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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 2025

GROUP FINANCIAL HIGHLIGHTS

	For the year ended	
	31 December	
	2025	2024
	<i>US\$'000</i>	<i>US\$'000</i>
Revenue	636,987	674,386
Operating profit/(loss)	11,845	(14,184)
Profit/(loss) attributable to owners of the Company	4,515	(33,891)
Basic earnings/(loss) per share <i>(US cents)</i>	0.4	(3.3)

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 2025.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2025

	Note	2025 US\$'000	2024 US\$'000
Revenue	3	636,987	674,386
Cost of sales		<u>(542,992)</u>	<u>(600,148)</u>
Gross profit		93,995	74,238
Other gains/(losses) — net	4	754	(3,647)
Reversal of impairment of trade receivables		145	107
Selling and distribution expenses		(1,350)	(1,736)
General and administrative expenses		<u>(81,699)</u>	<u>(83,146)</u>
Operating profit/(loss)	5	<u>11,845</u>	<u>(14,184)</u>
Finance income	6	998	659
Finance costs	6	<u>(10,035)</u>	<u>(13,778)</u>
Finance costs — net	6	<u>(9,037)</u>	<u>(13,119)</u>
Share of profit of joint ventures and associates — net		<u>314</u>	<u>536</u>
Profit/(loss) before income tax		3,122	(26,767)
Income tax credit/(expense)	7	<u>1,282</u>	<u>(6,719)</u>
Profit/(loss) for the year		<u>4,404</u>	<u>(33,486)</u>
Profit/(loss) attributable to:			
Owners of the Company		4,515	(33,891)
Non-controlling interests		<u>(111)</u>	<u>405</u>
		<u>4,404</u>	<u>(33,486)</u>
Earnings/(loss) per share attributable to owners of the Company for the year (expressed in US cents per share)			
Basic and diluted	8	<u>0.4</u>	<u>(3.3)</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2025

	<i>Note</i>	2025 <i>US\$'000</i>	2024 <i>US\$'000</i>
Profit/(loss) for the year		4,404	(33,486)
Other comprehensive income/(loss):			
<i>Item that will not be reclassified subsequently to profit or loss:</i>			
Actuarial loss on retirement benefit obligations		(94)	(483)
<i>Item that may be reclassified to profit or loss:</i>			
Currency translation differences		<u>(360)</u>	<u>896</u>
Total comprehensive income/(loss) for the year, net of income tax		<u>3,950</u>	<u>(33,073)</u>
Attributable to:			
Owners of the Company		4,061	(33,478)
Non-controlling interests		<u>(111)</u>	<u>405</u>
		<u>3,950</u>	<u>(33,073)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2025

	Note	2025 US\$'000	2024 US\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		77,043	87,386
Right-of-use assets		25,746	23,202
Intangible assets		42,895	43,563
Interests in joint ventures and associates		4,680	5,078
Deferred income tax assets		4,289	3,385
Deposits and other receivables	10	2,471	3,197
Total non-current assets		<u>157,124</u>	<u>165,811</u>
Current assets			
Inventories		55,870	55,584
Trade and other receivables	10	162,838	165,439
Prepaid income tax		549	4,247
Derivative financial instruments		—	31
Cash and bank balances		54,881	54,871
Total current assets		<u>274,138</u>	<u>280,172</u>
Total assets		<u>431,262</u>	<u>445,983</u>
EQUITY			
Equity attributable to owners of the Company			
Share capital		10,341	10,341
Other reserves	12	(8,435)	(6,685)
Retained earnings		156,813	152,298
		<u>158,719</u>	<u>155,954</u>
Non-controlling interests		<u>637</u>	<u>748</u>
Total equity		<u>159,356</u>	<u>156,702</u>

	<i>Note</i>	2025 <i>US\$'000</i>	2024 <i>US\$'000</i>
LIABILITIES			
Non-current liabilities			
Lease liabilities		22,453	19,514
Retirement benefit obligations		5,143	4,351
Deferred income tax liabilities		1,390	2,214
		<hr/>	<hr/>
Total non-current liabilities		28,986	26,079
		<hr/>	<hr/>
Current liabilities			
Trade and other payables	11	97,198	86,796
Provisions		19,040	19,078
Borrowings		117,534	143,501
Lease liabilities		2,853	3,202
Derivative financial instruments		47	—
Current income tax liabilities		6,248	10,625
		<hr/>	<hr/>
Total current liabilities		242,920	263,202
		<hr/>	<hr/>
Total liabilities		271,906	289,281
		<hr/>	<hr/>
Total equity and liabilities		431,262	445,983
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

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 and Myanmar.

2. BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with HKFRS Accounting Standards issued by the Hong Kong Institute of Certified Public Accountants and 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 Accounting Standards 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 adopted by the Group

The Group has applied the following amended standards for the first time for their annual reporting period commencing on or after 1 January 2025:

Amendments to HKAS 21 and HKFRS 1 Lack of Exchangeability

The amended standards 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, interpretation and annual improvements have been published but are not effective for the financial year beginning on or after 1 January 2025 reporting periods and have not been early adopted by the Group.

		Effective for annual reporting periods beginning on or after
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
Amendments to HKFRS 9 and HKFRS 7	Contracts Referencing Nature — dependent Electricity	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, interpretation and annual improvements when they become effective.

The new standards, amendments to existing standards, and interpretation and annual improvements 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. 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 2025 and 2024 is as follows:

	Apparel <i>US\$'000</i>	Accessories <i>US\$'000</i>	Total <i>US\$'000</i>
For the year ended 31 December 2025			
Revenue (from external customers)	<u>384,458</u>	<u>252,529</u>	<u>636,987</u>
Revenue recognized under HKFRS 15			
— At a point in time	384,363	251,433	635,796
Rental income recognized under HKFRS 16	<u>95</u>	<u>1,096</u>	<u>1,191</u>
	<u>384,458</u>	<u>252,529</u>	<u>636,987</u>
Segment profit for the year	<u>3,706</u>	<u>6,099</u>	<u>9,805</u>
Segment profit for the year includes:			
Cost of inventories	(264,411)	(143,603)	(408,014)
Depreciation and amortization	(9,249)	(5,769)	(15,018)
Reversal of loss allowances of trade receivables, net	145	*	145
Share of profits of joint ventures and associates, net	314	—	314
Finance income	802	196	998
Finance costs	(9,372)	(663)	(10,035)
Income tax (expense)/credit	<u>(695)</u>	<u>1,977</u>	<u>1,282</u>

* *Amount below US\$1,000*

	Apparel <i>US\$'000</i>	Accessories <i>US\$'000</i>	Total <i>US\$'000</i>
For the year ended 31 December 2024			
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>
Segment (loss)/profit for the year	<u>(35,111)</u>	<u>14,730</u>	<u>(20,381)</u>
Segment (loss)/profit for the year includes:			
Cost of inventories	(282,733)	(160,956)	(443,689)
Depreciation and amortization	(11,180)	(7,461)	(18,641)
Reversal of loss allowances of trade 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>

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 profit/(loss) to the profit/(loss) for the year is provided as follows:

	2025 <i>US\$'000</i>	2024 <i>US\$'000</i>
Segment profit/(loss) for the year	9,805	(20,381)
Corporate expenses (<i>Note (i)</i>)	<u>(5,401)</u>	<u>(13,105)</u>
Profit/(loss) for the year	<u>4,404</u>	<u>(33,486)</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.

	2025 <i>US\$'000</i>	2024 <i>US\$'000</i>
Analysis of revenue by category		
Sales of garment, textile products and accessories	628,579	666,749
Others	8,408	7,637
	<hr/>	<hr/>
Total revenue	636,987	674,386
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The Group's revenue is mainly derived from customers located in the United States of America (the "United States"), the People's Republic of China (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.

