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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 2023

GROUP FINANCIAL HIGHLIGHTS

	For the year ended 31 December	
	2023	2022
	US$'000	*US$'000*
		(restated)
Revenue	**696,634**	858,861
Operating profit	**6,332**	19,066
(Loss)/profit attributable to owners of the Company	**(6,008)**	9,911
Basic (loss)/earnings per share *(US cents)*	**(0.6)**	1.0

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 2023.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2023

	Note	**2023**	2022
	Note	***US$'000***	*US$'000*
			(Restated)
Revenue	3	**696,634**	858,861
Cost of sales		**(601,363)**	(733,532)
Gross profit		**95,271**	125,329
Other income and other gains — net	4	**945**	1,747
Provision for impairment of trade receivables		**(230)**	(233)
Selling and distribution expenses		**(1,419)**	(1,637)
General and administrative expenses		**(88,235)**	(106,140)
Operating profit	5	**6,332**	19,066
Finance income	6	**1,508**	825
Finance costs	6	**(13,940)**	(8,977)
Finance costs — net	6	**(12,432)**	(8,152)
Share of profits/(losses) of joint ventures and associates — net		**545**	(601)
(Loss)/profit before income tax		**(5,555)**	10,313
Income tax expenses	7	**(363)**	(1,183)
(Loss)/profit for the year		**(5,918)**	9,130
(Loss)/profit attributable to:			
Owners of the Company		**(6,008)**	9,911
Non-controlling interests		**90**	(781)
		(5,918)	9,130
(Loss)/earnings per share attributable to owners of the Company for the year (expressed in US cents per share)			
Basic and diluted	8	**(0.6)**	1.0

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

	Note	**2023**	2022
		US$'000	*US$'000*
			(Restated)
(Loss)/profit for the year		**(5,918)**	9,130
Other comprehensive (loss)/income:			
Item that will not be reclassified subsequently to profit or loss:			
Actuarial (loss)/gains on retirement benefit obligations		**(1,110)**	2,635
Item that may be reclassified to profit or loss:			
Currency translation differences		**(687)**	(5,128)
Total comprehensive (loss)/income for the year, net of income tax		**(7,715)**	6,637
Attributable to:			
Owners of the Company		**(7,805)**	7,418
Non-controlling interests		**90**	(781)
		(7,715)	6,637

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Note	**31 December 2023**	31 December 2022	1 January 2022
		US$'000	*US$'000*	*US$'000*
			(Restated)	(Restated)
ASSETS				
Non-current assets				
Property, plant and equipment		**105,203**	117,726	126,157
Right-of-use assets		**25,039**	30,444	34,297
Intangible assets		**44,231**	44,899	45,567
Interests in joint ventures and associates		**5,893**	6,231	2,135
Deferred income tax assets		**3,455**	2,339	2,426
Deposits, prepayments and other receivables	10	**4,604**	4,993	3,330
Total non-current assets		**188,425**	206,632	213,912
Current assets				
Inventories		**65,292**	83,328	77,706
Trade and other receivables	10	**141,170**	130,890	165,058
Prepaid income tax		**4,330**	4,253	4,250
Derivative financial instruments		**—**	—	1
Restricted cash		**—**	29	16
Cash and bank balances		**75,780**	93,952	99,149
Total current assets		**286,572**	312,452	346,180
Total assets		**474,997**	519,084	560,092
EQUITY				
Equity attributable to owners of the Company				
Share capital		**10,341**	10,341	10,341
Other reserves	12	**(2,680)**	(883)	1,610
Retained earnings		**183,007**	191,786	187,511
		190,668	201,244	199,462
Non-controlling interests		**1,018**	1,177	2,407
Total equity		**191,686**	202,421	201,869

