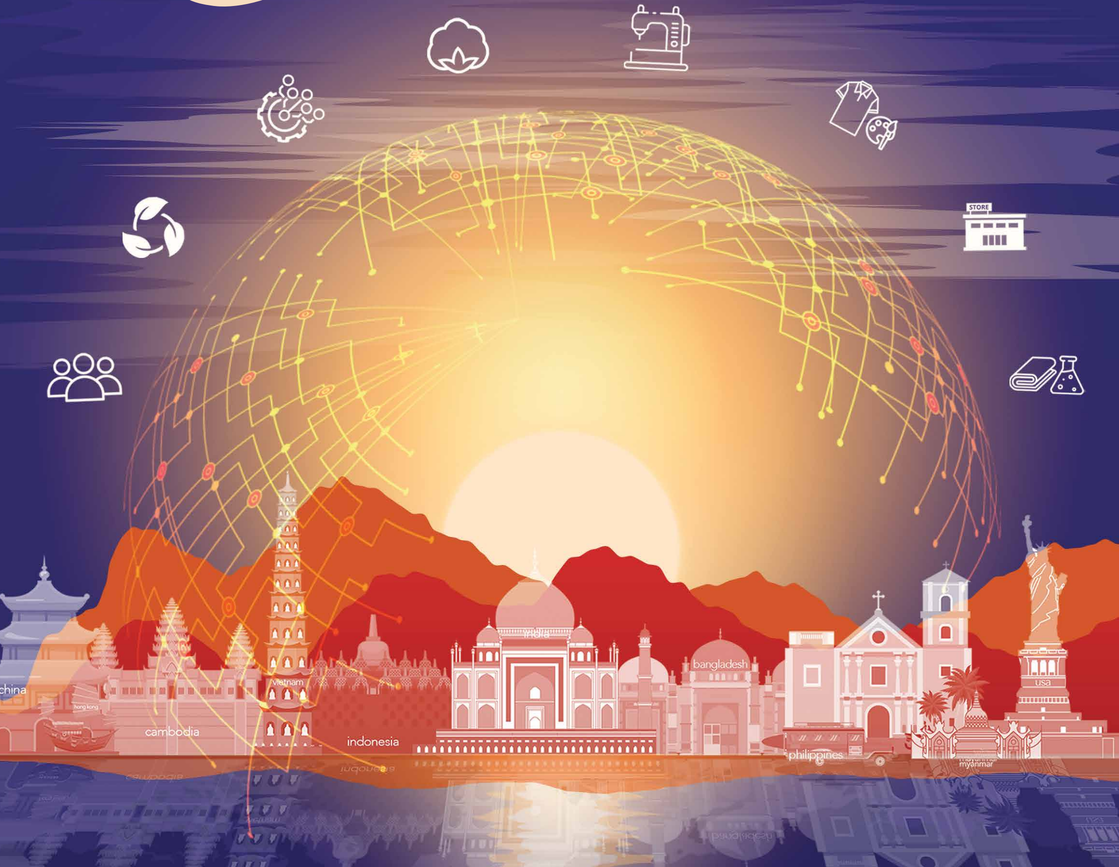
LOOKING FOR Sunrise



Luenthai

Luen Thai Holdings Limited
聯泰控股有限公司

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

2023 INTERIM REPORT

MIX
Paper from responsible sources
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CONTENTS

EXECUTIVE DIRECTORS

WANG Weimin, *Chairman (elected on 25 May 2023)*
TAN Siu Lin, *Honorary Life Chairman*
TAN Cho Lung Raymond, *Chief Executive Officer*
ZHANG Min
JIN Xin *(elected on 25 May 2023)*
QU Zhiming *(retired on 25 May 2023)*
HUANG Jie *(retired on 25 May 2023)*

NON-EXECUTIVE DIRECTOR

MOK Siu Wan, Anne

INDEPENDENT NON-EXECUTIVE DIRECTORS

CHAN Henry
WANG Ching
LEE Cheuk Yin, Dannis *(elected on 25 May 2023)*
SEING Nea Yie *(retired on 25 May 2023)*

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 41, which comprises the condensed consolidated statement of financial position of Luen Thai Holdings Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2023 and the condensed consolidated statement of profit or loss, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six-month period then ended, and selected 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, 9 October 2023

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2023

	Note	**As at 30 June 2023 US$'000 (Unaudited)**	As at 31 December 2022 US$'000 (Audited) (Restated)
ASSETS			
Non-current assets			
Property, plant and equipment	8	**111,441**	117,726
Right-of-use assets	9	**27,746**	30,444
Intangible assets	8	**44,565**	44,899
Interests in joint ventures and associates	14	**6,539**	6,231
Deferred income tax assets		**2,605**	2,339
Deposits, prepayments and other receivables	11	**5,005**	4,993
Total non-current assets		**197,901**	206,632
Current assets			
Inventories	10	**92,311**	83,328
Trade and other receivables	11	**150,873**	130,890
Prepaid income tax	11	**4,265**	4,253
Derivative financial instruments		**27**	—
Restricted cash		**—**	29
Cash and bank balances		**75,832**	93,952
Total current assets		**323,308**	312,452
Total assets		**521,209**	519,084
EQUITY			
Equity attributable to owners of the Company			
Share capital	12	**10,341**	10,341
Other reserves	13	**(2,914)**	(883)
Retained earnings		**189,299**	191,786
		196,726	201,244
Non-controlling interests		**915**	1,177
Total equity		**197,641**	202,421

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 30 JUNE 2023

	Note	**As at 30 June 2023 US$'000 (Unaudited)**	As at 31 December 2022 US$'000 (Audited) (Restated)
LIABILITIES			
Non-current liabilities			
Borrowings	15	**1,667**	2,778
Lease liabilities		**21,684**	22,822
Retirement benefit obligations		**7,372**	8,202
Deferred income tax liabilities		**2,745**	2,861
Total non-current liabilities		**33,468**	36,663
Current liabilities			
Trade and other payables	16	**133,675**	121,921
Borrowings	15	**145,621**	145,723
Lease liabilities		**4,049**	5,370
Derivative financial instruments		**—**	106
Current income tax liabilities		**6,755**	6,880
Total current liabilities		**290,100**	280,000
Total liabilities		**323,568**	316,663
Total equity and liabilities		**521,209**	519,084

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-MONTH PERIOD ENDED 30 JUNE 2023

	Note	Six-month period ended 30 June 2023 US$'000 (Unaudited)	 2022 US$'000 (Unaudited) (Restated)
Revenue	7	**340,222**	462,813
Cost of sales		**(293,067)**	(387,337)
Gross profit		**47,155**	75,476
Other gains — net	17	**1,363**	680
Selling and distribution expenses		**(666)**	(826)
General and administrative expenses		**(41,792)**	(62,494)
Provision for impairment of trade receivables	18	**—**	(233)
Operating profit	18	**6,060**	12,603
Finance income	19	**819**	327
Finance costs	19	**(6,672)**	(3,465)
Finance costs — net	19	**(5,853)**	(3,138)
Share of profits/(losses) of joint ventures and associates — net	14	**308**	(1,650)
Profit before income tax		**515**	7,815
Income tax expense	20	**(493)**	(1,255)
Profit for the period		**22**	6,560
Profit attributable to			
Owners of the Company		**284**	6,969
Non-controlling interests		**(262)**	(409)
		22	6,560
Earnings per share attributable to owners of the Company, expressed in US cents per share			
— Basic and diluted	21	**0.03**	0.67

