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## **LUEN THAI HOLDINGS LIMITED**

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

**(Stock Code: 311)**

### **FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2024**

#### **GROUP FINANCIAL HIGHLIGHTS**

	<b>For the year ended 31 December</b>	
	<b>2024</b>	<b>2023</b>
	<b>US\$'000</b>	<b>US\$'000</b>
Revenue	<b>674,386</b>	696,634
Operating (loss)/profit	<b>(14,184)</b>	6,332
Loss attributable to owners of the Company	<b>(33,891)</b>	(6,008)
Basic loss per share ( <i>US cents</i> )	<b>(3.3)</b>	(0.6)

The board of directors (the “Board”) of Luen Thai Holdings Limited (the “Company”) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, the “Group” or “Luen Thai”) for the year ended 31 December 2024.

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2024

	<i>Note</i>	<b>2024</b> <i>US\$'000</i>	2023 <i>US\$'000</i>
Revenue	3	<b>674,386</b>	696,634
Cost of sales		<u><b>(600,148)</b></u>	<u>(601,363)</u>
<b>Gross profit</b>		<b>74,238</b>	95,271
Other (losses)/gains — net	4	<b>(3,647)</b>	880
Reversal of/(provision for) impairment of trade and other receivables		<b>107</b>	(230)
Selling and distribution expenses		<b>(1,736)</b>	(1,419)
General and administrative expenses		<u><b>(83,146)</b></u>	<u>(88,170)</u>
<b>Operating (loss)/profit</b>	5	<u><b>(14,184)</b></u>	<u>6,332</u>
Finance income	6	<b>659</b>	1,508
Finance costs	6	<u><b>(13,778)</b></u>	<u>(13,940)</u>
Finance costs — net	6	<u><b>(13,119)</b></u>	<u>(12,432)</u>
Share of profit of joint ventures and associates — net		<u><b>536</b></u>	<u>545</u>
<b>Loss before income tax</b>		<b>(26,767)</b>	(5,555)
Income tax expense	7	<u><b>(6,719)</b></u>	<u>(363)</u>
<b>Loss for the year</b>		<u><b>(33,486)</b></u>	<u>(5,918)</u>
<b>Loss attributable to:</b>			
Owners of the Company		<b>(33,891)</b>	(6,008)
Non-controlling interests		<u><b>405</b></u>	<u>90</u>
		<u><b>(33,486)</b></u>	<u>(5,918)</u>
<b>Loss per share attributable to owners of the Company for the year</b> (expressed in US cents per share)			
Basic and diluted	8	<u><b>(3.3)</b></u>	<u>(0.6)</u>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2024

	<i>Note</i>	<b>2024</b> <i>US\$'000</i>	2023 <i>US\$'000</i>
<b>Loss for the year</b>		<b>(33,486)</b>	(5,918)
<b>Other comprehensive loss:</b>			
<i>Item that will not be reclassified subsequently to profit or loss:</i>			
Actuarial loss on retirement benefit obligations		<b>(541)</b>	(1,110)
<i>Item that may be reclassified to profit or loss:</i>			
Currency translation differences		<u><b>954</b></u>	<u>(687)</u>
<b>Total comprehensive loss for the year, net of income tax</b>		<u><b>(33,073)</b></u>	<u>(7,715)</u>
<b>Attributable to:</b>			
Owners of the Company		<b>(33,478)</b>	(7,805)
Non-controlling interests		<u><b>405</b></u>	<u>90</u>
		<u><b>(33,073)</b></u>	<u>(7,715)</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2024

	<i>Note</i>	<b>2024</b> <i>US\$'000</i>	2023 <i>US\$'000</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		<b>87,386</b>	105,203
Right-of-use assets		<b>23,202</b>	25,039
Intangible assets		<b>43,563</b>	44,231
Interests in joint ventures and associates		<b>5,078</b>	5,893
Deferred income tax assets		<b>3,385</b>	3,455
Deposits, prepayments and other receivables	10	<b>3,197</b>	4,604
<b>Total non-current assets</b>		<b>165,811</b>	188,425
<b>Current assets</b>			
Inventories		<b>55,584</b>	65,292
Trade and other receivables	10	<b>165,439</b>	141,170
Prepaid income tax		<b>4,247</b>	4,330
Derivative financial instruments		<b>31</b>	—
Cash and bank balances		<b>54,871</b>	75,780
<b>Total current assets</b>		<b>280,172</b>	286,572
<b>Total assets</b>		<b>445,983</b>	474,997
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital		<b>10,341</b>	10,341
Other reserves	12	<b>(6,685)</b>	(2,680)
Retained earnings		<b>152,298</b>	183,007
		<b>155,954</b>	190,668
<b>Non-controlling interests</b>		<b>748</b>	1,018
<b>Total equity</b>		<b>156,702</b>	191,686