	Note	**31 December 2023**	31 December 2022	1 January 2022
		US$'000	*US$'000*	*US$'000*
			(Restated)	(Restated)
LIABILITIES				
Non-current liabilities				
Borrowings		**556**	2,778	5,000
Lease liabilities		**19,930**	22,822	26,581
Retirement benefit obligations		**7,730**	8,202	11,175
Deferred income tax liabilities		**2,438**	2,861	3,100
Total non-current liabilities		**30,654**	36,663	45,856
Current liabilities				
Trade and other payables	11	**99,801**	121,921	154,486
Borrowings		**142,099**	145,723	144,769
Lease liabilities		**3,414**	5,370	4,833
Derivative financial instruments		**52**	106	—
Current income tax liabilities		**7,291**	6,880	8,279
Total current liabilities		**252,657**	280,000	312,367
Total liabilities		**283,311**	316,663	358,223
Total equity and liabilities		**474,997**	519,084	560,092

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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.

(a) New and amended standards adopted by the Group

The Group has applied the following new and amended standards for the first time for their annual reporting period commencing 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
Amendments to HKAS 12	Deferred Tax Related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform— Pillar Two Model Rules (Amendments)

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

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

Certain amendments to existing standards and interpretation have been published but are not effective for the financial year beginning on or after 1 January 2023 reporting periods and have not been early adopted by the Group.

		Effective for annual reporting periods beginning on or after
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants	1 January 2024
Hong Kong Interpretation 5 (Revised)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements	1 January 2024
Amendments to HKAS21	Lack of Exchangeability	1 January 2025
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 amendments to existing standards and interpretation when they become effective.

The 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.

Restatements

As disclosed in the Group's condensed consolidated financial information for the interim 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 years which suggested there were misstatements in the consolidated financial statements of prior 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 statements of prior 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 1 January 2022 and for the year ended 31 December 2022 presented herein.

Impact on the consolidated statement of profit or loss for the year ended 31 December 2022

	US$'000 (As previously reported)	*US$'000* Restatements	*US$'000* (Restated)
Revenue	858,861	—	858,861
Cost of sales	(730,528)	(3,004)	(733,532)
Gross profit	128,333	(3,004)	125,329
Other income and other gains — net	1,747	—	1,747
Provision for impairment of trade receivables	(233)	—	(233)
Selling and distribution expenses	(1,637)	—	(1,637)
General and administrative expenses	(105,917)	(223)	(106,140)
Operating profit	22,293	(3,227)	19,066
Finance income	825	—	825
Finance costs	(8,977)	—	(8,977)
Finance costs — net	(8,152)	—	(8,152)
Share of losses of joint ventures and associates — net	(601)	—	(601)
Profit before income tax	13,540	(3,227)	10,313
Income tax expense	(1,183)	—	(1,183)
Profit for the year	12,357	(3,227)	9,130
Profit/(loss) attributable to:			
Owners of the Company	13,138	(3,227)	9,911
Non-controlling interests	(781)	—	(781)
	12,357	(3,227)	9,130
Earnings per share attributable to owners of the Company, expressed in US cents per share			
— Basic and diluted	1.3	—	1.0

Impact on the consolidated statement of comprehensive income for the year ended 31 December 2022

	US$'000 (As previously reported)	*US$'000* Restatements	*US$'000* (Restated)
Profit for the year	12,357	(3,227)	9,130
Other comprehensive income:			
Actuarial gain on retirement benefit obligations	2,635	—	2,635
Currency translation differences	(5,128)	—	(5,128)
Total comprehensive income for the year, net of income tax	9,864	(3,227)	6,637
Attributable to:			
Owners of the Company	10,645	(3,227)	7,418
Non-controlling interests	(781)	—	(781)
	9,864	(3,227)	6,637

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

	US$'000 (As previously reported)	*US$'000* Restatements	*US$'000* (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
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
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

	US$'000 (As previously reported)	US$'000 Restatements	US$'000 (Restated)
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
	207,650	(5,229)	202,421
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