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-MONTH PERIOD ENDED 30 JUNE 2023

	Six-month period ended 30 June	
	2023	2022
	US$'000	US$'000
	(Unaudited)	(Unaudited)
		(Restated)
Profit for the period	**22**	6,560
Other comprehensive loss		
Item that may be reclassified to profit or loss:		
Currency translation differences	**(2,031)**	(1,811)
Total comprehensive (loss)/income for the period	**(2,009)**	4,749
Total comprehensive (loss)/income attributable to:		
Owners of the Company	**(1,747)**	5,158
Non-controlling interests	**(262)**	(409)
	(2,009)	4,749

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-MONTH PERIOD ENDED 30 JUNE 2023

	Unaudited					
	Attributable to owners of the Company					
	Share Capital US$'000 (Note 12)	Other reserves US$'000 (Note 13)	Retained earnings US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
Balance at 1 January 2023, as previously reported	10,341	(883)	197,015	206,473	1,177	207,650
Prior year adjustment *(Note 5)*	–	–	(5,229)	(5,229)	–	(5,229)
Balance at 1 January 2023, as restated	10,341	(883)	191,786	201,244	1,177	202,421
Profit/(loss) for the period	–	–	284	284	(262)	22
Other comprehensive loss:						
Currency translation differences	–	(2,031)	–	(2,031)	–	(2,031)
Total comprehensive (loss)/income for the period ended 30 June 2023	–	(2,031)	284	(1,747)	(262)	(2,009)
Total contributions by and distributions to owners of the Company, recognized directly in equity						
Final dividend declared *(Note 22)*	–	–	(2,771)	(2,771)	–	(2,771)
Balance at 30 June 2023	10,341	(2,914)	189,299	196,726	915	197,641

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2022

	Unaudited					
	Attributable to owners of the Company					
	Share capital US$'000 (Note 12)	Other reserves US$'000 (Note 13)	Retained earnings US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
Balance at 1 January 2022, as previously reported	10,341	1,610	189,513	201,464	2,407	203,871
Prior year adjustment *(Note 5)*	–	–	(2,002)	(2,002)	–	(2,002)
Balance at 1 January 2022, as restated	10,341	1,610	187,511	199,462	2,407	201,869
Profit/(loss) for the period (restated)	–	–	6,969	6,969	(409)	6,560
Other comprehensive loss:						
Currency translation differences	–	(1,811)	–	(1,811)	–	(1,811)
Total comprehensive (loss)/income for the period ended 30 June 2022	–	(1,811)	6,969	5,158	(409)	4,749
Total contributions by and distributions to owners of the Company, recognized directly in equity						
Final dividend declared *(Note 22)*	–	–	(3,361)	(3,361)	–	(3,361)
Dividend declared to non-controlling interests	–	–	–	–	(452)	(452)
Balance at 30 June 2022, as restated	10,341	(201)	191,119	201,259	1,546	202,805

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-MONTH PERIOD ENDED 30 JUNE 2023

	Note	Six-month period ended 30 June **2023** **US$'000** **(Unaudited)**	 2022 US$'000 (Unaudited)
Cash flows from operating activities			
Cash used in operations		**(3,081)**	(14,016)
Interest paid		**(6,672)**	(3,465)
Income tax paid		**(996)**	(1,803)
Net cash used in operating activities		**(10,749)**	(19,284)
Cash flows from investing activities			
Investment in a joint venture	14	**–**	(120)
Purchases of property, plant and equipment	8	**(2,370)**	(5,740)
Proceeds from disposals of property, plant and equipment		**137**	299
Interest received		**819**	327
Net cash used in investing activities		**(1,414)**	(5,234)
Cash flows from financing activities			
Net decrease in bank borrowings of trade finances arising from transferred receivables		**(1,130)**	(6,500)
Net (decrease)/increase in bank borrowings of other trade finance		**(1,225)**	33,768
Proceeds from borrowings		**23,659**	18,401
Repayments of borrowings		**(22,517)**	(17,817)
Principal elements of lease payments		**(3,827)**	(3,210)
Dividends paid to non-controlling interests		**–**	(452)
Net cash (used in)/generated from financing activities		**(5,040)**	24,190
Net decrease in cash and bank balances		**(17,203)**	(328)
Cash and bank balances at beginning of the period		**93,952**	99,149
Exchange losses on cash and bank balances		**(917)**	(1,120)
Cash and bank balances at end of the period		**75,832**	97,701

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 9 October 2023.

This condensed consolidated interim financial information has been reviewed, not audited.

2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six-month period ended 30 June 2023 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 2022 and any public announcements made by Luen Thai Holdings Limited during the interim reporting period.

3 ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2022, as described in those annual financial statements, except for the adoption of amended standards for the financial year ending 31 December 2023 as described below.

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

(a) Amended standards 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 2023:

- HKFRS 17 – Insurance Contracts and the related Amendments;
- Amendments to HKAS 1 and HKFRS Practice Statement 2 – Disclosure of Accounting Policies;
- Amendments to HKAS 8 – Definition of Accounting Estimates; and
- Amendments to HKAS 12 – Deferred Tax Related to Assets and Liabilities arising from a Single Transaction and International tax reform – Pillar two model rules.

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 other new accounting standards and other amendments to existing standards and interpretation 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 2022.

5 RESTATEMENTS

In preparation of the Group's condensed consolidated interim financial information for the six-month period ended 30 June 2023, management identified certain material unreconciled inventory items in relation to one of the business units of the apparel segment located in the Philippines ("Unreconciled Items"). During the course of ascertaining details relating to the Unreconciled Items, management noted that these items were primarily pertained to inventories and cost of sales transacted in prior periods/years which suggested there were misstatements in the consolidated financial information of prior periods/years.

Accordingly, the Audit Committee has established an independent investigation committee comprising all the independent non-executive directors of the Company ("Independent Committee") to conduct an independent investigation (the "Investigation") led by the internal audit team of the Company on the Unreconciled Items.

Based on the result of the Investigation, the Independent Committee has concluded that the Unreconciled Items are mainly caused by high turnover of finance staff and poor judgment made by local management of the said business unit located in the Philippines, which led to inadequate monitoring and control process failure to prevent and detect the Unreconciled Items, including certain erroneous accounting entries, on a timely basis.

As a result of the Investigation, the board of directors has also concluded that the Unreconciled Items represented material errors in the consolidated financial information of prior periods/years and consequently prior year adjustments were recorded to correct these errors and to reclass certain balance sheet items, as at 31 December 2022 and for the period ended 30 June 2022 presented herein. Other than disclosed below, there are no impact to other primary statements.

