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INTERIM
REPORT

New Luen Thai New Supply Chain



Luen Thai Holdings Limited

聯泰控股有限公司

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

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EXECUTIVE DIRECTORS

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

NON-EXECUTIVE DIRECTOR

MOK Siu Wan, Anne

INDEPENDENT NON-EXECUTIVE DIRECTORS

CHAN Henry
SEING Nea Yie
WANG Ching

CHIEF FINANCIAL OFFICER

KORNBLUM Joerg

COMPANY SECRETARY

CHIU Chi Cheung

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

TO THE BOARD OF DIRECTORS OF LUEN THAI HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 3 to 30, 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 2021 and the interim condensed consolidated statement of profit or loss, the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of 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 of the Group is not prepared, in all material aspects, in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 26 August 2021

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2021

	Note	As at 30 June 2021 US\$'000 (Unaudited)	As at 31 December 2020 US\$'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	7	132,786	137,080
Right-of-use assets	8	35,075	30,178
Intangible assets	7	45,894	46,235
Interests in joint ventures	13	3,003	3,649
Deferred income tax assets		2,959	2,994
Deposits, prepayments and other receivables	10	3,292	3,287
Total non-current assets		223,009	223,423
Current assets			
Inventories	9	102,423	71,456
Trade and other receivables	10	162,183	171,999
Prepaid income tax		5,676	5,525
Derivative financial instruments		35	—
Cash and bank balances		72,857	66,198
Restricted cash		15	15
Total current assets		343,189	315,193
Total assets		566,198	538,616
EQUITY			
Equity attributable to owners of the Company			
Share capital	11	10,341	10,341
Other reserves	12	(1,030)	(2,555)
Retained earnings		179,276	178,318
		188,587	186,104
Non-controlling interests		2,479	2,490
Total equity		191,066	188,594

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 30 JUNE 2021

	Note	As at 30 June 2021 US\$'000 (Unaudited)	As at 31 December 2020 US\$'000 (Audited)
LIABILITIES			
Non-current liabilities			
Borrowings	14	15,711	25,600
Lease liabilities		27,343	22,412
Retirement benefit obligations		13,845	13,061
Deferred income tax liabilities		3,573	3,757
Total non-current liabilities		60,472	64,830
Current liabilities			
Trade and other payables	15	163,593	139,173
Borrowings	14	138,661	134,990
Lease liabilities		4,329	3,775
Derivative financial instruments		—	129
Current income tax liabilities		8,077	7,125
Total current liabilities		314,660	285,192
Total liabilities		375,132	350,022
Total equity and liabilities		566,198	538,616

The above condensed consolidated statement of financial position should be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Note	Six months ended 30 June	
		2021 US\$'000 (Unaudited)	2020 US\$'000 (Unaudited)
Revenue	6	334,206	331,687
Cost of sales		(284,795)	(294,213)
Gross profit		49,411	37,474
Other losses – net	16	(579)	(610)
Selling and distribution expenses		(871)	(746)
General and administrative expenses		(42,779)	(48,574)
Reversal of provision for/(provision for) impairment of receivables	17	241	(2,649)
Operating profit/(loss)	17	5,423	(15,105)
Finance income	18	299	209
Finance costs	18	(2,675)	(3,055)
Finance costs – net	18	(2,376)	(2,846)
Share of losses of joint ventures	13	(646)	(523)
Profit/(loss) before income tax		2,401	(18,474)
Income tax expense	19	(1,454)	(591)
Profit/(loss) for the period		947	(19,065)
Profit/(loss) attributable to			
Owners of the Company		958	(18,687)
Non-controlling interests		(11)	(378)
		947	(19,065)
Earnings/(loss) per share attributable to owners of the Company, expressed in US cents per share			
– Basic and diluted	20	0.09	(1.81)

The above condensed consolidated statement of profit or loss should be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Six months ended 30 June	
	2021	2020
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
Profit/(loss) for the period	947	(19,065)
Other comprehensive income		
<i>Item that may be reclassified to profit or loss:</i>		
Currency translation differences	1,525	94
Total comprehensive income/(loss) for the period, net of income tax	2,472	(18,971)
Total comprehensive income/(loss) attributable to:		
Owners of the Company	2,483	(18,593)
Non-controlling interests	(11)	(378)
	2,472	(18,971)