Impact on the consolidated statement of financial position as at 1 January 2022

	US$'000 (As previously reported)	*US$'000* Restatements	*US$'000* (Restated)
ASSETS			
Non-current assets			
Property, plant and equipment	126,157	—	126,157
Right-of-use assets	34,297	—	34,297
Intangible assets	45,567	—	45,567
Interests in joint ventures and associates	2,135	—	2,135
Deferred income tax assets	2,426	—	2,426
Deposits, prepayments and other receivables	3,330	—	3,330
Total non-current assets	213,912	—	213,912
Current assets			
Inventories	72,696	5,010	77,706
Trade and other receivables	171,971	(6,913)	165,058
Prepaid income tax	4,250	—	4,250
Derivative financial instruments	1	—	1
Restricted cash	16	—	16
Cash and bank balances	99,149	—	99,149
Total current assets	348,083	(1,903)	346,180
Total assets	561,995	(1,903)	560,092

	US$'000 (As previously reported)	US$'000 Restatements	US$'000 (Restated)
EQUITY			
Equity attributable to owners of the Company			
Share capital	10,341	—	10,341
Other reserves	1,610	—	1,610
Retained earnings	189,513	(2,002)	187,511
	201,464	(2,002)	199,462
Non-controlling interests	2,407	—	2,407
	203,871	(2,002)	201,869
LIABILITIES			
Non-current liabilities			
Borrowings	5,000	—	5,000
Lease liabilities	26,581	—	26,581
Retirement benefit obligations	11,175	—	11,175
Deferred income tax liabilities	3,100	—	3,100
Total non-current liabilities	45,856	—	45,856
Current liabilities			
Trade and other payables	154,387	99	154,486
Borrowings	144,769	—	144,769
Lease liabilities	4,833	—	4,833
Current income tax liabilities	8,279	—	8,279
Total current liabilities	312,268	99	312,367
Total liabilities	358,124	99	358,223
Total equity and liabilities	561,995	(1,903)	560,092

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 2023 and 2022 is as follows:

	Apparel	Accessories	Total
	US$'000	*US$'000*	*US$'000*
For the year ended 31 December 2023			
Revenue (from external customers)	**455,064**	**241,570**	**696,634**
Revenue recognized under HKFRS 15			
— At a point in time	**454,814**	**240,980**	**695,794**
Rental income recognized under HKFRS 16	**250**	**590**	**840**
	455,064	**241,570**	**696,634**
Segment profit/(loss) for the year	**(14,840)**	**19,763**	**4,923**
(Loss)/profit for the year includes:			
Depreciation and amortization	**(11,762)**	**(8,799)**	**(20,561)**
Provision for loss allowances of trade receivables	**(230)**	**—**	**(230)**
Reversal/(provision) for obsolete inventories, net	**(2,145)**	**3,930**	**1,785**
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	**(989)**	**626**	**(363)**

	Apparel *US$'000* (Restated)	Accessories *US$'000*	Total *US$'000* (Restated)
For the year ended 31 December 2022			
Revenue (from external customers)	520,119	338,742	858,861
Revenue recognized under HKFRS 15			
— At a point in time	519,567	338,178	857,745
Rental income recognized under HKFRS 16	552	564	1,116
	520,119	338,742	858,861
Segment profit/(loss) for the year	(2,592)	28,273	25,681
(Loss)/profit for the year includes:			
Depreciation and amortization	(12,338)	(10,221)	(22,559)
Provision for loss allowances of trade receivables	(233)	—	(233)
Provision for obsolete inventories	(152)	(1,427)	(1,579)
Share of profits of joint ventures and associates, net	(601)	—	(601)
Finance income	128	697	825
Finance costs	(6,079)	(2,898)	(8,977)
Income tax expense	(382)	(801)	(1,183)

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

	2023 ***US$'000***	2022 *US$'000* (Restated)
Segment profit for the year	**4,923**	25,681
Corporate expenses *(Note i)*	**(10,841)**	(16,551)
(Loss)/profit for the year	**(5,918)**	9,130

Notes:

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

	2023 *US$'000*	2022 *US$'000*
Analysis of revenue by category		
Sales of garment, textile products and accessories	**686,266**	847,651
Others	**10,368**	11,210
Total revenue	**696,634**	858,861

The Group's revenue is mainly derived from customers located in the United States of America (the "United States"), the PRC, Europe, Canada and Japan, while the Group's business activities are conducted predominantly in Hong Kong, the PRC, the Philippines, Cambodia, the United States and Myanmar.