5 RESTATEMENTS (CONTINUED)

Impact on the condensed consolidated statement of profit or loss for the six-month period ended 30 June 2022

	US$'000 (Unaudited) (As previously reported)	US$'000 Restatements	US$'000 (Unaudited) (Restated)
Revenue	462,813	–	462,813
Cost of sales	(386,738)	(599)	(387,337)
Gross profit	76,075	(599)	75,476
Other gains – net	680	–	680
Selling and distribution expenses	(826)	–	(826)
General and administrative expenses	(62,464)	(30)	(62,494)
Provision for impairment of trade receivables	(233)	–	(233)
Operating profit	13,232	(629)	12,603
Finance income	327	–	327
Finance costs	(3,465)	–	(3,465)
Finance costs – net	(3,138)	–	(3,138)
Share of losses of joint ventures and associates – net	(1,650)	–	(1,650)
Profit before income tax	8,444	(629)	7,815
Income tax expense	(1,255)	–	(1,255)
Profit for the period	7,189	(629)	6,560
Earnings per share attributable to owners of the Company, expressed in US cents per share			
– Basic and diluted	0.73	(0.06)	0.67

5 RESTATEMENTS (CONTINUED)

Impact on the condensed consolidated statement of comprehensive income for the six-month period ended 30 June 2022

	US$'000 (Unaudited) (As previously reported)	US$'000 Restatements	US$'000 (Unaudited) (Restated)
Profit for the period	7,189	(629)	6,560
Other comprehensive income	(1,811)	–	(1,811)
Total comprehensive income for the period, net of income tax	5,378	(629)	4,749

Impact on the condensed consolidated statement of financial position as at 31 December 2022

	US$'000 (Audited) (As previously reported)	US$'000 Restatements	US$'000 (Audited) (Restated)
ASSETS			
Non-current assets			
Property, plant and equipment	117,726	–	117,726
Right-of-use assets	30,444	–	30,444
Intangible assets	44,899	–	44,899
Interests in joint ventures and associates	6,231	–	6,231
Deferred income tax assets	2,339	–	2,339
Deposits, prepayments and other receivables	4,993	–	4,993
Total non-current assets	206,632	–	206,632

5 RESTATEMENTS (CONTINUED)

Impact on the condensed consolidated statement of financial position as at 31 December 2022 (Continued)

	US$'000 (Audited) (As previously reported)	US$'000 Restatements	US$'000 (Audited) (Restated)
Current assets			
Inventories	77,506	5,822	83,328
Trade and other receivables	140,989	(10,099)	130,890
Prepaid income tax	4,253	–	4,253
Derivative financial instruments	–	–	–
Restricted cash	29	–	29
Cash and bank balances	93,952	–	93,952
Total current assets	316,729	(4,277)	312,452
Total assets	523,361	(4,277)	519,084
EQUITY			
Equity attributable to owners of the Company			
Share capital	10,341	–	10,341
Other reserves	(883)	–	(883)
Retained earnings*	197,015	(5,229)	191,786
	206,473	(5,229)	201,244
Non-controlling interests	1,177	–	1,177
Total equity	207,650	(5,229)	202,421

* The restatements resulted in the reduction of profit for the year ended 31 December 2022 in the amount of US$3,227,000.

5 RESTATEMENTS (CONTINUED)

Impact on the condensed consolidated statement of financial position as at 31 December 2022 (Continued)

	US$'000 (Audited) (As previously reported)	US$'000 Restatements	US$'000 (Audited) (Restated)
LIABILITIES			
Non-current liabilities			
Borrowings	2,778	–	2,778
Lease liabilities	22,822	–	22,822
Retirement benefit obligations	8,202	–	8,202
Deferred income tax liabilities	2,861	–	2,861
Total non-current liabilities	36,663	–	36,663
Current liabilities			
Trade and other payables	120,969	952	121,921
Borrowings	145,723	–	145,723
Lease liabilities	5,370	–	5,370
Derivative financial instruments	106	–	106
Current income tax liabilities	6,880	–	6,880
Total current liabilities	279,048	952	280,000
Total liabilities	315,711	952	316,663
Total equity and liabilities	523,361	(4,277)	519,084

6 FINANCIAL RISK MANAGEMENT

6.1 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 2022.

There have been no changes in the risk management policies since 31 December 2022.

6.2 Fair value estimation

The table below analyzes the Group's financial instruments that are carried at fair value, by valuation method, as at 30 June 2023 and 31 December 2022. 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)

6 FINANCIAL RISK MANAGEMENT (CONTINUED)

6.2 Fair value estimation (Continued)

	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
As at 30 June 2023				
Assets				
Derivative financial instruments	**–**	**27**	**–**	**27**
As at 31 December 2022				
Liabilities				
Derivative financial instruments	–	106	–	106

There were no changes in valuation techniques during the period ended 30 June 2023.

Level 2 financial instruments 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.

6.3 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 2022.

7 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.

As disclosed in the annual report for the year ended 31 December 2022, since 1 July 2022, the executive directors assessed the results of the software development business unit and the investments in a joint venture and an associate separately from the performance of the Apparel segment and included them in the corporate function. Accordingly, the comparable figures of segment information for the six-month period ended 30 June 2022 have been restated to conform with the current period categorization and presentation.

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-month period ended 30 June 2023 and 2022 is as follows:

	Apparel US$'000 (Unaudited)	Accessories US$'000 (Unaudited)	Group Total US$'000 (Unaudited)
Six-month period ended 30 June 2023			
Revenue (from external customers)	**216,799**	**123,423**	**340,222**
Revenue recognized under HKFRS15			
— At a point in time	**216,573**	**123,129**	**339,702**
Rental income recognized under HKFRS16	**226**	**294**	**520**
	216,799	**123,423**	**340,222**
Segment (loss)/profit for the period	**(7,160)**	**10,496**	**3,336**
(Loss)/profit for the period includes:			
Depreciation and amortization	**(6,058)**	**(4,517)**	**(10,575)**
Share of profits of joint ventures and associates — net	**308**	**—**	**308**
Income tax expense *(Note 20)*	**(432)**	**(61)**	**(493)**

7 SEGMENT INFORMATION (CONTINUED)

	Apparel US$'000 (Unaudited) (Restated)	Accessories US$'000 (Unaudited)	Group Total US$'000 (Unaudited) (Restated)
Six-month period ended 30 June 2022 (restated)			
Revenue (from external customers)	250,471	212,342	462,813
Revenue recognized under HKFRS15			
— At a point in time	250,200	212,044	462,244
Rental income recognized under HKFRS16	271	298	569
	250,471	212,342	462,813
Segment profit for the period	480	14,925	15,405
Profit for the period includes:			
Depreciation and amortization	(5,731)	(5,563)	(11,294)
Share of profits of joint ventures and an associate — net	340	—	340
Income tax expense *(Note 20)*	(1,093)	(162)	(1,255)

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.

7 SEGMENT INFORMATION (CONTINUED)

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

	Six-month period ended 30 June	
	2023	2022
	US$'000	US$'000
	(Unaudited)	(Unaudited)
		(Restated)
Segment profit for the period	**3,336**	15,405
Corporate expenses *(Note)*	**(3,314)**	(8,845)
Profit for the period	**22**	6,560

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

	Six-month period ended 30 June	
	2023	2022
	US$'000	US$'000
	(Unaudited)	(Unaudited)
Analysis of revenue by category		
Sales of garment, textile products and accessories	**335,102**	457,967
Other revenue	**5,120**	4,846
Total revenue	**340,222**	462,813

8 INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

	Intangible assets				
	Goodwill US$'000 (Unaudited)	Customer relationship US$'000 (Unaudited)	Total intangible assets US$'000 (Unaudited)	Property, plant and equipment US$'000 (Unaudited)	Total US$'000 (Unaudited)
Six-month period ended 30 June 2023					
Opening net book amount as at 1 January 2023	**42,320**	**2,579**	**44,899**	**117,726**	**162,625**
Additions	**–**	**–**	**–**	**2,370**	**2,370**
Disposals and write-off	**–**	**–**	**–**	**(99)**	**(99)**
Depreciation and amortization *(Note 18)*	**–**	**(334)**	**(334)**	**(8,236)**	**(8,570)**
Exchange differences	**–**	**–**	**–**	**(320)**	**(320)**
Closing net book amount as at 30 June 2023	**42,320**	**2,245**	**44,565**	**111,441**	**156,006**
Six-month period ended 30 June 2022					
Opening net book amount as at 1 January 2022	42,320	3,247	45,567	126,157	171,724
Additions	–	–	–	5,740	5,740
Disposals and write-off	–	–	–	(356)	(356)
Depreciation and amortization *(Note 18)*	–	(334)	(334)	(8,886)	(9,220)
Exchange differences	–	–	–	(959)	(959)
Closing net book amount as at 30 June 2022	42,320	2,913	45,233	121,696	166,929

8 INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Impairment tests for goodwill

Goodwill is monitored by management at the level of the two cash-generating units ("CGUs") of Apparel and Accessories as consistently being identified in Note 8 of the annual financial statements for the year ended 31 December 2022.