	<i>Note</i>	<b>2024</b> <i>US\$'000</i>	2023 <i>US\$'000</i>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings		—	556
Lease liabilities		<b>19,514</b>	19,930
Retirement benefit obligations		<b>4,351</b>	7,730
Deferred income tax liabilities		<b>2,214</b>	2,438
		<hr/>	<hr/>
<b>Total non-current liabilities</b>		<b>26,079</b>	30,654
		<hr/>	<hr/>
<b>Current liabilities</b>			
Trade and other payables	11	<b>86,796</b>	82,268
Provisions		<b>19,078</b>	17,533
Borrowings		<b>143,501</b>	142,099
Lease liabilities		<b>3,202</b>	3,414
Derivative financial instruments		—	52
Current income tax liabilities		<b>10,625</b>	7,291
		<hr/>	<hr/>
<b>Total current liabilities</b>		<b>263,202</b>	252,657
		<hr/>	<hr/>
<b>Total liabilities</b>		<b>289,281</b>	283,311
		<hr/>	<hr/>
<b>Total equity and liabilities</b>		<b>445,983</b>	474,997
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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2024*

### 1. GENERAL INFORMATION

Luen Thai Holdings Limited (the “Company”) is 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 in the People’s Republic of China (the “PRC”), Cambodia, the Philippines, India and Myanmar.

### 2. BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622.

The consolidated financial statements have been prepared under the historical cost convention, except for certain financial assets and liabilities (derivative instruments) which are measured at fair value through profit or loss, and plan assets under defined benefit plans, which are measured at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies.

#### **Changes in accounting policies and disclosures**

##### ***(a) Amended standards and interpretation adopted by the Group***

The Group has applied the following amended standards and interpretation for the first time for their annual reporting period commencing on or after 1 January 2024:

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants
Hong Kong Interpretation 5 (Revised)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

The amended standards and interpretation listed above did not have any material impact on the amounts recognized in prior periods and are not expected to significantly affect the current or future periods.

**(b) New standards, amended standards and interpretation not yet adopted by the Group**

Certain new standards and amendments to existing standards and interpretation have been published but are not effective for the financial year beginning on or after 1 January 2024 reporting periods and have not been early adopted by the Group.

		<b>Effective for annual reporting periods beginning on or after</b>
Amendments to HKAS21	Lack of Exchangeability	1 January 2025
Amendments to HKFRS 9 and HKFRS 7	Classification and Measurement of Financial Instruments	1 January 2026
HKFRS 1, HKFRS 7, HKFRS 9, HKFRS 10 and HKAS 7	Annual Improvements to HKFRS Accounting Standards — Volume 11	1 January 2026
HKFRS 18	Presentation and Disclosure in Financial Statements	1 January 2027
HKFRS 19	Subsidiaries without Public Accountability: Disclosures	1 January 2027
Amendments to Hong Kong Interpretation 5	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2027
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Group will apply the above new standards, amendments to existing standards and interpretation when they become effective.

The new standards, amendments to existing standards and interpretation are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions, except for HKFRS 18 which will mainly impact the presentation in the consolidated statement of profit and loss and consolidated statement of cash flows. The Group is still in the process of evaluating the impact of adoption of HKFRS 18.

### 3. SEGMENT INFORMATION

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

The Group manufactures and trades a range of apparels and accessories. Sales are recognized when control of the products has transferred, being when the products are shipped to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

No element of financing is deemed present as the sales are made with a short credit term, which is consistent with market practice. The Group's obligation to replace faulty products or refund customers under the standard warranty terms is recognized as a provision.