The above condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2021

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Unaudited					
	Attributable to owners of the Company				Non-controlling interests	Total equity
	Share capital	Other reserves	Retained earnings	Total		
	US\$'000 (Note 11)	US\$'000 (Note 12)	US\$'000	US\$'000	US\$'000	US\$'000
Balance at 1 January 2020	10,341	2,006	206,346	218,693	—	218,693
Loss for the period	—	—	(18,687)	(18,687)	(378)	(19,065)
Other comprehensive income:						
Currency translation differences	—	94	—	94	—	94
Total comprehensive loss for the six months ended 30 June 2020	—	94	(18,687)	(18,593)	(378)	(18,971)
Total transactions with owners of the Company, recognized directly in equity						
Establishment of a new subsidiary	—	—	—	—	2,900	2,900
Disposal of partial interest in a subsidiary without losing of control	—	—	—	—	3	3
Total transactions with owners of the Company	—	—	—	—	2,903	2,903
Balance at 30 June 2020	10,341	2,100	187,659	200,100	2,525	202,625

The above condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Note	Six months ended 30 June	
		2021 US\$'000 (Unaudited)	2020 US\$'000 (Unaudited)
Cash flows from operating activities			
Cash generated from operations		21,888	30,261
Interest paid	18	(1,742)	(3,055)
Income tax paid		(691)	(3,452)
Net cash generated from operating activities		19,455	23,754
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired		—	(2,755)
Proceeds from partial disposal of a subsidiary		—	3
Investment in a joint venture	13	—	(245)
Purchases of property, plant and equipment	7	(5,941)	(15,701)
Proceeds from disposals of property, plant and equipment		1,574	872
Interest received	18	299	209
Prepayment of property, plant and equipment		—	(519)
Net cash used in investing activities		(4,068)	(18,136)
Cash flows from financing activities			
Net decrease in trade finance		(2,477)	(27,887)
Proceeds from borrowings		11,432	26,629
Repayments of borrowings		(15,173)	(17,113)
Payment for lease liabilities (including interest)		(2,307)	(3,401)
Proceeds from capital injection from non-controlling interests		—	2,900
Net cash used in financing activities		(8,525)	(18,872)
Net increase/(decrease) in cash and bank balances		6,862	(13,254)
Cash and bank balances at beginning of the period		66,198	82,959
Exchange losses on cash and bank balances		(203)	(231)
Cash and bank balances at end of the period		72,857	69,474

The above condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 GENERAL INFORMATION

Luen Thai Holdings Limited (the “Company”) is principally an investment holding company. The Company and its subsidiaries (together, the “Group”) are principally engaged in the manufacturing and trading of apparels and accessories. The Group has manufacturing plants primarily in the People’s Republic of China (the “PRC”), Cambodia, the Philippines, India and Myanmar.

The Company is a limited liability company incorporated in the Cayman Islands. The address of its registered office and principal place of business of the Company are Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands, and Rooms 1001-1005, 10/F, Nanyang Plaza, 57 Hung To Road, Kwun Tong, Kowloon, Hong Kong, respectively.

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

This condensed consolidated interim financial information is presented in United States dollars (“US\$”), unless otherwise stated. This condensed consolidated interim financial information has been approved for issue by the Board of Directors on 26 August 2021.

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 2021 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 2020 and any public announcements made by Luen Thai Holdings Limited during the interim reporting period.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2020, as described in those annual financial statements, except for the adoption of amended standards effective for the financial year ending 31 December 2021 as described below.

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

The following amended standards have been adopted by the Group for the first time for the financial period beginning on or after 1 January 2021:

- HKFRS 16 (Amendments) Covid-19-Related Rent Concessions, and
- HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 (Amendments) Interest Rate Benchmark Reform – Phase 2

These amended standards 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 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 2020.

5 FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and cash flow interest rate risk), credit risk and liquidity risk.

The condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements as at 31 December 2020.

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 that are carried at fair value, by valuation method, as at 30 June 2021 and 31 December 2020. 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 2021				
Assets				
Derivative financial instruments	—	35	—	35
As at 31 December 2020				
Liabilities				
Derivative financial instruments	—	129	—	129

There were no changes in valuation techniques during the period.