The following is a summary of goodwill allocation to each of the two CGUs.

	US$'000 (Unaudited)
As at 30 June 2023	
Apparel	**33,952**
Accessories	**8,368**
	42,320

In accordance with HKAS 36 "Impairment of Assets", goodwill is required to be tested for impairment at least annually, or more frequently if there are indications of potential impairment. If the carrying value of the goodwill exceeds its recoverable amount (i.e., the higher of its fair value less costs of disposal and its value in use), an impairment loss is recognized.

During the six-month period ended 30 June 2023, the Group has identified certain indications of potential impairment from information gathered externally (decline in the performance of one of its key customers) and internally (significant decrease in the budgeted gross profit margin in the current period) for the Apparel CGU. The Group has therefore recalculated the recoverable amount of the Apparel CGU as at 30 June 2023.

The recoverable amount of Apparel CGU was determined based on value-in-use calculation, consistent with the method used as at 31 December 2022. For details see Note 8 of our annual financial statements for the year ended 31 December 2022. Based on the value-in-use calculation, the recoverable amount of the Apparel CGU is higher than carrying amount. Accordingly, no impairment loss is to be recognized.

8 INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Impairment tests for goodwill (Continued)

The following table sets out the key assumptions for the Apparel CGU where the impairment calculations were updated as at 30 June 2023:

	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Unaudited)
Average revenue growth	**7.8%**	6.6%
Average gross profit margin	**14.5%**	15.1%
Terminal growth rate	**2.0%**	2.0%
Discount rate	**17.0%**	17.0%

In the Apparel CGU, the recoverable amount calculated based on updated value in use exceeded the carrying amount by US$7,564,000. A fall in annual revenue growth rate to 7.6%, a gross profit margin to 14.2%, a fall in long-term growth rate to 0.8% or a rise in discount rate to 17.7%, all changes taken in isolation, would remove the remaining headroom.

As there were no indicators for impairment of the Accessories CGU, management has not updated its impairment assessment from 31 December 2022.

9 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)**	**Total US$'000 (Unaudited)**
Right-of-use assets			
As at 1 January 2023	**25,206**	**5,238**	**30,444**
Additions	**310**	**—**	**310**
Disposal	**(34)**	**—**	**(34)**
Depreciation *(Note 18)*	**(2,736)**	**(126)**	**(2,862)**
Exchange differences	**(103)**	**(9)**	**(112)**
As at 30 June 2023	**22,643**	**5,103**	**27,746**

	Land and properties US$'000 (Unaudited)	Land use rights US$'000 (Unaudited)	Total US$'000 (Unaudited)
Right-of-use assets			
As at 1 January 2022	28,782	5,515	34,297
Additions	346	—	346
Depreciation *(Note 18)*	(2,897)	(127)	(3,024)
Exchange differences	(484)	(14)	(498)
As at 30 June 2022	25,747	5,374	31,121

10 INVENTORIES

	As at 30 June 2023 US$'000 (Unaudited)	As at 31 December 2022 US$'000 (Audited) (Restated)
Raw materials	**42,453**	45,484
Work-in-progress	**40,962**	26,704
Finished goods	**8,896**	11,140
	92,311	83,328

11 TRADE AND OTHER RECEIVABLES

	As at 30 June 2023 US$'000 (Unaudited)	As at 31 December 2022 US$'000 (Audited) (Restated)
Current portion		
Trade receivables *(Note)*	**90,105**	69,156
Less: loss allowances	**(4,434)**	(4,434)
Trade receivables — net	**85,671**	64,722
Deposits, prepayments and other receivables	**27,501**	32,140
Prepaid income tax	**4,265**	4,253
Indemnified assets *(Note 16(i))*	**16,723**	16,723
Amounts due from related parties *(Note 23(c))*	**20,978**	17,305
	155,138	135,143
Non-current portion		
Deposits	**2,155**	2,252
Others	**2,850**	2,741
	5,005	4,993

11 TRADE AND OTHER RECEIVABLES (CONTINUED)

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

	As at 30 June 2023 US$'000 (Unaudited)	As at 31 December 2022 US$'000 (Audited) (Restated)
0 to 30 days	**51,514**	38,749
31 to 60 days	**23,426**	15,450
61 to 90 days	**4,830**	8,954
91 to 120 days	**2,214**	767
Over 120 days	**8,121**	5,236
	90,105	69,156

12 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 2022 (audited) and 30 June 2023 (unaudited)	1,034,113	10,341

13 OTHER RESERVES

	Capital reserve *(Note (i))* US$'000 (Unaudited)	Other capital reserves *(Note (ii))* US$'000 (Unaudited)	Employment benefit reserve US$'000 (Unaudited)	Exchange reserve US$'000 (Unaudited)	Total US$'000 (Unaudited)
As at 1 January 2023	**7,891**	**(2,795)**	**5,840**	**(11,819)**	**(883)**
Currency translation differences	**—**	**—**	**113**	**(2,144)**	**(2,031)**
As at 30 June 2023	**7,891**	**(2,795)**	**5,953**	**(13,963)**	**(2,914)**
As at 1 January 2022	7,891	(2,795)	3,394	(6,880)	1,610
Currency translation differences	—	—	(216)	(1,595)	(1,811)
As at 30 June 2022	7,891	(2,795)	3,178	(8,475)	(201)

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.

14 INTERESTS IN JOINT VENTURES AND ASSOCIATES

	As at 30 June 2023 US$'000 (Unaudited)	As at 31 December 2022 US$'000 (Audited)
Interests in joint ventures and associates	**6,539**	6,231

The movement of interests in joint ventures and associates is provided as follows:

	Six-month period ended 30 June	
	2023 US$'000 (Unaudited)	2022 US$'000 (Unaudited)
Beginning of the period	**6,231**	2,135
Additions	**–**	120
Transfer from amounts due from joint ventures	**–**	4,577
Share of post-tax profits/(losses) of joint ventures and associates — net	**251**	(1,706)
Realization of unrealized profit from trademark licensing income to an associate	**57**	56
End of the period	**6,539**	5,182

15 BORROWINGS

	As at 30 June 2023 US$'000 (Unaudited)	As at 31 December 2022 US$'000 (Audited)
Non-current		
Bank borrowings		
— Term loans	**1,667**	2,778
	1,667	2,778
Current		
Bank borrowings		
— Term loans	**113,618**	111,365
— Trade finances	**32,003**	34,358
	145,621	145,723
Total borrowings	**147,288**	148,501
Non-current borrowings		
Unsecured	**1,667**	2,778
Current borrowings		
Secured	**4,664**	8,683
Unsecured	**140,957**	137,040
	147,288	148,501

As at 30 June 2023, the Group was in compliance with all bank borrowings covenants. One of the banking facilities of the Group has a restrictive covenant on the maximum number of days of trading suspension on the Hong Kong Stock Exchange. Subsequent to the period end, the Group has been suspended for trading since 1 September 2023 but the Group has already obtained a waiver from the relevant bank for compliance with the trading suspension clause.