	2023 *US$'000*	2022 *US$'000*
Analysis of revenue by geographical location		
United States	**319,781**	420,725
PRC (including Hong Kong and Macao)	**123,920**	120,036
Europe	**112,473**	151,908
Japan	**18,175**	46,430
Canada	**17,411**	29,422
South America	**24,179**	24,398
Others	**80,695**	65,942
	696,634	858,861

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

For the year ended 31 December 2023, revenue of approximately US$133,647,000 (2022: US$186,608,000), US$93,992,000 (2022: US$166,660,000) and US$75,700,000 (2022: US$102,427,000) are derived from three (2022: 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 2023 (2022: 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:

	2023	2022
	US$'000	*US$'000*
Analysis of non-current assets by geographical location		
PRC (including Hong Kong and Macao)	**71,582**	76,240
Cambodia	**56,740**	63,286
Philippines	**31,534**	35,925
Myanmar	**17,083**	19,876
Vietnam	**1,970**	2,174
Others	**3,916**	4,540
	182,825	202,041

4. OTHER INCOME AND OTHER GAINS — NET

	2023	2022
	US$'000	*US$'000*
Fair value gains on derivative financial instruments, net	**19**	15
Net foreign exchange gain	**1,224**	1,732
Others	**(298)**	—
	945	1,747

5. OPERATING PROFIT

	2023	2022
	US$'000	*US$'000*
Employee benefit expenses	**167,543**	216,720
Losses on disposals of property, plant and equipment — net	**65**	31
Depreciation of property, plant and equipment	**15,721**	17,544
Depreciation of right-of-use assets	**5,515**	6,232
Amortization of intangible assets	**668**	668
(Reversal of)/provision for obsolete inventories	**(1,785)**	1,579

6. FINANCE COSTS — NET

	2023	2022
	US$'000	*US$'000*
Interest expense on lease liabilities	**(1,659)**	(1,712)
Interest expense on bank borrowings	**(12,281)**	(7,265)
Finance costs	**(13,940)**	(8,977)
Interest income from bank deposits	**644**	373
Interest income arise from loans to a joint venture and an associate	**854**	413
Other interest income	**10**	39
Finance income	**1,508**	825
Finance costs — net	**(12,432)**	(8,152)

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 2023 and 2022, 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.

	2023	2022
	US$'000	*US$'000*
Current income tax	**4,066**	1,826
Over-provision in prior years	**(2,296)**	(161)
Deferred income tax	**(1,407)**	(482)
Income tax expense	**363**	1,183

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 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 as at 31 December 2023 for the years of assessment 2000/01 to 2021/22 were approximately US$811,000 (equivalent to approximately HK$6,323,000). 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.

Management has thoroughly revisited the situations and concluded that there are grounds for the Hong Kong incorporated subsidiary to sustain its 50% or 100% offshore tax filing position. Management considers the tax provisions made in relation to the abovementioned case to be adequate but not excessive as at 31 December 2023.

(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 31 December 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 31 December 2023.

(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 2023 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 2023, 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 2023, 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)/EARNINGS PER SHARE

(a) Basic

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

	2023	2022 (Restated)
(Loss)/profit attributable to owners of the Company *(US$'000)*	**(6,008)**	9,911
Weighted average number of ordinary shares in issue *(thousands)*	**1,034,113**	1,034,113
Basic (loss)/earnings per share *(US cents per share)*	**(0.6)**	1.0

(b) Diluted

Diluted earnings per share for the years ended 31 December 2023 and 2022 is the same as the basic (loss)/earnings per share as there were no potential dilutive ordinary shares outstanding during the years.