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.3 Valuation technique used to derive fair values

Level 2 trading and hedging derivatives comprise forward foreign exchange contracts. Forward foreign exchange contracts are fair valued using forward exchange rates that are quoted in an active market. The effects of discounting are generally insignificant for level 2 derivatives.

5.4 Liquidity risk

Compared to year end, there have been no material changes to the policies and practices for the Group's liquidity and funding risks management as described in the annual financial statements for the year ended 31 December 2020.

6 SEGMENT INFORMATION

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

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

6 SEGMENT INFORMATION (CONTINUED)

The executive directors assess the performance of each segment based on a measure of segment profit primarily. Assets and liabilities of the Group are regularly reviewed on a consolidated basis. The segment information provided to the executive directors for the reportable segments for the six months ended 30 June 2021 and 2020 is as follows:

	Apparel US\$'000 (Unaudited)	Accessories US\$'000 (Unaudited)	Group Total US\$'000 (Unaudited)
Six months ended 30 June 2021			
Revenue (from external customers)	202,745	131,461	334,206
Timing of revenue recognition			
At a point in time	202,734	131,428	334,162
Over time	11	33	44
Segment profit for the period	3,293	2,612	5,905
Profit for the period includes:			
Depreciation and amortization	(5,326)	(6,169)	(11,495)
Share of losses of joint ventures	(646)	–	(646)
Income tax (expense)/credit (<i>Note 19</i>)	(1,508)	54	(1,454)
Six months ended 30 June 2020			
Revenue (from external customers)	187,700	143,987	331,687
Timing of revenue recognition			
At a point in time	187,700	143,987	331,687
Segment loss for the period	(5,382)	(5,100)	(10,482)
Loss for the period includes:			
Depreciation and amortization	(6,339)	(5,232)	(11,571)
Share of losses of joint ventures	(523)	–	(523)
Income tax (expense)/credit (<i>Note 19</i>)	(748)	157	(591)

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/(loss) before corporate expenses for the period.

6 SEGMENT INFORMATION (CONTINUED)

A reconciliation of total segment profit/(loss) to the profit/(loss) for the period is provided as follows:

	Six months ended 30 June	
	2021	2020
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
Segment profit/(loss) for the period	5,905	(10,482)
Corporate expenses (<i>Note i</i>)	(4,958)	(5,402)
One-off item (<i>Note ii</i>)	—	(3,181)
Profit/(loss) for the period	947	(19,065)

Notes:

- (i) Corporate expenses represent general corporate expenses such as executive salaries and other unallocated general and administrative expenses.
- (ii) For the six months ended 30 June 2020, one-off item represents termination expenses.

	Six months ended 30 June	
	2021	2020
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
Analysis of revenue by category		
Sales of garment, textile products and accessories	330,886	325,980
Other revenue	3,320	5,707
Total revenue	334,206	331,687

7 PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

	Intangible assets			Property, plant and equipment	Total
	Goodwill	Customer relationship	Total intangible assets		
	US\$'000 (Unaudited)	US\$'000 (Unaudited)	US\$'000 (Unaudited)		
				US\$'000 (Unaudited)	US\$'000 (Unaudited)
Six months ended 30 June 2021					
Opening net book amount as at					
1 January 2021	42,320	3,915	46,235	137,080	183,315
Additions	–	–	–	5,941	5,941
Disposals and write-off	–	–	–	(1,533)	(1,533)
Depreciation and amortization (<i>Note 17</i>)	–	(341)	(341)	(9,136)	(9,477)
Exchange differences	–	–	–	434	434
Closing net book amount as at					
30 June 2021	42,320	3,574	45,894	132,786	178,680
Six months ended 30 June 2020					
Opening net book amount as at					
1 January 2020	42,078	4,272	46,350	121,848	168,198
Additions	–	–	–	20,024	20,024
Acquisition of subsidiaries	766	400	1,166	2,649	3,815
Disposals and write-off	–	–	–	(988)	(988)
Depreciation and amortization (<i>Note 17</i>)	–	(326)	(326)	(8,377)	(8,703)
Exchange differences	–	–	–	289	289
Closing net book amount as at					
30 June 2020	42,844	4,346	47,190	135,445	182,635