	2025 <i>US\$'000</i>	2024 <i>US\$'000</i>
Analysis of revenue by geographical location		
United States	273,075	284,125
PRC (including Hong Kong and Macao)	114,565	135,870
Europe (including United Kingdom and Germany)	119,361	118,484
South America (including Mexico and Chile)	34,559	34,862
Japan	23,285	20,469
Canada	14,778	22,041
Others	57,364	58,535
	<hr/>	<hr/>
	636,987	674,386
	<hr/> <hr/>	<hr/> <hr/>

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

For the year ended 31 December 2025, revenue of approximately US\$153,517,000 (2024: US\$168,475,000) and US\$133,721,000 (2024: US\$84,241,000) are derived from two (2024: three) 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 2025 (2024: 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:

	2025 <i>US\$'000</i>	2024 <i>US\$'000</i>
Analysis of non-current assets by geographical location		
PRC (including Hong Kong and Macao)	59,585	61,292
Cambodia	53,509	54,761
Philippines	23,291	26,246
Myanmar	12,580	15,882
Vietnam	1,598	1,784
Others	333	341
	<u>150,896</u>	<u>160,306</u>
4. OTHER GAINS/(LOSSES) — NET		
	2025 <i>US\$'000</i>	2024 <i>US\$'000</i>
Fair value (losses)/gains on derivative financial instruments, net	(228)	292
Net foreign exchange gains	53	1,317
Net gain on dissolution of subsidiaries	456	—
Net loss on sale of investment in a subsidiary	—	(600)
Net loss on sale of investment in a joint venture	—	(323)
Gain/(loss) on disposals of property, plant and equipment — net	320	(134)
Loss on write-off of other non-current asset	—	(1,407)
Loss on write-off of property, plant and equipment	(916)	(2,202)
Loss on write-off of right-of-use assets	—	(647)
Reversal of withholding tax provision	866	—
Others	203	57
	<u>754</u>	<u>(3,647)</u>
5. OPERATING PROFIT/(LOSS)		
	2025 <i>US\$'000</i>	2024 <i>US\$'000</i>
Employee benefit expenses	149,612	170,123
Depreciation of property, plant and equipment	11,041	14,115
Depreciation of right-of-use assets	4,224	5,216
Amortization of intangible assets	668	668
Provision for obsolete inventories	2,055	5,824
	<u>177,600</u>	<u>195,946</u>

6. FINANCE COSTS — NET

	2025 <i>US\$'000</i>	2024 <i>US\$'000</i>
Interest expense on lease liabilities	(1,607)	(1,618)
Interest expense on bank borrowings	<u>(8,428)</u>	<u>(12,160)</u>
Finance costs	<u>(10,035)</u>	<u>(13,778)</u>
Interest income from bank deposits	968	630
Interest income arise from loans to a joint venture and an associate	<u>30</u>	<u>29</u>
Finance income	<u>998</u>	<u>659</u>
Finance costs — net	<u>(9,037)</u>	<u>(13,119)</u>

7. INCOME TAX (CREDIT)/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 2025 and 2024, 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.

	2025 <i>US\$'000</i>	2024 <i>US\$'000</i>
Current income tax	2,160	6,787
(Over)/under provision in prior years	(1,713)	125
Deferred income tax	<u>(1,729)</u>	<u>(193)</u>
Income tax (credit)/expense	<u>(1,282)</u>	<u>6,719</u>

Notes:

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

The IRD tentatively disallowed the offshore profits claim for the previous years and issued notices of additional assessments/assessments for the years of assessment 2000/01 to 2014/15 totalling US\$3,820,000 (equivalent to approximately HK\$29,797,000). The subsidiary has lodged objections against the above assessments by the statutory deadlines. In March 2025, a settlement agreement has been reached with the IRD for the years of assessment 2000/01 to 2014/15 under which the additional tax payable is US\$4,662,000 (equivalent to approximately HK\$36,364,000).

Tax reserve certificates of US\$3,695,000 (equivalent to approximately HK\$28,823,000) previously purchased in respect of the tax in dispute up to and including the year of assessment 2014/15 were fully utilised to set off against the additional tax payable in August 2025 and the remaining tax payable was settled in the current year.