9. DIVIDENDS

(a) Dividend recognized during the reporting period

	2023 ***US$'000***	2022 *US$'000*
Interim dividend — Nil (2022: US0.220 cent or HK1.72 cents) per ordinary share for the period ended 30 June 2023	—	2,275
Final dividend of US0.268 cent or HK$2.10 cents (2021: US0.325 cent or HK$2.53 cents) per ordinary share for the year ended 31 December 2022	**2,771**	3,361
	2,771	5,636

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

At a meeting held on 27 March 2024, the Board does not recommend a final dividend.

	2023	2022
	US$'000	*US$'000*
Final dividend — Nil (2022: US0.268 cent or HK2.10 cents) per ordinary share for the period ended 30 June 2023	**—**	2,771

10. TRADE AND OTHER RECEIVABLES

	31 December 2023	31 December 2022	1 January 2022
	US$'000	*US$'000*	*US$'000*
		(Restated)	(Restated)
Current portion			
Trade receivables	**83,812**	69,156	94,538
Less: loss allowances	**(4,549)**	(4,376)	(4,201)
Trade receivables — net	**79,263**	64,780	90,337
Amounts due from related parties	**20,620**	17,305	23,621
Less: loss allowances	**(115)**	(58)	—
Amounts due from related parties — net	**20,505**	17,247	23,621
Deposits, prepayments and other receivables	**24,679**	32,140	34,135
Indemnified assets	**16,723**	16,723	16,965
	141,170	130,890	165,058
Non-current portion			
Deposits	**2,145**	2,252	2,213
Others	**2,459**	2,741	1,117
	4,604	4,993	3,330

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:

	31 December 2023 ***US$'000***	31 December 2022 *US$'000* (Restated)	1 January 2022 *US$'000* (Restated)
0 to 30 days	**49,228**	38,749	60,055
31 to 60 days	**17,708**	15,450	18,387
61 to 90 days	**9,372**	8,954	10,323
91 to 120 days	**2,587**	767	1,524
Over 120 days	**4,917**	5,236	4,249
	83,812	69,156	94,538

The Group does not hold any collateral as security.

11. TRADE AND OTHER PAYABLES

	31 December 2023 ***US$'000***	31 December 2022 *US$'000* (Restated)	1 January 2022 *US$'000* (Restated)
Trade payables	**44,485**	51,386	81,234
Contract liabilities	**106**	478	45
Other tax payables	**9,038**	11,340	10,345
Accrued wages and salaries	**16,023**	25,943	23,889
Contingent liabilities	**16,723**	16,723	16,965
Others	**12,746**	14,315	20,349
Amounts due to related parties	**680**	1,736	1,659
	99,801	121,921	154,486

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

	31 December 2023 ***US$'000***	31 December 2022 *US$'000* (Restated)	1 January 2022 *US$'000* (Restated)
0 to 30 days	**34,715**	40,170	66,577
31 to 60 days	**3,520**	4,249	3,376
61 to 90 days	**3,902**	3,041	6,326
Over 90 days	**2,348**	3,926	4,955
	44,485	51,386	81,234

12. OTHER RESERVES

	Capital reserve *US$'000*	Other capital reserves *US$'000*	Employment benefits reserve *US$'000*	Exchange reserve *US$'000*	Total *US$'000*
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)**
At 31 December 2023	**7,891**	**(2,795)**	**4,602**	**(12,378)**	**(2,680)**
At 1 January 2022	7,891	(2,795)	3,394	(6,880)	1,610
Currency translation differences	—	—	(189)	(4,939)	(5,128)
Actuarial gains on retirement benefit obligations	—	—	2,635	—	2,635
At 31 December 2022	7,891	(2,795)	5,840	(11,819)	(883)

MANAGEMENT DISCUSSION & ANALYSIS

Result Review

Throughout the year 2023, the business environment remained complicated and full of uncertainties. The pace of economic recovery in 2023 was varied across economies, with the US economy outperforming many expectations as well as outperforming most of other major economies of the globe. Europe's economy was lagging, and many other countries were weighed down by elevated interest rates and high inflation. From March 2022 to December 2023, the US Federal Reserve raised interest rates 11 times, which reached its peak since early 2001. In addition, the Russia-Ukraine war started with the Russian invasion of Ukraine in February 2022, which has lasted for more than two years, continued to affect the social, economical and political environment in many regions across the world. In view of the fallout resulted from the Russia-Ukraine war, coupled with the lingering effects of COVID-19 and the historic high interest rate, the consumer sentiment stayed stuck at depressed levels and the business environment remained dampened overall.