Other than sales of apparels and accessories, the Group does not have other material revenue stream. Certain ancillary income, such as scrap sales, follows the same recognition policy.

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 years ended 31 December 2024 and 2023 is as follows:

	<b>Apparel</b> <i>US\$'000</i>	<b>Accessories</b> <i>US\$'000</i>	<b>Total</b> <i>US\$'000</i>
<b>For the year ended 31 December 2024</b>			
Revenue (from external customers)	<u>399,375</u>	<u>275,011</u>	<u>674,386</u>
Revenue recognized under HKFRS 15			
— At a point in time	399,319	274,318	673,637
Rental income recognized under HKFRS 16	<u>56</u>	<u>693</u>	<u>749</u>
	<u>399,375</u>	<u>275,011</u>	<u>674,386</u>
<b>Segment (loss)/profit for the year</b>	<u>(35,111)</u>	<u>14,730</u>	<u>(20,381)</u>
Segment (loss)/profit for the year includes:			
Cost of inventories	(210,445)	(233,244)	(443,689)
Depreciation and amortization	(11,180)	(7,461)	(18,641)
Reversal of loss allowances of trade and other receivables	106	1	107
Share of profits of joint ventures and associates, net	536	—	536
Finance income	551	108	659
Finance costs	(11,213)	(2,565)	(13,778)
Income tax expense	<u>(6,400)</u>	<u>(319)</u>	<u>(6,719)</u>

	Apparel <i>US\$'000</i>	Accessories <i>US\$'000</i>	Total <i>US\$'000</i>
<b>For the year ended 31 December 2023</b>			
Revenue (from external customers)	<u>455,064</u>	<u>241,570</u>	<u>696,634</u>
Revenue recognized under HKFRS 15			
— At a point in time	454,814	240,980	695,794
Rental income recognized under HKFRS 16	<u>250</u>	<u>590</u>	<u>840</u>
	<u>455,064</u>	<u>241,570</u>	<u>696,634</u>
<b>Segment (loss)/profit for the year</b>	<u>(14,840)</u>	<u>19,763</u>	<u>4,923</u>
Segment (loss)/profit for the year includes:			
Cost of inventories	(247,440)	(195,308)	(442,748)
Depreciation and amortization	(11,762)	(8,799)	(20,561)
Provision for loss allowances of trade and other receivables	(230)	—	(230)
Share of profits of joint ventures and associates, net	545	—	545
Finance income	1,093	415	1,508
Finance costs	(8,686)	(5,254)	(13,940)
Income tax (expense)/credit	<u>(989)</u>	<u>626</u>	<u>(363)</u>

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 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 year.

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

	<b>2024</b> <i>US\$'000</i>	2023 <i>US\$'000</i>
Segment (loss)/profit for the year	<b>(20,381)</b>	4,923
Corporate expenses ( <i>Note (i)</i> )	<u>(13,105)</u>	<u>(10,841)</u>
Loss for the year	<u><b>(33,486)</b></u>	<u>(5,918)</u>

*Note:*

- (i) Corporate expenses represent general corporate expenses such as executive salaries and other unallocated general and administrative expenses and losses incurred by corporate investments.

	<b>2024</b>	2023
	<i>US\$'000</i>	<i>US\$'000</i>
<b>Analysis of revenue by category</b>		
Sales of garment, textile products and accessories	<b>666,749</b>	686,266
Others	<b>7,637</b>	10,368
	<hr/>	<hr/>
Total revenue	<b>674,386</b>	696,634
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The Group's revenue is mainly derived from customers located in the United States of America (the "United States"), the PRC, Europe, Canada, Japan and South America, while the Group's business activities are conducted predominantly in Hong Kong, the PRC, the Philippines, Cambodia, the United States and Myanmar.

	<b>2024</b>	2023
	<i>US\$'000</i>	<i>US\$'000</i>
<b>Analysis of revenue by geographical location</b>		
United States	<b>284,125</b>	319,781
PRC (including Hong Kong and Macao)	<b>135,870</b>	147,300
Europe (including the United Kingdom and Germany)	<b>118,484</b>	112,473
South America (including Mexico and Chile)	<b>34,862</b>	24,179
Japan	<b>20,469</b>	18,175
Canada	<b>22,041</b>	17,411
Others	<b>58,535</b>	57,315
	<hr/>	<hr/>
	<b>674,386</b>	696,634
	<hr/> <hr/>	<hr/> <hr/>

Revenue is allocated based on the countries where the Group's customers are located.