While the settlement basis for the years of assessment 2000/01 to 2014/15 has been agreed with the IRD, the negotiation of the settlement basis for the years of assessment 2015/16 to 2024/25 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 holding, 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”) issued by the PRC State Taxation Administration, of which such indirect transfer would be recharacterized as a direct transfer of equity interest in China taxable properties and any capital gain from the transaction would be subject to withholding income tax (“WIT”) at 10% if it is concluded to be without reasonable commercial purpose and resulting in an avoidance of corporate income tax liability.

At the date of disposal, management assessed that the WIT exposure would be approximately RMB10,005,000 (equivalent to US\$1,533,000) and had provided for the abovementioned amount in full.

During the year ended 31 December 2025, the Group has negotiated with the PRC in-charge tax authority and agreed the WIT amount of RMB4,675,000 (equivalent to US\$667,000). The agreed WIT amount was settled during the year with the remaining balance of the provision released.

- (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 2025 to be adequate but not excessive.
- (iv) The Group is within the scope of the OECD Pillar Two model rules. In respect of fiscal year commencing on or after 1 January 2025, Pillar Two Rules are effective and applicable in various jurisdictions in which the Company, its subsidiaries and joint venture operate, such as Hong Kong and Vietnam. In particular, the enactment of Hong Kong minimum top-up tax and Income Inclusion Rule in Hong Kong and applicable to the Company will bring the whole of the Group under the scope of Pillar Two in respect of the year ended 31 December 2025. 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.

The Group has conducted relevant assessments and no provision for top-up tax is required in respect of the year ended 31 December 2025.

8. EARNINGS/(LOSS) PER SHARE

(a) Basic

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

	2025	2024
Profit/(loss) attributable to owners of the Company <i>(US\$'000)</i>	<u>4,515</u>	<u>(33,891)</u>
Weighted average number of ordinary shares in issue <i>(thousands)</i>	<u>1,034,113</u>	<u>1,034,113</u>
Basic earnings/(loss) per share <i>(US cents per share)</i>	<u>0.4</u>	<u>(3.3)</u>

(b) Diluted

Diluted earnings/(loss) per share for the years ended 31 December 2025 and 2024 is the same as the basic earnings/(loss) per share as there were no potential dilutive ordinary shares outstanding during the years.

9. DIVIDENDS

During the years ended 31 December 2025 and 2024, no dividends were paid, declared or proposed.

There is no dividend proposed by the directors of the Company subsequent to the end of the reporting period.

10. TRADE AND OTHER RECEIVABLES

	2025 <i>US\$'000</i>	2024 <i>US\$'000</i>
Current portion		
Trade receivables	107,916	108,440
Less: loss allowances	<u>(4,107)</u>	<u>(4,243)</u>
Trade receivables — net	<u>103,809</u>	<u>104,197</u>
Amounts due from related parties	19,855	19,548
Less: loss allowances	<u>(305)</u>	<u>(314)</u>
Amounts due from related parties — net	<u>19,550</u>	<u>19,234</u>
Deposits, prepayments and other receivables	22,756	25,285
Indemnified assets	<u>16,723</u>	<u>16,723</u>
	<u>162,838</u>	<u>165,439</u>
Non-current portion		
Deposits	1,939	2,120
Others	<u>532</u>	<u>1,077</u>
	<u>2,471</u>	<u>3,197</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:

	2025 <i>US\$'000</i>	2024 <i>US\$'000</i>
0 to 30 days	40,277	45,356
31 to 60 days	32,505	25,712
61 to 90 days	21,124	20,864
91 to 120 days	9,532	11,608
Over 120 days	<u>4,478</u>	<u>4,900</u>
	<u>107,916</u>	<u>108,440</u>

The Group does not hold any collateral as security.