On the other hand, the economy of the People's Republic of China (the "PRC"), the world's second-largest economy, grew at 5.2% annual pace in 2023, which was slightly higher than the government's target. However, with the deepening property crisis, persistent high unemployment rates among young adults, and the possibility of disinflation, the recovery was far shakier than expected. The temporary retardation of economic growth in the PRC, coupled with tighter monetary policy in the US and Europe and persistent global inflation, have not only dampened consumer sentiment but also hampered the pace of the economic recovery of the world.

In addition, inventory pileup problem of our certain key customers remained one of the critical issues which continued to affect the Group's business for the year ended 31 December 2023. In the past few years, supply chains were disrupted due to the advent of COVID-19, particularly during the raging period when COVID-19 became widespread with lockdowns enforced all over the globe. To hedge against supply chain risks, most brand owners have intentionally 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 certain key customers of the Group. In order to normalize the inventory level, certain major customers of the Group have progressively scaled back their manufacturing orders to grapple with the expenditure of stalling end customers.

Against the backdrop of declining demand in the apparel and accessories products and a slowing global economy, the Group posted a revenue of approximately US$696,634,000 for the year, representing a substantial decrease of 18.9% year-over-year from the last corresponding year of US$858,861,000, which was mainly due to the drastic reduction in orders from certain of our major customers. Gross profit declined by US$30,058,000 to US$95,271,000, which was in line with the reduced revenue of the Group and drop in gross profit margin of 0.9 percentage point due to the deleverage of pricing pressure and lower sales volume during the year.

For the year ended 31 December 2023, as the interest rates remained at historic high levels, the finance cost of the Group increased substantially by approximately 55.3% or US$4,963,000 to approximately US$13,940,000 for the year ended 31 December 2023 as compared to approximately US$8,977,000 for the year ended 31 December 2022.

As a result of the foregoing, the Group incurred a net loss attributable to equity holders of the Company ("Net Loss") amounting to approximately US$6,008,000 for the year ended 31 December 2023, as compared to a net profit attributable to equity holders of the Company of approximately US$9,911,000 for last year, which was also in line with the considerable decline in revenue and gross profit.

Segmental Review

Apparel and Accessories businesses were the two revenue streams of the Group, which accounted for approximately 65.3% and 34.7% respectively of the Group's total revenue for the year under review.

Apparel

Revenue from Apparel Division during the year decreased by approximately US$65,055,000 to US$455,064,000, representing a decrease of 12.5%. The decrease was mainly attributable to the decline in orders from customers, amid excess inventory resulted from the excessive purchase of products during the raging period of the COVID-19 pandemic and the unexpected low consumer sentiment in the post COVID-19 pandemic era.

In line with the substantial decrease in the segment revenue of the Apparel Division, the segment loss increased from approximately US$2,592,000 to US$14,840,000. The substantial increase in segment loss of the Apparel Division was mainly due to the substantial operating loss of our sportswear division as a result of the unfavorable performance of one of its customers. The operating efficiency and production capacity declined substantially due to the drastic decrease in orders from the aforementioned customer.

Accessories

Accessories Division reported a decline in revenue and a dip in profits in year 2023, with segment revenue amounting to approximately US$241,570,000 and segment profit amounting to US$19,763,000. Due to global economic uncertainties and stagnant consumer demand, our brand customers were more cautious when placing their orders, however the gross profit margin of the Accessories segment remains stable.

Markets

Consistent with the Group's geographical market distribution for the year ended 31 December 2022, 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 market accounted for 45.9%, 16.1% and 20.4% respectively of the total revenue of the Group for the year ended 31 December 2023.

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

The Group had no significant investments and there was no material acquisition or disposal of subsidiaries, associates and joint ventures during the year ended 31 December 2023.