For the year ended 31 December 2024, revenue of approximately US\$168,475,000 (2023: US\$133,647,000), US\$84,241,000 (2023: US\$93,992,000) and US\$81,171,000 (2023: US\$75,700,000) are derived from three (2023: same) single external customers whose sales account for more than 10% of the total revenue. These revenues are attributable to the segments of apparel and accessories.

As a practical expedient, no disclosure was made for the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) as at 31 December 2024 (2023: same), because such performance obligations are part of contracts having an original expected duration of one year or less.

An analysis of the Group's non-current assets other than deferred income tax assets and deposits by geographical location in which the assets are located is as follows:

	2024 <i>US\$'000</i>	2023 <i>US\$'000</i>
<b>Analysis of non-current assets by geographical location</b>		
PRC (including Hong Kong and Macao)	61,292	71,479
Cambodia	54,761	56,740
Philippines	26,246	31,534
Myanmar	15,882	17,083
Vietnam	1,784	1,970
Others	341	4,019
	<u>160,306</u>	<u>182,825</u>
<b>4. OTHER (LOSSES)/GAINS — NET</b>		
	2024 <i>US\$'000</i>	2023 <i>US\$'000</i>
Fair value gains on derivative financial instruments — net	292	19
Net foreign exchange gains	1,317	1,224
Loss on disposal of a subsidiary	(600)	—
Loss on disposal of a joint venture	(323)	(234)
Loss on disposals of property, plant and equipment — net	(134)	(65)
Loss on write-off of other non-current asset	(1,407)	—
Loss on write-off of property, plant and equipment	(2,202)	—
Loss on write-off of right-of-use assets	(647)	—
Others	57	(64)
	<u>(3,647)</u>	<u>880</u>
<b>5. OPERATING (LOSS)/PROFIT</b>		
	2024 <i>US\$'000</i>	2023 <i>US\$'000</i>
Employee benefit expenses	170,123	167,543
Reversal of impairment of property, plant and equipment — net	—	(45)
Depreciation of property, plant and equipment	14,115	15,721
Depreciation of right-of-use assets	5,216	5,515
Amortization of intangible assets	668	668
Provision for/(reversal of provision for) obsolete inventories	5,824	(1,785)
	<u>5,824</u>	<u>(1,785)</u>

## 6. FINANCE COSTS — NET

	2024 <i>US\$'000</i>	2023 <i>US\$'000</i>
Interest expense on lease liabilities	(1,618)	(1,659)
Interest expense on bank borrowings	<u>(12,160)</u>	<u>(12,281)</u>
Finance costs	<u>(13,778)</u>	<u>(13,940)</u>
Interest income from bank deposits	630	644
Interest income arise from loans to a joint venture and an associate	29	854
Other interest income	<u>—</u>	<u>10</u>
Finance income	<u>659</u>	<u>1,508</u>
Finance costs — net	<u>(13,119)</u>	<u>(12,432)</u>

## 7. INCOME TAX EXPENSE

For Hong Kong profits tax, under the two-tiered profits tax rates regime, the first HK\$2,000,000 of profits of qualifying corporation will be taxed at 8.25%, and profits above HK\$2,000,000 will be taxed at 16.5%. For the year ended 31 December 2024 and 2023, only one subsidiary of the Group is entitled to this tax benefit. The profits of other Group entities incorporated in Hong Kong not qualifying continued to be taxed at the flat rate of 16.5%.

Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

	2024 <i>US\$'000</i>	2023 <i>US\$'000</i>
Current income tax	6,787	4,066
Under/(over) provision in prior years	125	(2,296)
Deferred income tax	<u>(193)</u>	<u>(1,407)</u>
Income tax expense	<u>6,719</u>	<u>363</u>

### 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.

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 approximately HK\$29,797,000). The subsidiary has lodged objections against the above assessments for 2000/01 to 2014/15 by the statutory deadlines. The tax provisions made has increased from US\$811,000

as at 31 December 2023 to US\$5,811,000 (equivalent to approximately HK\$45,326,000) as at 31 December 2024 for the years of assessment 2000/01 to 2022/23, based on management's latest assessment considering the latest communication with IRD. Pending settlement of the objections, it has paid a total sum of US\$3,695,000 (equivalent to approximately HK\$28,823,000) in the form of tax reserve certificates in respect of the tax in dispute up to and including the year of assessment 2014/15.

The negotiation of the settlement basis with the IRD is still on going as at the date of this announcement and has not been finalized.

- (ii) During the year ended 31 December 2019, the Group entered into an agreement with an independent third party to dispose 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 current under review by the in-charge tax authority and there is no final assessment as at 31 December 2024. 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 31 December 2024.

- (iii) Certain 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 routine basis. On a case-by-case basis, management will determine whether or not to make a provision, depending on the expected outcomes of the tax audits. They consider the provisions as at 31 December 2024 to be adequate but not excessive.
- (iv) The Group is within the scope of the OECD Pillar Two model rules. Pillar Two legislation was enacted in Vietnam and became effective from 1 January 2024. Since the Pillar Two legislation was not effective for the year ended 31 December 2024, the Group has no related current tax exposure. The Group applies the exception to recognizing and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes, as provided in the amendments to HKAS 12 issued in July 2023.

Under the Pillar Two legislation enacted in Vietnam, the Group is expected to be liable to pay a top-up tax for the difference between its GloBE effective tax rate per jurisdiction and the 15% minimum rate. For the year ended 31 December 2024, the average effective tax rate (calculated in accordance with para 86 of HKAS 12) of the entities operating in Vietnam is assessed to be 24%. The Group therefore anticipated that no top-up tax would arise from the operations in Vietnam.

The above assessment has been conducted based on data available for the Group only, the actual calculation at the ultimate parent group level may lead to different results. The Group will continue to assess the exposure to the Pillar Two legislation for when it comes into effect in Vietnam as well as in other jurisdictions.

## 8. LOSS PER SHARE

### (a) Basic

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

	2024	2023
Loss attributable to owners of the Company ( <i>US\$'000</i> )	<u>(33,891)</u>	<u>(6,008)</u>
Weighted average number of ordinary shares in issue ( <i>thousands</i> )	<u>1,034,113</u>	<u>1,034,113</u>
Basic loss per share ( <i>US cents per share</i> )	<u>(3.3)</u>	<u>(0.6)</u>

### (b) Diluted

Diluted earnings per share for the years ended 31 December 2024 and 2023 is the same as the basic loss per share as there were no potential dilutive ordinary shares outstanding during the years.

## 9. DIVIDENDS

Dividend recognized during the reporting period

	2024 <i>US\$'000</i>	2023 <i>US\$'000</i>
Final dividend of US0.268 cent or HK2.10 cents per ordinary share for the year ended 31 December 2022	<u>—</u>	<u>2,771</u>

No final dividend was proposed by the Board for the year ended 31 December 2024 and 2023.

## 10. TRADE AND OTHER RECEIVABLES

	2024 <i>US\$'000</i>	2023 <i>US\$'000</i>
<b>Current portion</b>		
Trade receivables	108,440	83,812
Less: loss allowances	<u>(4,243)</u>	<u>(4,545)</u>
Trade receivables — net	<u>104,197</u>	<u>79,267</u>
Amounts due from related parties	19,548	20,620
Less: loss allowances to shareholder loans	<u>(314)</u>	<u>(119)</u>
Amounts due from related parties — net	<u>19,234</u>	<u>20,501</u>
Deposits, prepayments and other receivables	25,285	24,679
Indemnified assets	<u>16,723</u>	<u>16,723</u>
	<u>165,439</u>	<u>141,170</u>
<b>Non-current portion</b>		
Deposits	2,120	2,145
Others	<u>1,077</u>	<u>2,459</u>
	<u>3,197</u>	<u>4,604</u>

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:

	2024 <i>US\$'000</i>	2023 <i>US\$'000</i>
0 to 30 days	45,356	49,228
31 to 60 days	25,712	17,708
61 to 90 days	20,864	9,372
91 to 120 days	11,608	2,587
Over 120 days	<u>4,900</u>	<u>4,917</u>
	<u>108,440</u>	<u>83,812</u>

The Group does not hold any collateral as security.