11. TRADE AND OTHER PAYABLES

	2025 <i>US\$'000</i>	2024 <i>US\$'000</i>
Trade payables	51,533	40,404
Contract liabilities	70	74
Other tax payables	8,779	9,033
Accrued wages and salaries	15,881	23,177
Others	20,249	13,104
Amounts due to related parties	686	1,004
	<u>97,198</u>	<u>86,796</u>

At 31 December 2025 and 2024, the ageing analysis of the trade payables based on invoice date is as follows:

	2025 <i>US\$'000</i>	2024 <i>US\$'000</i>
0 to 30 days	46,856	32,445
31 to 60 days	2,471	4,683
61 to 90 days	1,373	1,349
Over 90 days	833	1,927
	<u>51,533</u>	<u>40,404</u>

12. OTHER RESERVES

	Capital reserve <i>US\$'000</i>	Other capital reserves <i>US\$'000</i>	Employment benefits reserve <i>US\$'000</i>	Exchange reserve <i>US\$'000</i>	Total <i>US\$'000</i>
At 1 January 2025	7,891	(4,031)	870	(11,415)	(6,685)
Actuarial losses on retirement benefit obligations	—	—	(94)	—	(94)
Dissolution of a subsidiary	—	—	—	(1,296)	(1,296)
Currency translation differences	—	—	(217)	(143)	(360)
At 31 December 2025	<u>7,891</u>	<u>(4,031)</u>	<u>559</u>	<u>(12,854)</u>	<u>(8,435)</u>
At 1 January 2024	7,891	(2,795)	4,602	(12,378)	(2,680)
Actuarial losses on retirement benefit obligations	—	—	(483)	—	(483)
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	—	—	(67)	963	896
At 31 December 2024	<u>7,891</u>	<u>(4,031)</u>	<u>870</u>	<u>(11,415)</u>	<u>(6,685)</u>

MANAGEMENT DISCUSSION & ANALYSIS

Result Review

Over the last few years, the global macroeconomy has navigated a complex business environment marked by escalating geopolitical conflicts, the lingering impacts of the pandemic, and structural shifts in consumer demand. These pressures, compounded by elevated inflation and cyclical interest rate fluctuations, created a challenging backdrop for global operations. Following these hurdles, 2025 opened with expectations of a relatively steady global recovery. This favorable sentiment was predicated on the tailwinds of monetary easing and disinflation, notwithstanding the persistent threats of geopolitical volatility and protectionist policies. However, this optimistic outlook faced a significant inflection point on April 2, 2025, with the United States' (the "U.S.") enactment of reciprocal tariffs (the "Policy").

The Policy introduced new variables into the global trade landscape, testing the resilience of international supply chains and challenging the pace of economic recovery throughout the year. Frequent revisions to the Policy created significant market ambiguity, compelling brand owners with U.S. exposure to defer procurement and adopt a cautious strategic stance. As the impact of these shifts became widespread, major U.S. retailers accelerated production relocation to 'tariff-light' jurisdictions, sparking a systemic realignment of global supply chains. While the introduction of a 10% universal baseline tariff ("Revised Policy") and reciprocal country-specific duties tempered some adverse effects late in the year, costs remained high relative to pre-2025 benchmarks. In light of these conditions, the Group's operations were inevitably impacted, resulting in a 5.5% revenue decline to approximately US\$636,987,000.

Despite this dip in revenue, gross profit improved from US\$74,238,000 to US\$93,995,000. This growth was driven by an enhanced gross margin profile following the successful mitigation of U.S. customs and regulatory issues (the "Issues") encountered in the first half of 2024. Additionally, gross profit benefited from the non-recurrence of one-off costs ("Costs") from the previous year, specifically those related to the cessation of production at a loss-making factory in the People's Republic of China (the "PRC"), the closure of the personal protective equipment business, and the additional inventory impairment provisions.

Beyond the improvement in gross profit, the Group's net result was bolstered by the absence of approximately US\$30,000,000 in non-recurring expenses that had weighed on the results in 2024. These prior-year expenses primarily comprised severance payments and legal costs related to the Issues, the Costs, additional tax provisions, and losses stemming from both the disposal of a non-profitable partially owned subsidiary and the deregistration of a joint venture. Furthermore, the Company reduced finance costs during the year ended 31 December 2025. Driven by declining interest rates and the strategic deployment of funding streams, net finance costs decreased from approximately US\$13,119,000 in 2024 to approximately US\$9,037,000 in 2025, further strengthening the Group's bottom line.