Future Plan for Material Investments or Capital Assets

There was no specific plan for material investments or capital assets as at 31 December 2023 (31 December 2022: Nil) or as at the date of this announcement.

Charge of Assets

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

Future Plans and Prospect

Looking forward to 2024, inflation and interest rate remain the dominant factors in shaping the economic growth of the globe. At the moment, the global economy is still confronting multiple challenges, such as the ongoing military conflicts in Ukraine and the Middle East, rising of protectionism and simmering geopolitical tensions, jeopardizing progress towards normalization and recovery of the global economy. According to a recent report by the World Bank titled "Global Economic Prospect 2024", global trade growth in 2024 is expected to only half the average in the decade before the COVID-19 pandemic. The global growth is projected to be decreased from 2.6% last year to 2.4% in 2024, almost three-quarters of a percentage point below the average of the 2010s, which is also expected to be slow for the third year in a row.

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.

As disclosed in the announcement dated 8 December 2023 and the circular dated 29 December 2023, the Group has entered into a new master agreement in relation to the provision of activewear manufacturing services ("OEM Business") to a connected party ("Connected Party"). At the same time, the Group has also entered into the Original Brand Manufacturing ("OBM") Products Purchase Master Agreement and Sales and Services Framework Agreement with the Connected Party which are new businesses to the Group.

Through renewal of the master agreement in relation to the OEM Business, the Group will be able to secure a reliable income stream and continue to develop its OEM business in the PRC with the Connected Party, a reputable sportswear brand owner. The Connected Party has been identified as one of the strategic customers of the Group and the continued collaboration between the Group and the Connected Party could benefit the long-term development of the Group, which is also in line with one of the key missions of the Company: "mutual growth with customers".

By entering into the OBM Products Purchase Master Agreement, it would provide flexibility for the Connected Party to purchase OBM Products from the Group from time to time. Considering the potential bulk purchase volume of the Connected Party, such arrangement will be able to broaden the revenue stream of the Group. Besides, the Connected Party has granted rights to the Group to design, manufacture, sale and distribute various apparel products for brand(s) owned or licensed by the Connected Party in the PRC through the Sales and Services Framework Agreement. This cooperation model will further strengthen the cooperative relationship between the Group and the Connected Party, which will also enable the Group to strengthen its business footprint beyond the manufacturing industry and potentially create a new growth driver for the Group.

Given the current 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. 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$21,112,000 as at 31 December 2023 (31 December 2022: US$21,112,000).

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.

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 year ended 31 December 2023.

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 31,300 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 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 of the Company, 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 2023.

Liquidity and Financial Resources

As at 31 December 2023, the total amount of cash and bank deposits of the Group was approximately US$75,780,000, representing a decrease of approximately US$18,172,000 as compared to that as at 31 December 2022. The Group's total bank borrowings as at 31 December 2023 was approximately US$142,655,000, representing a decrease of approximately US$5,846,000 as compared to that as at 31 December 2022.

As at 31 December 2023, 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$140,988,000 repayable within one year, approximately US$1,667,000 repayable in the second 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 2023, the gearing ratio of the Group was approximately 35.1%.

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 to mitigate the impact on exchange rate fluctuations by entering into currency hedge arrangement if necessary. During the years ended 31 December 2023 and 2022, no forward foreign exchange or hedging contracts had been entered into by the Group.

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 2023.

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 2023 annual report.

Throughout the year ended 31 December 2023, 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 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.

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 2023 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 2023 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 2023 (31 December 2022: US0.268 cent per share or equivalent to HK2.10 cents).

CLOSURE OF REGISTER OF MEMBERS

Entitlement to attend and vote at the AGM

The Register of Members of the Company will be closed from 28 May 2024 to 30 May 2024 (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 27 May 2024.

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

The annual report of the Company for the year ended 31 December 2023 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, 27 March 2024

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:
Mok Siu Wan, Anne

Independent non-executive Directors:
Chan Henry
Wang Ching
Lee Cheuk Yin, Dannis