16 TRADE AND OTHER PAYABLES

	As at 30 June 2023 US$'000 (Unaudited)	As at 31 December 2022 US$'000 (Audited) (Restated)
Trade payables	**66,349**	51,386
Contract liabilities	**101**	478
Other taxes payables	**9,785**	11,340
Accrued wages and salaries	**21,632**	25,943
Contingent liabilities *(Note i)*	**16,723**	16,723
Final dividend payable *(Note 22(a))*	**2,771**	–
Amounts due to related parties *(Note 23(c))*	**901**	1,736
Others	**15,413**	14,315
Trade and other payables	**133,675**	121,921

As at 30 June 2023 and 31 December 2022, the ageing analysis of the trade payables based on invoice date is as follows:

	As at 30 June 2023 US$'000 (Unaudited)	As at 31 December 2022 US$'000 (Audited) (Restated)
0 to 30 days	**48,894**	40,170
31 to 60 days	**7,156**	4,249
61 to 90 days	**2,204**	3,041
Over 90 days	**8,095**	3,926
	66,349	51,386

16 TRADE AND OTHER PAYABLES (CONTINUED)

Note:

(i) The Group has contingent liabilities regarding potential exposures to import duties, taxes and penalties in various overseas countries with aggregated amounts of approximately US$21,112,000 as at 30 June 2023 (31 December 2022: 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 the acquisition date.

During the year ended 31 December 2022, one subsidiary of Universal has paid the IRD an amount of US$22,000 to settle a tax case related to periods prior to the acquisition. The amount has been recovered from the previous owners in full. Accordingly, the amounts of contingent liability and indemnified assets have been reduced to US$5,482,000 during the year ended 31 December 2022. As at 30 June 2023, the amounts of the contingent liability and the indemnified asset in relation to the acquisition of Universal remained unchanged.

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

During the year ended 31 December 2022, the subsidiary of Sachio has paid the Cambodia tax authority a total amount of US$220,000 on cases related to periods prior to the acquisition and the amount has been recovered from the previous owner in full, and the amounts of contingent liability and indemnified assets have been reduced to US$11,241,000 accordingly. As at 30 June 2023, 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 2022: 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.

17 OTHER GAINS — NET

	Six-month period ended 30 June	
	2023	2022
	US$'000	US$'000
	(Unaudited)	(Unaudited)
Fair value gains on derivatives — net	**57**	110
Net foreign exchange gains	**1,306**	570
	1,363	680

18 OPERATING PROFIT

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

	Six-month period ended 30 June	
	2023	2022
	US$'000	US$'000
	(Unaudited)	(Unaudited)
		(Restated)
Amortization of intangible assets *(Note 8)*	**334**	334
Depreciation of property, plant and equipment *(Note 8)*	**8,236**	8,886
Depreciation of right-of-use assets *(Note 9)*	**2,862**	3,024
(Gains)/losses on disposals of property, plant and equipment	**(38)**	57
Provision for impairment of trade receivables	**—**	233
(Reversal of provision for)/provision for inventory obsolescence	**(763)**	1,685
Provision for material claims	**858**	1,263
Termination expenses	**969**	1,454

19 FINANCE COSTS — NET

	Six-month period ended 30 June	
	2023	2022
	US$'000	US$'000
	(Unaudited)	(Unaudited)
Interest expenses arisen from lease liabilities from related companies *(Note 23(a))*	**(66)**	(88)
Interest expense on lease liabilities with third parties	**(820)**	(884)
Interest expense on bank loans and overdrafts	**(5,786)**	(2,493)
Finance costs	**(6,672)**	(3,465)
Interest income from bank deposits	**406**	200
Interest income from amounts due from a joint venture and an associate *(Note 23(a))*	**411**	103
Other interest income	**2**	24
Finance income	**819**	327
Finance costs — net	**(5,853)**	(3,138)

20 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2022: Same) on the estimated assessable profit for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

	Six-month period ended 30 June	
	2023	2022
	US$'000	US$'000
	(Unaudited)	(Unaudited)
Current income tax	**859**	1,437
Deferred income tax	**(366)**	(182)
	493	1,255

20 INCOME TAX EXPENSE (CONTINUED)

Notes:

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

In respect of the Hong Kong incorporated subsidiary, the IRD tentatively disallowed the 50% or 100% offshore profits claim for the previous years and issued notices of additional assessments/assessments for the years of assessment 2000/01 to 2014/15 on the basis of no 50:50 apportionment for 2000/01 to 2011/12 and no 100% offshore profit for 2012/13 to 2014/15 with the amount of US$3,820,000 (equivalent to HK$29,797,000).

The subsidiary has lodged objections against the above assessments for 2000/01 to 2014/15 by the statutory deadlines. Since the subsidiary was in loss position (or net loss after setting off the loss brought forward) for 2015/16 and 2016/17, no protective assessment was issued for these years. The tax provisions made as at 30 June 2023 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.

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

At the date of disposal, there was a receivable balance on book of the disposed subsidiary. Management considers that there were sufficient supporting documents to substantiate the nature and amount and therefore this receivable balance could be excluded from WIT calculation and there will be no capital gain from the disposal transaction. The case is currently under review by the in-charge tax authority and there is no final assessment as at 30 June 2023. Management assessed that the maximum WIT exposure to be approximately RMB10,005,000 (equivalent to US$1,533,000). Despite the uncertain outcomes of the above case, management has provided for the abovementioned amount in full and considers that such provision to be sufficient but not excessive as at 30 June 2023.

(iii) In prior years, the Cambodian Tax Authority performed an assessment on the tax position of a Cambodia 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 case, management has provided for the abovementioned amounts in full and considers the provisions as at 30 June 2023 to be adequate but not excessive.

Certain other Cambodia incorporated subsidiaries of the Group have been under tax audits by the local tax authority since the year ended 31 December 2016. According to management's experience, the tax audits have been carried out by the local tax authority on a regular basis. Given the outcomes of the above tax audits remain uncertain, management has not made any provision as at 30 June 2023.

21 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-month period ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited) (Restated)
Profit attributable to owners of the Company (US$'000)	**284**	6,969
Weighted average number of ordinary shares in issue (thousands)	**1,034,113**	1,034,113
Basic earnings per share (US cents per share)	**0.03**	0.67

(b) Diluted

Diluted earnings per share for the six-month period ended 30 June 2023 and 2022 are the same as the basic earnings per share as there were no potential dilutive ordinary shares outstanding during the periods.

22 DIVIDENDS

(a) Dividends recognized during the reporting period

	Six-month period ended 30 June	
	2023	2022
	US$'000	US$'000
	(Unaudited)	(Unaudited)
Final dividend of US0.268 cent or HK2.10 cents (2021: US0.325 cent or HK2.53 cents) per ordinary share for the year ended 31 December 2022	**2,771**	3,361

The final dividend of US0.268 cent or HK2.10 cents per ordinary share of the Company, totaling US$2,771,000 for the year ended 31 December 2022 has not been paid during the six-month period ended 30 June 2023.

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

	Six-month period ended 30 June	
	2023	2022
	US$'000	US$'000
	(Unaudited)	(Unaudited)
Interim dividend — Nil (2022: US0.220 cent or HK1.72 cents) per ordinary share	**–**	2,275

No interim dividend (2022: US0.220 cent) was declared by the Board of Directors for the six-month period ended 30 June 2023.