## 11. TRADE AND OTHER PAYABLES

	2024 <i>US\$'000</i>	2023 <i>US\$'000</i>
Trade payables	40,404	44,485
Contract liabilities	74	106
Other tax payables	9,033	9,038
Accrued wages and salaries	23,177	16,023
Others	13,104	11,936
Amounts due to related parties	<u>1,004</u>	<u>680</u>
	<u><b>86,796</b></u>	<u><b>82,268</b></u>

At 31 December 2024 and 2023, the ageing analysis of the trade payables based on invoice date is as follows:

	2024 <i>US\$'000</i>	2023 <i>US\$'000</i>
0 to 30 days	32,445	35,617
31 to 60 days	4,683	3,527
61 to 90 days	1,349	2,023
Over 90 days	<u>1,927</u>	<u>3,318</u>
	<u><b>40,404</b></u>	<u><b>44,485</b></u>

## 12. OTHER RESERVES

	<b>Capital reserve</b> <i>US\$'000</i>	<b>Other capital reserves</b> <i>US\$'000</i>	<b>Employment benefits reserve</b> <i>US\$'000</i>	<b>Exchange reserve</b> <i>US\$'000</i>	<b>Total</b> <i>US\$'000</i>
At 1 January 2024	7,891	(2,795)	4,602	(12,378)	(2,680)
Actuarial losses on retirement benefit obligations	—	—	(541)	—	(541)
Transfer of accumulated remeasurements of defined benefits obligations to retained earnings upon settlement	—	—	(3,182)	—	(3,182)
Acquisition of non-controlling interest	—	(1,236)	—	—	(1,236)
Currency translation differences	—	—	(9)	963	954
	<u>7,891</u>	<u>(4,031)</u>	<u>870</u>	<u>(11,415)</u>	<u>(6,685)</u>
At 31 December 2024	<u>7,891</u>	<u>(4,031)</u>	<u>870</u>	<u>(11,415)</u>	<u>(6,685)</u>
At 1 January 2023	7,891	(2,795)	5,840	(11,819)	(883)
Currency translation differences	—	—	(128)	(559)	(687)
Actuarial losses on retirement benefit obligations	—	—	(1,110)	—	(1,110)
	<u>7,891</u>	<u>(2,795)</u>	<u>4,602</u>	<u>(12,378)</u>	<u>(2,680)</u>
At 31 December 2023	<u>7,891</u>	<u>(2,795)</u>	<u>4,602</u>	<u>(12,378)</u>	<u>(2,680)</u>

## MANAGEMENT DISCUSSION & ANALYSIS

### Result Review

Looking back on the year 2024, the worldwide inflationary pressures slowly subsided and the global economic growth stayed at 2.7% which was below the average of 3.1% that prevailed in the decade before COVID-19 pandemic. The rate of economic recovery varied among economies, the economic growth in Europe and many other countries have slowed due to weaker private consumption amid tight monetary policy, elevated inflation and geopolitical conflicts, particularly the Russia-Ukraine war. The economy of the People's Republic of China (the "PRC"), the world's second-largest economy also grew at a slower pace of 4.9% as compared to year 2023, primarily due to softened domestic activity and weakened consumption amid the lingering impact of the property sector.

In addition, according to a recent report by the World Bank titled "Global Economic Prospect 2024", new global trade restrictions in 2024 were five times the 2010–19 average amid the escalating global policy conflicts and ongoing geopolitical tension. The trade restrictive measures affected trade flows and disrupted the global supply chains, with adverse implications for investment and consumption sentiment.

During the year ended 31 December 2024, the Group's revenue decreased by approximately 3.2% to approximately US\$674,386,000. Despite the slight decrease in revenue, the gross profit experienced a substantial decline from US\$95,271,000 to US\$74,238,000, as certain factories of the Group were not operating at their optimal efficiency due to the implementation of a series of internal reorganization and consolidation measures ("Measures") by the Group.

