liabilities		4,380	4,833
Current income tax liabilities		7,863	8,279
		<u>387,471</u>	<u>312,268</u>
<b>Total current liabilities</b>			
<b>Total liabilities</b>			
		<u>431,102</u>	<u>358,124</u>
<b>Total equity and liabilities</b>			
		<u>636,538</u>	<u>561,995</u>

## **NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**

*For the six months ended 30 June 2022*

### **1. BASIS OF PREPARATION**

This condensed consolidated interim financial information for the six months ended 30 June 2022 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting”. The interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2021 and any public announcements made by Luen Thai Holdings Limited during the interim reporting period.

### **2. ACCOUNTING POLICIES**

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2021, as described in those annual financial statements, except for the adoption of amended standards, improvements and accounting guideline effective for the financial year ending 31 December 2021 as described below.

#### **Amended standards, improvements and accounting guideline relevant to and adopted by the Group**

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

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

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

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

### **3. SEGMENT INFORMATION**

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

The executive directors have been identified as the Group’s chief operating decision-maker. The executive directors have determined the operating segments based on the information reviewed by them that are used to make strategic decisions. The executive directors exclude certain one-off items that might not occur regularly and which introduce volatility into the results of the segment.

The executive directors assess the performance of each segment based on a measure of segment profit primarily. Assets and liabilities of the Group are regularly reviewed on a consolidated basis. The segment information provided to the executive directors for the reportable segments for the six months ended 30 June 2022 and 2021 is as follows:

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

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:

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

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

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

## 6. INCOME TAX EXPENSES

Hong Kong profits tax has been provided at the rate of 16.5% (2021: Same) on the estimated assessable profit for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

	Six months ended 30 June	
	2022 US\$'000 (Unaudited)	2021 US\$'000 (Unaudited)
Current income tax	1,437	1,492
Deferred income tax	<u>(182)</u>	<u>(38)</u>
	<u><u>1,255</u></u>	<u><u>1,454</u></u>

### Notes

#### (i) Hong Kong profits tax

The Inland Revenue Department (“IRD”) has been reviewing the eligibility of a Hong Kong incorporated subsidiary’s 50% or 100% offshore profits claim for previous years.

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

Management has thoroughly revisited the situations and concluded that there are grounds for the Hong Kong incorporated subsidiary to sustain its 50% or 100% offshore tax filing position. Management considers the tax provisions made in relation to the abovementioned case to be adequate but not excessive.

(ii) *Overseas income tax*

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

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

## 7. EARNINGS PER SHARE

### (a) Basic

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

	Six months ended 30 June	
	2022 (Unaudited)	2021 (Unaudited)
Profit attributable to owners of the Company ( <i>US\$'000</i> )	<u>7,598</u>	<u>958</u>
Weighted average number of ordinary shares in issue ( <i>thousands</i> )	<u>1,034,113</u>	<u>1,034,113</u>
Basic earnings per share ( <i>US\$ cents per share</i> )	<u>0.73</u>	<u>0.09</u>

### (b) Diluted

Diluted earnings per share for the six months ended 30 June 2022 and 2021 is the same as the basic earnings per share as there were no potential dilutive ordinary shares outstanding during the periods.

## 8. DIVIDENDS

### (a) Dividends recognized during the reporting period

	Six months ended 30 June	
	2022 <i>US\$'000</i> (Unaudited)	2021 <i>US\$'000</i> (Unaudited)
Final dividend of US\$0.325 cent or HK\$2.53 cents (2020: Nil) per ordinary share for the year ended 31 December 2021	<u>3,361</u>	<u>—</u>

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

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

	Six months ended 30 June	
	2022	2021
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
Interim dividend — US\$0.220 cent or HK\$1.72 cents (2021: Nil) per ordinary share	<u>2,275</u>	<u>—</u>

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

9. TRADE AND OTHER RECEIVABLES

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

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

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

#### 10. TRADE AND OTHER PAYABLES

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

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

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

## 11. OTHER RESERVES

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### Results of Operations and Overview

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

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

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

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

## **Segmental Review**

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

### ***Apparel***

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

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

### ***Accessories***

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

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

### **Markets**

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

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



## **Liquidity and Financial Resource**

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

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

As at 30 June 2022, based on the scheduled repayments set out in the relevant loan agreements with banks, the maturity profile of the Group's bank borrowings spreads over five years, with approximately US\$164,288,000 repayable within one year, approximately US\$9,444,000 repayable in the second year and approximately US\$3,889,000 repayable in the third to fifth year.

## **Foreign Exchange Risk Management**

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

## **Future Plans and Prospect**

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

According to International Monetary Fund's World Economic Outlook findings in July 2022, compared with the projections made in April 2022, both global growth and inflation rates have been adjusted with a pessimistic outlook. The global growth has been further revised downward to 3.2% and 2.9% in 2022 and 2023, respectively, which is lower than that projected in the April 2022 by 0.4 and 0.7 percentage point, respectively. Despite the slowdown in worldwide economic activities, global inflation has been revised upward from 5.7% in advanced economies and 8.7% in developing and emerging economies to 6.6% and 9.5%, respectively. Due to adverse impact of cost pressures from the increase in energy price and disrupted supply chains, inflation has picked up in many

economies, particularly in the USA and certain major European economies, our major export markets. To tame the elevated inflation, central banks are expected to accelerate the interest rate hikes. Fears of inflation mixed with tightening monetary policies would probably further dampen consumer spending and undermine business confidence.

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

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

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

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

### **Significant Investments, Acquisitions and Disposal of Subsidiaries, Associates and Joint Ventures**

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

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

### **Future Plan for Material Investments or Capital Assets**

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

### **Contingent Liabilities**

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

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

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

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

### **Human Resources, Social Responsibilities and Corporate Citizenship**

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

With over 47,000 employees around the world, Luen Thai continuously strives to foster open communications with employees through various channels. Under its employee care initiatives, Luen Thai has provided safe and enjoyable work and living environments, equitable compensation and benefit schemes, and opportunities for career growth through a variety of formal and informal learning and development programmes; and a strong corporate culture where 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 during the six months ended 30 June 2022.

## **CORPORATE GOVERNANCE PRACTICES**

Throughout the six-month period ended 30 June 2022, the Company has complied with the applicable code provisions of the Corporate Governance Code as set out in the Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules").

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

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

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

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

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

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

## **COMPLIANCE WITH THE MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS**

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules. After having made specific enquiry of all Directors, all the Directors confirmed that they have complied with the required standards as set out in the Model Code and the code of conduct regarding securities transactions by Directors adopted by the Company during the six months ended 30 June 2022.

## **REVIEW OF INTERIM FINANCIAL INFORMATION**

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and has discussed with the management regarding the auditing, internal control and financial reporting matters. The Audit Committee has discussed and reviewed the unaudited interim financial information and the interim report for the six months ended 30 June 2022.

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

## **INTERIM DIVIDEND**

The Board has resolved to declare an interim dividend of HK1.72 cents per share (2021: NIL) for the six months ended 30 June 2022 to be payable to shareholders whose names appear on the Register of Members of the Company on 6 October 2022.

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

## **CLOSURE OF REGISTER OF MEMBERS**

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

## **PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND THE INTERIM REPORT**

This results announcement is published on the websites of Hong Kong Exchanges and Clearing Limited ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.luenthai.com](http://www.luenthai.com)). The interim report of the Company for the six months ended 30 June 2022 containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and published on the above websites in due course.

By order of the Board

**Tan Cho Lung, Raymond**

*Chief Executive Officer and Executive Director*

Hong Kong, 26 August 2022

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