23 RELATED-PARTY TRANSACTIONS AND BALANCES

(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-month period ended 30 June	
	2023	2022
	US$'000	US$'000
	(Unaudited)	(Unaudited)
Recharge of material costs and other expenses to		
— related companies	**100**	90
— joint ventures	**1,514**	7,335
	1,614	7,425
Sales of apparels, textile products and accessories to		
— related companies	**25,022**	23,103
— joint ventures	**726**	1,062
	25,748	24,165
Management fee income from joint ventures	**1**	2,047
Interest income from amounts due from joint ventures *(Note 19)*	**411**	103

23 RELATED-PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(a) Significant transactions with related parties (Continued)

(ii) Purchases of goods and services

	Six-month period ended 30 June	
	2023	2022
	US$'000	US$'000
	(Unaudited)	(Unaudited)
Interest expenses arisen from lease liabilities from related companies *(Note 19)*	**66**	88
Professional and technological support service fees to related companies	**980**	990
Freight forwarding and logistics services charged by related companies	**834**	1,399
Subcontracting fees charged by joint ventures	**1,641**	1,944
Recharge of material costs and other expenses by		
— related companies	**445**	506
— joint ventures	**1,871**	1,875
	2,316	2,381
Purchases of goods from joint ventures	**22,918**	9,503
Management fee income to joint ventures	**1,721**	2,675

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

23 RELATED-PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(b) Key management compensation

	Six-month period ended 30 June 2023 US$'000 (Unaudited)	2022 US$'000 (Unaudited)
Salaries and allowances	**867**	1,260
Others	**671**	1,762
	1,538	3,022

(c) Balances with related parties

(i) Amounts due from/to related parties arising from sales and purchases of goods and services or loans

	As at 30 June 2023 US$'000 (Unaudited)	As at 31 December 2022 US$'000 (Audited)
Amounts due from related parties *(Note 11)*		
— joint ventures	**17,153**	13,814
— associates	**674**	586
— related companies	**3,151**	2,905
	20,978	17,305
Amounts due to related parties *(Note 16)*		
— joint ventures	**5**	678
— related companies	**896**	1,058
	901	1,736

23 RELATED-PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(c) Balances with related parties (Continued)

(i) Amounts due from/to related parties arising from sales and purchases of goods and services or loans (Continued)

As at 30 June 2023 and 31 December 2022, the amounts due from joint ventures include US$8,312,000 financial supports to a joint venture in the form of shareholder loans. The amount due from an associate also includes a shareholder loan of US$480,000 (31 December 2022: Same) financial supports to an associate. These loans are unsecured and bear an interest rate of 1.25% plus the Hong Kong Interbank Offered Rate per annum. The remaining amounts due from joint ventures, and related companies arise mainly from trade transactions. They are unsecured, interest-free and repayable on demand in accordance with credit terms.

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

(ii) Period-end balances arising from leases

	As at 30 June 2023 US$'000 (Unaudited)	As at 31 December 2022 US$'000 (Audited)
Lease liabilities from leases with related parties	**1,164**	1,820

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-month period ended 30 June 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS AND OVERVIEW

While the globe was barely recovering from the COVID-19 pandemic, the outbreak of the Russia-Ukraine war in February 2022 created a new shock on the world economy. The attrition war in Ukraine has contributed to elevated and volatile energy and commodity prices, which exacerbated stoked inflation and food shortages in many regions across the world. The United States of America (the "US") and Europe, our major export markets, ended 2022 with approximately 8.7% and 9.2% annual inflation respectively. In a bid to curb the skyrocketing inflation, the major central banks across the world, notably the US Federal Reserve, have no choice but to respond with a series of interest rate hikes and adoption of a tighter monetary policy.

On the other hand, the economy of the People's Republic of China (the "PRC"), the world's second-largest economy, grew at 6.3% annual pace in the second quarter of 2023 which marked a 0.8% pace of growth from the previous quarter, which is much slower than the 2.2% quarter-on-quarter pace recorded in the first three months of 2023. The PRC was losing its momentum as the economic locomotive in the past decades due to the declining export, ongoing property downturn, record high unemployment rates among young adults, and the possibility of disinflation. The temporary retardation of economic growth in the PRC, coupled with tighter monetary policy in the US and Europe and global hyperinflation, have not only dampened consumer sentiment but also hampered the pace of the economic recovery of the world.

In addition, excess inventory of our certain key customers was also one of the critical issues which considerably affected the Group's result for the six-month period ended 30 June 2023. In the past few years, supply chains were disrupted due to the advent of COVID-19, particularly during the period when COVID-19 became widespread with lockdowns enforced all over the globe. Due to fear of supply chain ruptures, most brand owners have aggressively increased their inventory level and led to inventory gluts in the post-COVID-19 era which has put brand owners in a tough spot, including some major customers of the Group.

As a result of the abovementioned difficulties, the market demand and consumer spending have been significantly stunted. As such, the Group's revenue declined by approximately 26.5% to approximately US$340,222,000 for the six-month period ended 30 June 2023 as compared to the corresponding period in 2022. Gross profit of the Group decreased substantially by approximately 37.5% from approximately US$75,476,000 to approximately US$47,155,000. Such decrease was in line with the frail sales performance of the Group and the drop in gross profit margin. The gross profit margin decreased from 16.3% for the six-month period ended 30 June 2022 to 13.9% for the period ended 30 June 2023. The decrease in gross profit margin was primarily due to the drastic reduction of orders from customers which substantially affected production efficiency and cost effectiveness.

Due to the aforementioned aggressive spike in interest rates, the finance cost of the Group increased by approximately 92.6% period-to-period to approximately US$6,672,000 for the first half of 2023. As a result of the foregoing, the Group's net profit attributable to owners of the Company ("Net Profit") was substantially decreased to approximately US$284,000 for the reporting period, as compared to a Net Profit amounting to approximately US$6,969,000 for the corresponding period last year.

SEGMENTAL REVIEW

Our Apparel and Accessories businesses respectively accounted for approximately 63.7% and 36.3% of the Group's total revenue for the period under review.

Apparel

For the first half of 2023, revenue generated from the Apparel Division was approximately US$216,799,000, representing a decrease of approximately US$33,672,000 or 13.4% when compared with same period last year. The Apparel Division incurred a segment loss of approximately US$7,160,000, while a segment profit of approximately US$480,000 was recorded for the corresponding period in 2022.

Accessories

Segment revenue of the Accessories Division decreased by approximately 41.9% period-to-period to approximately US$123,423,000 for the six-month period ended 30 June 2023. In line with the slump in segment revenue, the Accessories Division recorded a segment profit of approximately US$10,496,000, representing a decrease of approximately US$4,429,000 or 29.7% when compared with same period last year.

MARKETS

Geographically, Europe and the US remained our major export markets for the period under review. The total revenue derived from customers in Europe and the US collectively was approximately US$227,540,000, which accounted for approximately 66.9% of the Group's total revenue in the first half of 2023.

The Group's revenue from the Asia market (mainly the PRC and Japan) was approximately US$67,365,000, which accounted for approximately 19.8% of the Group's total revenue in the first half of 2023.