As a result of the foregoing, the Group recorded a profit attributable to owners of the Company of approximately US\$4,515,000 for the year ended 31 December 2025. This represents a turnaround compared to a loss attributable to owners of the Company of approximately US\$33,891,000 in the preceding year.

Segmental Review

Apparel and Accessories businesses were the two revenue streams of the Group, which accounted for approximately 60.4% and 39.6% respectively of the Group's total revenue for the year under review.

Apparel

Revenue from the Apparel Division decreased during the year by approximately US\$14,917,000 to US\$384,458,000, representing a decline of approximately 3.7%. This was mainly attributable to the adverse impacts of the Policy, though the decrease was partially offset by the robust growth of a key activewear customer.

Despite the decrease in the Apparel Division's segment revenue, the gross margin improved by approximately 5.2 percentage points to 13.6%, and gross profit rose to approximately US\$52,363,000 due to the mitigation of the issues mentioned above. Driven by this improvement and the absence of non-recurring expenses, the segment achieved a turnaround, shifting from a loss to a profit of approximately US\$3,706,000.

Accessories

For the year ended 31 December 2025, the Accessories Division generated sales revenue of approximately US\$252,529,000, representing a 8.2% year-to-year decrease. This softening of the top line was primarily attributable to frequent revisions to the Policy, which introduced significant volatility into procurement cycles and disrupted established order placement workflows. In addition to the revenue decline, the Accessories Division's short-term profitability was further squeezed by higher-than-anticipated expenditures related to certain operating activities. The convergence of these headwinds resulted in a more pronounced impact on the bottom line. The segment profit of the Accessories Division declined by 58.6% or US\$8,631,000 to approximately US\$6,099,000, compared to US\$14,730,000 in the prior year.

Markets

Consistent with the Group's geographical market distribution for the year ended 31 December 2025, the U.S., 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 U.S., Europe and Asia markets respectively accounted for 42.9%, 18.7% and 21.6% of the total revenue of the Group for the year ended 31 December 2025.

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 year ended 31 December 2025 (2024: nil).

Future Plan for Material Investments or Capital Assets

There was no specific plan for material investments or capital assets as at 31 December 2025 (31 December 2024: nil).

Charge of Assets

The Group's assets were not charged to third parties as of 31 December 2025 (31 December 2024: nil).

Future Plans and Prospects

With the introduction of the Revised Policy, the adverse impact of the reciprocal tariffs has been absorbed to a certain extent, and the global economy became relatively steady in late 2025. Nevertheless, a landmark Supreme Court ruling on February 20, 2026, invalidated the previous emergency tariffs invoked under the International Emergency Economic Powers Act. These were immediately replaced by an across-the-board surcharge under Section 122 of the Trade Act of 1974, which was initially set at 10% before the administration signaled an increase to 15% ("New Policy").

The rapid shift from the Revised Policy to the New Policy has reignited global economic concerns, triggering immediate market volatility and potential increases in global consumer prices. According to a report by The Budget Lab at Yale, the New Policy is expected to have a direct impact on the U.S., raising the short-run price level by 0.5% to 0.6% and costing the average U.S. household between \$600 and \$800 in 2026. Additionally, the national unemployment rate is projected to rise by 0.3 percentage points by year-end, while long-run GDP is expected to contract by 0.1%. Uncertainty also surrounds the potential \$100 billion to \$175 billion refund of previously collected IEEPA tariffs, which complicates the 2026 budget and strains international trade relations.

Beyond the specific risks brought by the New Policy, ‘geoeconomic confrontation’ stands as a critical concern in 2026. This risk is primarily fueled by the prolonged Russia-Ukraine war and escalating Middle East volatility involving the U.S., Israel, and Iran. The financial burden of these conflicts, coupled with high debt levels and rising inflation, increases the likelihood of asset bubbles as nations navigate volatile markets. On the consumer level, this macro-instability has eroded purchasing power and fostered a climate of deep-seated caution, as households grapple with the ‘sticky’ pricing of essential goods. This widespread ‘wait-and-see’ attitude further complicates the recovery, as dampened private consumption acts as a drag on global growth projections. Consequently, the global economy remains fraught with uncertainty and challenges throughout 2026.