8 LEASES

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

	Land and properties US\$'000 (Unaudited)	Land use rights US\$'000 (Unaudited)	Motor vehicles US\$'000 (Unaudited)	Total US\$'000 (Unaudited)
Right-of-use assets				
As at 1 January 2021	24,417	5,761	—	30,178
Additions	7,792	—	—	7,792
Depreciation (<i>Note 17</i>)	(2,784)	(124)	—	(2,908)
Exchange differences	12	1	—	13
As at 30 June 2021	29,437	5,638	—	35,075
	Land and properties US\$'000 (Unaudited)	Land use rights US\$'000 (Unaudited)	Motor vehicles US\$'000 (Unaudited)	Total US\$'000 (Unaudited)
Right-of-use assets				
As at 1 January 2020	30,048	4,864	3	34,915
Additions	4,604	1,092	—	5,696
Disposals	(1,876)	—	—	(1,876)
Depreciation (<i>Note 17</i>)	(2,779)	(86)	(3)	(2,868)
Exchange differences	(7)	(3)	—	(10)
As at 30 June 2020	29,990	5,867	—	35,857

9 INVENTORIES

	As at 30 June 2021 US\$'000 (Unaudited)	As at 31 December 2020 US\$'000 (Audited)
Raw materials	39,635	32,308
Work in progress	63,671	37,521
Finished goods	3,660	6,638
	106,966	76,467
Less: Provisions for inventory obsolesces	(4,543)	(5,011)
	102,423	71,456

10 TRADE AND OTHER RECEIVABLES

	As at 30 June 2021 US\$'000 (Unaudited)	As at 31 December 2020 US\$'000 (Audited)
Current portion		
Trade and bills receivables – net	68,354	97,125
Deposits, prepayments and other receivables	53,820	43,651
Contract assets	9,386	6,191
Amounts due from related parties (<i>Note 21(c)</i>)	30,623	25,032
	162,183	171,999
Non-current portion		
Deposits	2,495	2,468
Others	797	819
	3,292	3,287

10 TRADE AND OTHER RECEIVABLES (CONTINUED)

	As at 30 June 2021 US\$'000 (Unaudited)	As at 31 December 2020 US\$'000 (Audited)
Trade and bills receivables	72,591	101,603
Less: Loss allowances	(4,237)	(4,478)
Trade and bills receivables – net	68,354	97,125

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

	As at 30 June 2021 US\$'000 (Unaudited)	As at 31 December 2020 US\$'000 (Audited)
0 to 30 days	51,620	60,920
31 to 60 days	11,387	24,396
61 to 90 days	1,734	7,979
91 to 120 days	3,852	2,470
Over 120 days	3,998	5,838
	72,591	101,603

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 2020 (audited) and 30 June 2021 (unaudited)	1,034,113	10,341

12 OTHER RESERVES

	Capital reserve <i>(Note (i))</i> US\$'000 (Unaudited)	Other capital reserves <i>(Note (ii))</i> US\$'000 (Unaudited)	Employment benefit reserve US\$'000 (Unaudited)	Exchange reserve US\$'000 (Unaudited)	Total US\$'000 (Unaudited)
As at 1 January 2021	7,891	(2,795)	1,451	(9,102)	(2,555)
Currency translation differences	–	–	(729)	2,254	1,525
As at 30 June 2021	7,891	(2,795)	722	(6,848)	(1,030)
As at 1 January 2020	7,891	(2,795)	2,640	(5,730)	2,006
Currency translation differences	–	–	71	23	94
As at 30 June 2020	7,891	(2,795)	2,711	(5,707)	2,100

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	
	2021	2020
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
Beginning of the period	3,649	4,240
Additions	—	245
Share of post-tax losses of joint ventures	(646)	(523)
End of the period	3,003	3,962

14 BORROWINGS

	As at	As at
	30 June	31 December
	2021	2020
	US\$'000	US\$'000
	(Unaudited)	(Audited)
Non-current		
Bank borrowings		
– Term loans	15,711	25,600
	15,711	25,600
Current		
Bank borrowings		
– Term loans	112,093	105,945
– Trade finances	26,568	29,045
	138,661	134,990
Total borrowings	154,372	160,590

15 TRADE AND OTHER PAYABLES

	As at 30 June 2021 US\$'000 (Unaudited)	As at 31 December 2020 US\$'000 (Audited)
Trade and bills payables	90,932	72,313
Contract liabilities	1,227	598
Other payables and accruals	70,041	65,077
Amounts due to related parties (Note 21(c))	1,393	1,185
	163,593	139,173