LIQUIDITY AND FINANCIAL RESOURCES

The financial position of the Group remained healthy. As at 30 June 2023, the total cash and bank deposits of the Group amounted to approximately US$75,832,000, representing a decrease of approximately US$18,120,000 over the balance as at 31 December 2022. The Group's total bank borrowings as at 30 June 2023 was approximately US$147,288,000, representing a decrease of approximately US$1,213,000 as compared to approximately US$148,501,000 as at 31 December 2022.

As at 30 June 2023, based on the scheduled repayments set out in the relevant loan agreements with banks, the maturity profile of the Group's bank borrowings spreads over two years, with approximately US$143,399,000 repayable within one year and approximately US$3,889,000 repayable in the second year.

Gearing ratio is defined as net debt (representing bank borrowings net of cash and bank balances) divided by shareholders' equity. As at 30 June 2023, the gearing ratio of the Group was approximately 36.3%.

FOREIGN EXCHANGE RISK MANAGEMENT

The Group adopts a prudent policy to hedge against the fluctuations in exchange rates. Most of the Group's operating activities are denominated in US dollar, Euro, Hong Kong dollar, Vietnam Dong, Cambodian Riel, Chinese Yuan, Burmese Kyat and Philippine Peso. The Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures and entering into currency hedge arrangement to mitigate the impact on exchange rate fluctuations, if necessary. During the period ended 30 June 2023, no forward foreign exchange or hedging contracts had been entered into by the Group.

FUTURE PLANS AND PROSPECT

In light of persistent challenges such as the protracted war between Russia and Ukraine, inflationary pressures in the US and Europe, interest rates hikes, and a slow pace of recovery in the PRC, the worldwide economic environment remains uncertain. Based on the projection of the International Monetary Fund in July 2023, the global growth rate is expected to be 3.0% which is modestly higher than the 2.8% predicted in the April 2023 World Economic Outlook, but it remains weak by historical standards. In addition, the digestion of excess inventory of brand customers is likely to linger on for the rest of 2023 due to softening demand from end consumers.

Despite the aforementioned challenges and uncertainties of the global economy, the Board remains cautiously optimistic about the prospects of the core business of the Group in the long run, as the Group has learned to cope with these diverse difficult situations. In order to minimize the risks and to provide sustainable growth for the Group, management of the Group will continue to implement disciplined financial management measures in order to well prepare for the upcoming challenges and to take advantage of any opportunities that may arise in the future.

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

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

There was no significant investments and material acquisition or disposal of subsidiaries, associates and joint ventures during the period ended 30 June 2023.

FUTURE PLAN FOR MATERIAL INVESTMENTS OF CAPITAL ASSETS

There was no specific plan for material investments or capital assets as at 30 June 2023 (31 December 2022: Nil).

CHARGE OF ASSETS

The Group's assets were not charged to third parties as of 30 June 2023 (31 December 2022: Nil).

CONTINGENT LIABILITIES

The Group has contingent liabilities regarding potential exposures to import duties, other taxes and penalties in various overseas countries with aggregated amounts of approximately US$21,112,000 as at 30 June 2023 (31 December 2022: Same).

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

During the year ended 31 December 2022, one subsidiary of Universal has paid the IRD an amount of US$22,000 to settle a tax case related to periods prior to the acquisition. The amount has been recovered from the previous owners in full. Accordingly, the amounts of contingent liability and indemnified assets have been reduced to US$5,482,000 as at 31 December 2022. As at 30 June 2023, the amounts of the contingent liability and the indemnified asset in relation to the acquisition of Universal remained unchanged.

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

During the year ended 31 December 2022, the subsidiary of Sachio has paid the Cambodia tax authority a total amount of US$220,000 on cases related to periods prior to the acquisition. The amount has been recovered from the previous owner in full. Accordingly, the amounts of contingent liability and indemnified assets have been reduced to US$11,241,000. As at 30 June 2023, 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 2022: 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 AND CORPORATE SOCIAL RESPONSIBILITY

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

With approximately 35,000 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.

Inventory Discrepancies

In preparation of the Group's condensed consolidated interim financial information for the period ended 30 June 2023, the Group's management team identified certain material unreconciled inventory items (the "Inventory Discrepancies") in relation to one of our business units of the apparel segment located in the Philippines (the "BU"). During the course of ascertaining details relating to the Inventory Discrepancies, management noted that these items were primarily pertained to inventories and cost of sales transacted in prior periods/years which suggested there were misstatements in the consolidated financial information of prior periods/years.

Accordingly, the Audit Committee established an independent investigation committee comprising all the independent non-executive directors of the Company ("Investigation Committee") to conduct an independent investigation on the Inventory Discrepancies ("Investigation"). The scope of the Investigation was to (1) identify the nature and extent of the Inventory Discrepancies; (2) identify the underlying reasons and events leading to the Inventory Discrepancies; (3) identify whether there is any potential misconduct involved in relation to employees and former employees of the BU; (4) ascertain that there is no reasonable concern on management integrity outside the BU; and (5) identify any weakness in the internal control system of the Group. The Board and the Audit Committee are of the view that the scope of the Investigation is sufficient to address the issues and matters arising from the Inventory Discrepancies.

As of the date of this report, the Investigation has completed and the conclusions of the Investigation Committee are summarised below:

(1) *Nature and extent of the Inventory Discrepancies* — The unreconciled inventory items represented material errors in the consolidated financial information of prior periods/years and, consequently, prior year adjustments were recorded to correct these errors and to reclass certain balance sheet items as at 31 December 2022 and for the period ended 30 June 2022, as presented in the Group's condensed consolidated interim financial statements for the period ended 30 June 2023.

(2) *Reasons and events leading to the Inventory Discrepancies* — The Inventory Discrepancies are mainly caused by high turnover of finance staff of the BU during the affected period, coupled with poor decision-making and misjudgement of the local management team of the BU located in the Philippines, which led to inadequate monitoring and control process failure to prevent and detect the Inventory Discrepancies, including certain erroneous accounting entries, on a timely basis.

(3) *Incompetence of employees and former employees of the BU* – Based on the findings of the Investigation, the poor decision-making and misjudgement of the local management personnel of the BU were attributable to their incompetence, insufficient instructions and training and undue attention to the Group's internal policies and procedures. In view of this, the Group will terminate the employment of the head of the BU who is primarily responsible for the Inventory Discrepancies in due course, and is in the process of identifying potential candidates for the role with the appropriate qualifications, experience and competence. Other management personnel of the BU involved have since left the employ of the Group.

(4) *No reasonable concern on management integrity outside the BU* – Based on the findings of the Investigation, there is no evidence indicating that any management personnel outside the BU gave instructions on or had knowledge of the relevant management decisions made during the affected period which contributed to the Inventory Discrepancies. As such, the Investigation Committee is of the view that there is no reasonable concern of management integrity outside the BU.

(5) *Adequacy of the Group's internal control system* – The Investigation Committee concluded that the risk management and internal controls systems of the Group that are currently in place are appropriate and effective, and provide reasonable but not absolute assurance that material assets are protected, business risks attributable to the Group are identified and monitored, material transactions are executed in accordance with management's authorization and the financial statements are reliable for publication. The occurrence of the Inventory Discrepancies was an isolated incident within one business unit caused by the incompetence and misjudgement of individual employees against the backdrop of exceptional circumstances, in particular due to the high turnover of finance staff within the BU.