These Measures gave rise to certain non-recurring expenses, including but not limited to (i) cost of sales as well as general and administrative expenses which were primarily caused by severance payments paid by the Group to former employees who were laid-off for the purpose of reducing operating costs for the Group's manufacturing plants in the longer run in view of the reduction in orders, as well as legal costs and expenses incurred relating to compliance with customs laws and regulations in the United States of America (the "USA"); (ii) additional expenses deriving from the cessation of production of a loss-making factory in the PRC, the temporary suspension of operations of a factory in Southeast Asia, as well as the closure of the personal protective equipment business, which is a non-core business of the Group under the Apparel segment; (iii) additional provision for impairment of inventories and tax expense which were made for the sake of prudence; and (iv) expenses incurred for the disposal of the Group's equity interest of a non-profitable partially-owned subsidiary and the deregistration of a joint venture.

In line with the decline in the gross profit, coupled with significant amount of non-recurring expenses resulting from the Measures, the Group incurred a net loss attributable to equity holders of the Company (“Net Loss”) of approximately US\$33,891,000 for the year ended 31 December 2024, as compared to a Net Loss of approximately US\$6,008,000 for the corresponding period last year.

## **Segmental Review**

Apparel and Accessories businesses were the two revenue streams of the Group, which respectively accounted for approximately 59.2% and 40.8% of the Group’s total revenue for the year under review.

### **Apparel**

Revenue from Apparel Division during the year decreased by approximately US\$55,689,000 to US\$399,375,000, representing a decrease of approximately 12.2%. The decrease was mainly attributable to reduction in orders from the Group’s customers caused by various factors, including but not limited to: (i) missed shipment and shipment delays caused by freight unavailability and compliance with customs laws and regulations in the USA, our major market; and (ii) inventory gluts for certain major customers of the Group which caused them to scale back their manufacturing orders.

In line with the decrease in the segment revenue of the Apparel Division, coupled with the incurrence of non-recurring expenses in relation to the Measures, the segment loss substantially increased by approximately US\$20,271,000 or 136.6% to US\$35,111,000.

### **Accessories**

Revenue from Accessories Division increased from approximately US\$241,570,000 to approximately US\$275,011,000, representing an increase of approximately US\$33,441,000 or 13.8% when compared with same period last year. Despite increase in revenue, the Accessories Division recorded a segment profit of approximately US\$14,730,000, representing a decrease of US\$5,033,000 or 25.5% as compared with the same period last year, mainly attributable to certain non-recurring expenses resulting from the temporary suspension of operations of a factory in Southeast Asia as mentioned under the section headed “Results Review” above, while the fixed costs could not be eliminated.

### **Markets**

Consistent with the Group’s geographical market distribution for the year ended 31 December 2024, the US, Europe and Asia (mainly the PRC and Japan) remained as our top three markets for the year under review. The revenue derived from customers in the US, Europe and Asia markets respectively accounted for 42.1%, 17.6% and 23.2% of the total revenue of the Group for the year ended 31 December 2024.

## **Significant Investments, Material 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 year ended 31 December 2024.

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

There was no specific plan for material investments or capital assets as at 31 December 2024 (31 December 2023: nil).

## **Charge of Assets**

The Group's assets were not charged to third parties as of 31 December 2024 (31 December 2023: nil).

## **Future Plans and Prospects**

Looking ahead, some positive prospects, such as inflation returning closer to targets, monetary easing policies in some economies and rebounding global trade growth, may give rise to a broad-based and moderate expansion of the global economy. However, the multiple successive negative shocks in recent years created significant challenges and detrimental outcomes to the global economy, particularly for the most vulnerable countries. At present, the ongoing military conflicts in Ukraine and the Middle East, along with rising protectionism and simmering geopolitical tensions, are hindering the recovery of the global economy. The global economy is expected to grow at a sluggish pace and its growth rate is projected to stabilize at 2.7% in 2025, below pre-pandemic level amid elevated policy uncertainty.

Despite the abovementioned challenges 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.

Amid external uncertainties, 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 under our strategic reform. 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.

## **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\$16,723,000 as at 31 December 2024 (31 December 2023: US\$16,723,000).

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 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. No payment was made in year ended 31 December 2023 and 2024.

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. No payment was made in the year ended 31 December 2023 and 2024.