As at 30 June 2021 and 31 December 2020, the ageing analysis of the trade and bills payables based on invoice date is as follows:

	As at 30 June 2021 US\$'000 (Unaudited)	As at 31 December 2020 US\$'000 (Audited)
0 to 30 days	80,415	55,366
31 to 60 days	8,066	9,543
61 to 90 days	1,420	5,727
Over 90 days	1,031	1,677
	90,932	72,313

16 OTHER LOSSES – NET

	Six months ended 30 June 2021 US\$'000 (Unaudited)	2020 US\$'000 (Unaudited)
Net realised (losses)/gains on forward foreign exchange contracts	(58)	123
Net foreign exchange losses	(521)	(733)
	(579)	(610)

17 OPERATING PROFIT/(LOSS)

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

	Six months ended 30 June	
	2021	2020
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
Amortization of intangible assets <i>(Note 7)</i>	341	326
Depreciation of property, plant and equipment <i>(Note 7)</i>	9,136	8,377
Depreciation of right-of-use assets <i>(Note 8)</i>	2,908	2,868
(Gains)/losses on disposals of property, plant and equipment	(41)	116
(Reversal of provision for)/provision for impairment of receivables	(241)	2,649
(Reversal of provision for)/provision for inventory obsolescence	(468)	637
Provision for material claims	124	447
Termination expenses	2,155	4,634

18 FINANCE COSTS – NET

	Six months ended 30 June	
	2021	2020
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
Interest expense on lease liabilities	(933)	(954)
Interest expense on bank loans and overdrafts	(1,742)	(2,101)
Finance costs	(2,675)	(3,055)
Interest income from bank deposits	220	179
Other interest income	79	30
Finance income	299	209
Finance costs – net	(2,376)	(2,846)

19 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2020: 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	
	2021	2020
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
Current income tax	1,492	929
Deferred income tax	(38)	(338)
	1,454	591

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

In respect of the Hong Kong incorporated subsidiary, the IRD tentatively disallowed the 50% or 100% offshore profits claim for the previous years and issued notices of additional assessments/assessments for the years of assessment 2000/01 to 2014/15 on the basis of no 50:50 apportionment for 2000/01 to 2011/12 and no 100% offshore profit for 2012/13 to 2014/15 with the amount of US\$3,820,000. The subsidiary has lodged objections against the above assessments for 2000/01 to 2014/15 by the statutory deadlines. The tax provisions made as at 30 June 2021 for the years of assessment 2000/01 to 2020/21 were approximately US\$811,000. Pending settlement of the objections, it has paid a total sum of US\$3,695,000 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.

19 INCOME TAX EXPENSE (CONTINUED)

- (ii) In prior years, an overseas tax authority ("Tax Authority") performed an assessment on the tax position of an overseas incorporated subsidiary for the year ended 31 December 2016 and issued a revised assessment to demand additional tax payment of US\$830,000. The Tax Authority has also performed an assessment on the tax position of another 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. Management has provided for the abovementioned amounts in full and considers the provisions as at 30 June 2021 are adequate.

- (iii) The Group has contingent liabilities regarding potential exposures to import duties, taxes and penalties in various overseas countries with aggregated amounts of approximately US\$21,283,000 as at 30 June 2021 (31 December 2020: US\$21,283,000).

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 2021, 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 2021, 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\$4,318,000 (31 December 2020: US\$4,318,000), 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.

20 EARNINGS/(LOSS) PER SHARE

(a) Basic

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

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
Profit/(loss) attributable to owners of the Company (US\$'000)	958	(18,687)
Weighted average number of ordinary shares in issue (thousands)	1,034,113	1,034,113
Basic earnings/(loss) per share (US\$ cents per share)	0.09	(1.81)

(b) Diluted

Diluted earnings/(loss) per share for the six months ended 30 June 2021 and 2020 is the same as the basic earnings/(loss) per share as there were no potential dilutive ordinary shares outstanding during the periods.

21 RELATED-PARTY TRANSACTIONS

(a) Significant transactions with related parties

The directors regard the immediate holding company of the Company to be Shangtex (Hong Kong) Limited, a company incorporated in Hong Kong, and the ultimate holding company of the Company to be Shangtex Holding Co., Ltd, a company incorporated in the PRC which indirectly holds 100% interest in Shangtex (Hong Kong) Limited.