Nevertheless, with the benefit of hindsight and the results of the Investigation, the Audit Committee identified certain areas of improvement to enhance the implementation of the existing risk management and internal controls systems of the Group including but not limited to: (i) imposing new requirements for the existing annual self-assessment process of the management teams of business units, covering areas such as the proper implementation of training programmes for new employees and ongoing competency training for existing employees; (ii) adding new areas to be evaluated in performance appraisals for business unit heads, such as compliance with the Group's standard operating procedure and internal policy/guidelines and timely implementation of internal audit recommendations; (iii) taking steps to review and further elaborate existing standard operating procedure and policy on inventory management and control; (iv) engaging the Group's external information systems and technology consulting team to review and propose measures for further automation and improvement of the Group's existing accounting software systems; and (v) performing regular follow-up internal audit for areas of improvements identified in internal audit reports.

The Board and the Audit Committee share the views of the Investigation Committee as summarised above and are of the view that the proposed remedial actions are appropriate and, once implemented, will effectively enhance the Group's risk management and internal control system.

OTHER INFORMATION

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2023 (2022: US0.220 cent per share).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the six-month period ended 30 June 2023.

UPDATE ON DIRECTORS' INFORMATION

The change of directors' information as required to be disclosed pursuant to Rule 13.51B(1) of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") are set out below:

Mr. Qu Zhiming ("Mr. Qu"), Mr. Huang Jie ("Mr. Huang") and Mr. Seing Nea Yie ("Mr. Seing") retired by rotation at the Company's annual general meeting held on 25 May 2023 (the "AGM") and did not offer themselves for re-election as Directors due to their respective personal retirement plan.

As a result of the aforesaid retirement by rotation, Mr. Qu resigned from his positions as an executive Director, chairman of the Board and the nomination committee ("Nomination Committee") of the Company; Mr. Huang resigned from his positions as an executive Director and a member of the remuneration committee ("Remuneration Committee") of the Company; and Mr. Seing resigned from his positions as an independent non-executive Director, the chairman of the audit committee ("Audit Committee") of the Company, the chairman of the Remuneration Committee and a member of the Nomination Committee, in each case with effect from 25 May 2023 upon the conclusion of the AGM.

Mr. Wang Weimin was elected as an executive Director and appointed as the chairman of the Board and the Nomination Committee; Mr. Jin Xin was elected as executive Director and appointed as a member of the financing and banking committee ("Financing and Banking Committee") of the Company; and Mr. Lee Cheuk Yin, Dannis was elected as an independent non-executive Director and appointed as the chairman of the Audit Committee, a member of the Remuneration Committee and a member of the Nomination Committee, in each case with effect from 25 May 2023 upon the conclusion of the AGM. The biographical details of Mr. Wang, Mr. Jin and Mr. Lee were set out in the Company's announcement dated 25 May 2023.

Mr. Zhang Min was appointed as a member of the Remuneration Committee and ceased to be a member of the Financing and Banking Committee with effect from 25 May 2023.

Mr. Chan Henry was re-designated from a member of the Remuneration Committee to the chairman of the Remuneration Committee with effect from 25 May 2023.

Mr. Chan Henry retired as an independent non-executive director and ceased to be the chairman of the remuneration committee and a member of the audit committee and nomination committee of Hengan International Group Company Limited, a company listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") (stock code: 1044), with effect from 22 May 2023.

Save as disclosed above, there is no other information of the Directors required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

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-month period ended 30 June 2023.

As at 30 June 2023 and 31 December 2022, the Company had no share options outstanding under the Share Option Scheme.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 30 June 2023, the Directors and chief executives of the Company had the following interests and short positions in the shares, underlying shares (in respect of positions held pursuant to equity derivatives), and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO to be entered in the register maintained by the Company referred to therein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules:

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 in issue (i.e. 1,034,112,666) as at 30 June 2023.

(b) Dr. Tan Siu Lin as a trustee indirectly controls the entire issued share 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 owns 15,655,639 Shares.

A total of 2,050,000 Shares was acquired 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.

Other than the interests disclosed above, none of the Directors nor the chief executives nor their associates had any interests or short positions in any shares, underlying shares (in respect of positions held pursuant to equity derivatives) or debentures of the Company or any of its associated corporations as at 30 June 2023.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 30 June 2023, so far as is known to the Directors and chief executives of the Company, the following persons (other than any Directors or chief executives of the Company) were substantial shareholders, had notified the Company of their relevant interests in shares and underlying shares representing 5% or more of the issued share capital of the Company which were required to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or which were required to be recorded in the register required to be kept under Section 336 of Part XV of the SFO:

Long position in the Shares

Name of shareholder	Note	Capacity	Number of ordinary shares beneficially held	Approximate percentage of interests in the Company *(Note a)*
Shangtex (Hong Kong) Limited	(b)	Beneficial owner	730,461,936	70.64%
Shangtex Investment Co., Ltd.	(b)	Interest of controlled corporation	730,461,936	70.64%
Shangtex Holding 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%

Name of shareholder	Note	Capacity	Number of ordinary shares beneficially held	Approximate percentage of interests in the Company *(Note a)*
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 in issue (i.e. 1,034,112,666 Shares) as at 30 June 2023.

(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 96.65% 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 Luen Thai Capital Limited (formerly known as 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, the Company has not been notified of any other relevant interests or short positions in the shares or underlying shares (in respect of positions held pursuant to equity derivatives) of the Company as at 30 June 2023.

CORPORATE GOVERNANCE PRACTICES

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.

Throughout the six-month period ended 30 June 2023, the Company has complied with the applicable code provisions of the Corporate Governance Code (the "CG Code") as set out in the Appendix 14 to the Listing Rules except the following deviations:

(i) the code provision C.1.6 of the CG Code stipulates that the independent non-executive directors and other non-executive directors, as equal board members, should attend general meetings and develop a balanced understanding of the views of shareholders. Mr. Seing Nea Yie, an independent non-executive Director, was unable to attend the annual general meeting of the Company held on 25 May 2023 (the "AGM") due to his personal health reason. All other Directors, including two independent non-executive Directors and a non-executive Director, attended the AGM.

(ii) the code provision F.2.2 of the CG Code stipulates that the chairman of the board should attend the annual general meeting. The chairman of the board should also invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend. In their absence, the chairman should invite another member of the committee or failing this their duly appointed delegate, to attend. These persons should be available to answer questions at the annual general meeting. Mr. Seing Nea Yie, the chairman of both the Audit Committee and Remuneration Committee, was unable to attend the AGM due to his personal health reason. All other members of the Audit Committee and Remuneration Committee who attended the AGM were of sufficient calibre for answering questions at the AGM.

Corporate governance practices of the Company during the six-month period ended 30 June 2023 were in line with those practices set out in the Corporate Governance Report in the Company's 2022 Annual Report.

BOARD COMMITTEES

As at the date of this 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. Lee Cheuk Yin, Dannis as the Committee Chairman, comprise the Audit Committee. Each committee member possesses appropriate finance and/or industry expertise to advise the Board.

Remuneration Committee: The Remuneration Committee has been set up with the responsibility of recommending to the Board the remuneration policy for all Directors and the senior management. Mr. Zhang Min and the three independent non-executive Directors of the Company, namely, Dr. Wang Ching, Mr. Lee Cheuk Yin, Dannis and Mr. Chan Henry as the Committee Chairman, comprise the Remuneration Committee.

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

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

REVIEW OF INTERIM FINANCIAL INFORMATION

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and has discussed with the management regarding the auditing, internal control and financial reporting matters. The Audit Committee has discussed and reviewed the unaudited interim financial information and the interim report for the six-month period ended 30 June 2023.

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.

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 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-month period ended 30 June 2023.

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

Hong Kong, 9 October 2023