## **Liquidity and Financial Resources**

As at 31 December 2024, the total amount of cash and bank deposits of the Group was approximately US\$54,871,000, representing a decrease of approximately US\$20,909,000 as compared to last year. The Group’s total bank borrowings as at 31 December 2024 was approximately US\$143,501,000, representing an increase of approximately US\$846,000 as compared to that as at 31 December 2023.

As at 31 December 2024, based on the scheduled repayments set out in the relevant loan agreements with banks, the maturity profile of the Group’s bank borrowings of approximately US\$143,501,000 is repayable within one year.

Gearing ratio of the Company is defined as the net debt (represented by bank borrowings net of cash and bank balances) divided by shareholders' equity. As at 31 December 2024, the gearing ratio of the Group was approximately 56.8%.

### **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. The Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures and to mitigate the impact on exchange rate fluctuations by entering into currency hedge arrangement if necessary. During the years ended 31 December 2024 and 2023, no forward foreign exchange or hedging contracts had been entered into by the Group.

### **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 27,000 employees around the world, Luen Thai continuously strives to foster open communications with its 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 employees' 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.

## **MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS**

The Company has adopted a code of conduct regarding securities transactions by directors of the Company (“Directors”) on terms no less exacting than the required standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix C3 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). After having made specific enquiry of all Directors, all the Directors are of the view that they have complied with the required standard set out in the Model Code and its code of conduct regarding securities transactions for the year ended 31 December 2024.

## **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 year ended 31 December 2024.

## **CORPORATE GOVERNANCE**

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 takes care to identify practices designed to achieve effective oversight, transparency and ethical behavior. The Company periodically reviews its corporate governance practices to ensure its continuous compliance. Full details on the subject of corporate governance are set out in the Company’s 2024 annual report.

Throughout the year ended 31 December 2024, the Company has complied with the applicable code provisions of the Corporate Governance Code (the “CG Code”) as set out in the Appendix C1 to the Listing Rules.

## **AUDIT COMMITTEE**

The audit committee of the Company (“Audit Committee”) was established with written terms of reference that set out the authorities and duties of the Audit Committee adopted by the Board. The principal duties of the Audit Committee include review and supervision of the financial process. It also reviews the effectiveness of internal audit, risk evaluation, internal controls and the interim and annual result of the Group.

The final results of the Company for the year ended 31 December 2024 have been reviewed by the Audit Committee.

## **SCOPE OF WORK OF THE EXTERNAL AUDITOR**

The figures in respect of the Group's consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31 December 2024 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

## **FINAL DIVIDEND**

The Board does not recommend the payment of final dividend for the year ended 31 December 2024 (31 December 2023: nil).

## **CLOSURE OF REGISTER OF MEMBERS**

### **Entitlement to attend and vote at the AGM**

The Register of Members of the Company will be closed from 27 May 2025 to 29 May 2025 (both days inclusive), during which period no transfers of shares will be registered. To determine the entitlement to attend and vote at the AGM, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's Branch Share Registrars in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 26 May 2025.

## **PUBLIC FLOAT**

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed amount of public float during the year and up to the date of this announcement as required under the Listing Rules.

## **PUBLICATION OF FINAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT**

The Company's annual results announcement is published on the website of the Hong Kong Exchanges and Clearing Limited at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company's website at [www.luenthai.com](http://www.luenthai.com).

The annual report of the Company for the year ended 31 December 2024 containing the information required by the Listing Rules will be dispatched to the shareholders of the Company and published on the above websites in due course.

By order of the Board  
**Luen Thai Holdings Limited**  
**Tan Cho Lung, Raymond**  
*Chief Executive Officer and Executive Director*

Hong Kong, 28 March 2025

As at the date of this announcement, the Board comprises the following Directors:

*Executive Directors:*

Wang Weimin (*Chairman*)

Tan Siu Lin (*Honorary Life Chairman*)

Tan Cho Lung, Raymond (*Chief Executive Officer*)

Zhang Min

Jin Xin

*Non-executive Director:*

Fok Yue San, Sandy

*Independent non-executive Directors:*

Chan Henry

Wang Ching

Lee Cheuk Yin, Dannis