During the period, other than the transactions and balances with related parties as disclosed in respective notes in this condensed consolidated interim financial information, the Group had the following transactions with related companies and joint ventures.

(i) Provision of goods and services

	Six months ended 30 June	
	2021	2020
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
Recharge of material costs and other expenses to		
– related companies	807	79
– joint ventures	4,006	5,528
	4,813	5,607
Sales of apparels, textile products and accessories to related companies	28,781	14,812
Management fee income from joint ventures	1,934	1,791

21 RELATED-PARTY TRANSACTIONS (CONTINUED)

(a) Significant transactions with related parties (Continued)

(ii) Purchases of goods and services

	Six months ended 30 June	
	2021	2020
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
Acquisition of right-of-use assets from a related company	1,834	—
Rental expenses for occupying office premises, warehouses and staff quarters charged by related companies	1,097	956
Professional and technological support service fees to related companies	990	960
Freight forwarding and logistics services charged by related companies	879	980

21 RELATED-PARTY TRANSACTIONS (CONTINUED)

(a) Significant transactions with related parties (Continued)

(ii) Purchases of goods and services (Continued)

	Six months ended 30 June	
	2021 US\$'000 (Unaudited)	2020 US\$'000 (Unaudited)
Subcontracting fee charged by		
– related companies	–	179
– joint ventures	1,525	13,027
	1,525	13,206
Recharge of material costs and other expenses by		
– related companies	467	459
– joint ventures	388	214
	855	673
Purchases of materials from joint ventures	6,854	1,257

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

(b) Key management compensation

	Six months ended 30 June	
	2021 US\$'000 (Unaudited)	2020 US\$'000 (Unaudited)
Salaries and allowances	1,367	3,110
Others	136	179
	1,503	3,289

21 RELATED-PARTY TRANSACTIONS (CONTINUED)

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

	As at 30 June 2021 US\$'000 (Unaudited)	As at 31 December 2020 US\$'000 (Audited)
Amounts due from related parties (Note 10)		
– joint ventures	21,717	19,000
– related companies	8,906	6,032
	30,623	25,032
Amounts due to related companies (Note 15)	1,393	1,185

As at 30 June 2021, the amounts due from joint ventures include a US\$12,794,000 (31 December 2020: US\$10,194,000) financial support to a joint venture in the form of a shareholder loan. It is unsecured, interest-bearing and repayable on demand.

The remaining amounts due from joint ventures and related parties arise mainly from trade transactions. They are unsecured, interest-free and repayable on demand and are denominated in US\$.

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

The amounts due to related companies are unsecured, interest-free and repayable on demand, and the carrying amounts of these balances approximate their fair values and are denominated in US\$.

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 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS AND OVERVIEW

The first half of 2021 continued to be marked by the health crisis and the hope of a gradual return to normal life due to the persistent threat of COVID-19. In terms of penetration, duration and infectiousness, COVID-19 has been the most threatening pandemic in human history. As at 30 June 2021, more than 180 million confirmed COVID-19 cases and about 4 million related deaths were reported to World Health Organization. A series of containment measures have been carried out by nearly all countries in the world, including social distancing policies, restrictions of gatherings, travel restrictions and lockdowns. As a result, economic activities came to nearly a standstill in both developed and developing economies and unemployment rate soared. In order to minimize the economic downturn associated with COVID-19, quantitative easing measures were aggressively implemented by all major economies. Even several countries are showing signs of recovery recently, others are still suffering from the impact of COVID-19 and the economic growth was static.

Despite the drastic changes in the markets, the management prudently and calmly encountered those challenges by swiftly modifying the operation strategies of the Group. Consequently, the gross profit increased substantially by about 31.9% to approximately US\$49,411,000, notwithstanding the revenue merely increased by approximately 0.8% to approximately US\$334,206,000. In line with the considerable improvement in gross profit, the Group recorded a net profit attributable to owners of the Company of approximately US\$958,000 (“Net Profit”), as compared to a net loss attributable to owners of the Company (“Net Loss”) amounting to approximately US\$18,687,000 for the corresponding period last year.

The turnaround from Net Loss to Net Profit was mainly attributable to (i) the gradual resumption of the Group’s manufacturing processes due to the relaxation of COVID-19 related government measures in various production countries which previously had negative impacts on the production schedules and order allocations of the Group’s production facilities; and (ii) the implementation of certain stringent cost control measures and restructuring initiatives which successfully reduced the base costs of the Group’s operations.