Despite global economic headwinds, the Board maintains a cautiously optimistic long-term outlook for its core business, drawing on its proven ability to navigate complex market conditions. To ensure sustainable growth and minimize risk, the Group will continue to practice disciplined financial management, ensuring it is well-positioned to both weather challenges and capitalize on emerging opportunities.

To stay competitive in a shifting macroeconomic landscape, the Group is strategically optimizing its operations and prioritizing market diversification. A key part of this strategy involves reducing reliance on the U.S. market by expanding its footprint in the European Union (the “EU”). Establishing a localized EU presence allows the Group to provide more effective “front-end” services and capture a larger share of the European market.

In response to external volatility, the Group remains committed to rigorous cost-containment measures across manufacturing, distribution, and administration. This includes a strategic reform to share internal resources and drive greater administrative synergy. Moving forward, the Group will focus on its long-term sustainability by streamlining production bases and reinforcing its strategic resilience to better serve its customers. Management will continue to monitor market trends closely, making proactive adjustments to its business strategy as needed.

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 2025 (31 December 2024: 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. Settlement in the amount of US\$22,000 was made up to the year ended 31 December 2025.

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. Settlement in the amount of US\$220,000 was made up to the year ended 31 December 2025.

Liquidity and Financial Resources

As at 31 December 2025, the total amount of cash and bank deposits of the Group was stable at approximately US\$54,881,000, as compared to approximately US\$54,871,000 recorded in the same period last year. The Group’s total bank borrowings as at 31 December 2025 was approximately US\$117,534,000, representing a decrease of approximately US\$25,967,000 as compared to that as at 31 December 2024.

As at 31 December 2025, based on the scheduled repayments set out in the relevant loan agreements with banks, the maturity profile of the Group’s bank borrowings spread over five years with approximately US\$117,534,000 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 2025, the gearing ratio of the Group was approximately 39.5% (2024: 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 U.S. 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 2025 and 2024, 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 26,800 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 2025.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2025, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities (including sale of treasury shares) (2024: nil). As at 31 December 2025, there were no treasury shares held by the Company (31 December 2024: nil).

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 2025 annual report.

Throughout the year ended 31 December 2025, 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, save for the following deviation from CG Code C.1.5.

Code Provision C.1.5 of part 2 of the CG Code stipulates that independent non-executive directors and other non-executive directors should attend general meetings to gain and develop a balanced understanding of the views of shareholders. Mr. Lee Cheuk Yin, Dannis, an independent non-executive Director, was unable to attend the Company’s general meeting held on 24 October 2025 regarding the approval of the fabric purchase master agreement due to his other business commitments at the relevant time. To ensure Mr. Lee gained a thorough understanding of the views expressed by shareholders, the meeting minutes were subsequently circulated to him.

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 2025 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 2025 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 2025 (31 December 2024: nil).

2026 ANNUAL GENERAL MEETING (THE “2026 AGM”)

The 2026 AGM of the Company will be held on Thursday, 28 May 2026. A circular containing, among other matters, further information relating to the 2026 AGM will be despatched to the shareholders of the Company as soon as practicable.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the eligibility of shareholders to attend and vote at the 2026 AGM to be held on Thursday, 28 May 2026, the Register of Members of the Company will be closed from 22 May 2026 to 28 May 2026 (both days inclusive), during which period no transfers of shares will be registered. To determine the entitlement to attend and vote at the 2026 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 21 May 2026.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has complied with the 25% minimum public float requirement under the Listing Rules throughout the year and up to the date of this announcement.

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 and the Company's website at www.luenthai.com.

The annual report of the Company for the year ended 31 December 2025 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, 26 March 2026

As at the date hereof, the Board comprises Mr. Wang Weimin, Dr. Tan Siu Lin, Mr. Tan Cho Lung, Raymond, Mr. Zhang Min and Mr. Jin Xin as executive Directors; Ms. Fok Yue San, Sandy as non-executive Director; Mr. Chan Henry, Mr. Lee Cheuk Yin, Dannis and Ms. Shi Min as independent non-executive Directors.

Company website: www.luenthai.com