As there is still no definite end to the COVID-19, the management of the Group will continue to take prudent and responsible measures to preserve a healthy financial position to sustain the Group’s operations. As a result, the Board does not recommend payment of an interim dividend.

SEGMENTAL REVIEW

Apparel and Accessories businesses accounted for approximately 60.7% and 39.3% respectively of the Group's total revenue for the period under review.

Apparel

Segment revenue of the Apparel Division increased by approximately US\$15,045,000 or 8.0%, from approximately US\$187,700,000 for the six months ended 30 June 2020 to approximately US\$202,745,000 for the six months ended 30 June 2021. The mild increase in segment revenue of the Apparel Division due to the increased market penetration in the People's Republic of China (the "PRC") through cooperation and collaboration with a connected party, which was partially offset by the weaker sales performance in other regions. Despite the mild increase in revenue, the Apparel Division made a segment profit of approximately US\$3,293,000, when compared to a segment loss of approximately US\$5,382,000 for the corresponding period in 2020.

Accessories

Segment revenue of the Accessories Division dropped by approximately 8.7% period-to-period to approximately US\$131,461,000 for the period ended 30 June 2021. Despite the decrease in segment revenue of the Accessories Division, the Accessories Division recorded a segment profit of approximately US\$2,612,000, as compared with a segment loss of approximately US\$5,100,000 for the same period last year. The notable improvement in the segment result of the Accessories Division was mainly due to certain effective cost saving initiatives and elimination of non-profitable orders.

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 accounted for approximately 67.2% of the Group's total revenue in the first half of 2021.

The Group's revenue from the Asia market (mainly the PRC and Japan) was approximately US\$77,534,000, which accounted for approximately 23.2% of the Group's total revenue in the first half of 2021.

LIQUIDITY AND FINANCIAL RESOURCE

The financial position of the Group remained healthy. As at 30 June 2021, the total cash and bank deposits of the Group amounted to approximately US\$72,872,000, representing an increase of approximately US\$6,659,000 over the balance as at 31 December 2020. The Group's total bank borrowings as at 30 June 2021 was approximately US\$154,372,000, representing a decrease of approximately 3.9% as compared to approximately US\$160,590,000 as at 31 December 2020.

Gearing ratio is defined as net debt (representing bank borrowings net of cash and bank balances) divided by shareholders' equity. As at 30 June 2021, the gearing ratio of the Group was approximately 43.2%.

As at 30 June 2021, 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\$121,994,000 repayable within one year, approximately US\$19,044,000 repayable in the second year and approximately US\$13,334,000 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 management of the Group cautiously looks forward to a continuous improvement in the consumer sentiment and global economy in the second half of 2021. However, the sales and profitability of the Group may be adversely affecting by certain significant downside risks, including but not limited to the possible widespread of the new COVID delta variants, substantial increase in raw material prices and escalating geopolitical tensions.

Given the current extremely challenging business environment, the management of the Group will closely monitor the impact of the aforementioned risks on the financial conditions and business operations of the Group and timely adjustments to the Group's business strategies will be made when necessary. The Group will continue to develop the on-demand manufacturing business which caters the need for more streamlined fashion required by the varying taste of the age.

In addition, the Group will also continue to focus on partnering with NTX™, a textile technology solutions company, to integrate Cooltrans® and e-Nanofiber™ into our production and product development processes. With this technology, the Group will be able to achieve vertical integration by adding fabric coloring and printing, as well as fabric and material innovation capabilities into our fashion supply chain. The management of the Group believes that the on-demand manufacturing business and the innovative printing technology can help the Group to achieve sustainable growth and provide satisfactory returns to its shareholders in the long run.

As the resumption of normal economic and social activities are highly correlated with the COVID-19 pandemic, it is vital for the community to actively get vaccinated. The Group's management also believes that the well-being of the Group's employees is one of the essential elements to the success of the Group. The high vaccination rates will likely help to 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 at 18 August 2021, over 60% of the Group's employees have received at least one dose of a COVID-19 vaccine. For the Group's production facilities in the PRC and Cambodia, the vaccination rates of the Group's employees are over 90%. The Group's management will continue to take active steps to encourage employees to be vaccinated and the Group targets to achieve a vaccination rate of 75% amongst all employees of the Group by the end of 2021.

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES, AND FUTURE PLAN FOR MATERIAL INVESTMENTS OF CAPITAL ASSETS

There was no material acquisition or disposal of subsidiaries, associates or joint ventures during the period ended 30 June 2021.

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.

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\$21,283,000 as at 30 June 2021 (31 December 2020: US\$21,283,000).

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 2021, 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 2021, 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\$4,318,000 (31 December 2020: US\$4,318,000), 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.

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 not to declare an interim dividend for the six months ended 30 June 2021 (2020: NIL).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares 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 2021.

As at 30 June 2021 and 31 December 2020, the Company had no share options outstanding under the Share Option Scheme.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 30 June 2021, 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 for Securities Transactions by Directors of Listed Issuers 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)	10,992,986	1.06%
TAN Cho Lung, Raymond	Interest of controlled corporation (Note c)	15,655,639	1.51%
	Interest of spouse (Note c)	2,050,000	0.20%
MOK Siu Wan, Anne	Beneficial owner (Note d)	2,000,000	0.19%

Notes:

- (a) The percentage has been compiled based on the total number of shares of the Company in issue (i.e. 1,034,112,666) as at 30 June 2021.
- (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 10,992,986 Shares.
- (c) Mr. Tan Cho Lung, Raymond wholly owns Flying Base Limited, which directly owns 15,655,639 Shares.

A total of 2,050,000 Shares was held by an associate of Mr. Tan Cho Lung, Raymond. Mr. Tan is therefore deemed under Part XV of the SFO to be interested in all of the 2,050,000 Shares acquired by his associate.

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

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2021, 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 <i>(Note a)</i>
Shangtex (Hong Kong) Limited	(b)	Beneficial owner	730,461,936	70.64%
Shangtex Investment Co., Ltd.	(b)	Interest of controlled corporation	730,461,936	70.64%
Shangtex Holdings Co., Ltd.	(b)	Interest of controlled corporation	730,461,936	70.64%
Orient International (Holding) Co., Ltd.	(b)	Interest of controlled corporation	730,461,936	70.64%
Shanghai Guosheng Group Co., Ltd.	(b)	Interest of controlled corporation	730,461,936	70.64%
Double Joy Investments Limited	(c)	Beneficial owner	71,975,726	6.96%
Dr. Tan Henry	(d)	Interest of controlled corporation	89,179,725	8.62%
Ms. Tan Chiu Joise	(d)	Interest of controlled corporation Interest of spouse	89,179,725	8.62%

Notes:

- (a) The percentage has been compiled based on the total number of shares of the Company in issue (i.e. 1,034,112,666 Shares) as at 30 June 2021.
- (b) Based on the information recorded in the register required to be kept under section 336 of the SFO, Shangtex (Hong Kong) Limited ("Shangtex HK") directly holds 730,461,936 Shares. Shangtex HK is 100% directly owned by Shangtex Investment Co., Ltd ("Shangtex Investment"). Shangtex Investment is 100% directly owned by Shangtex Holding Co., Ltd ("Shangtex"). Orient International (Holding) Co., Ltd ("Orient International") directly holds approximately 84.51% in Shangtex. Shanghai Guosheng Group Co., Ltd directly holds 34% in Orient International.
- (c) Double Joy Investments Limited ("Double Joy") is a company incorporated in the British Virgin Islands with limited liability and is owned by Ms. Tan Chiu Joise and Dr. Tan Henry in equal shares. Each Ms. Tan Chiu Joise and Dr. Tan Henry is deemed to be interested in the 71,975,726 Shares held by Double Joy.
- (d) Both Dr. Tan Henry and Ms. Tan Chiu Joise are deemed to be interested in the 71,975,726 Shares held by Double Joy as mentioned in note (c) above; and

Dr. Tan Henry wholly owns Hanium Industries Limited, which directly owns 17,203,999 Shares. Ms. Tan Chiu Joise is the wife of Dr. Tan Henry and is deemed to be interested in the shares which are interested by Dr. Tan Henry under Part XV of the SFO.

Save as disclosed above, 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 2021, 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. 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 2021 were in line with those practices set out in the Corporate Governance Report in the Company's 2020 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 2021. 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.

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 2021.

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 and Executive Director

Hong Kong, 26 August 2021