Luenthai

Luen Thai Holdings Limited

聯泰控股有限公司

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

TURNING THE TIDE TOWARDS PROFITABILITY

2024 ANNUAL REPORT

CONTENTS

Luen Thai *is a global leader in apparel and accessories manufacturing and more recently in sustainable fabric technology partnering with NTX in Cooltrans and Nanofiber*

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

WANG Weimin, *Chairman*
TAN Siu Lin, *Honorary Life Chairman*
TAN Cho Lung Raymond,
Chief Executive Officer
ZHANG Min
JIN Xin

NON-EXECUTIVE DIRECTOR

FOK Yue San, Sandy
(appointed on 1 April 2024)
MOK Siu Wan, Anne
(retired on 1 April 2024)

INDEPENDENT NON-EXECUTIVE DIRECTORS

CHAN Henry
WANG Ching
(retiring with effect from 29 March 2025)
LEE Cheuk Yin, Dannis

CHIEF FINANCIAL OFFICER

CHIU Chi Cheung
(appointed on 1 January 2024)
KORNBLUM Joerg *(retired on 1 January 2024)*

COMPANY SECRETARY

CHAN Hiu Leong
(appointed on 1 January 2024)
CHIU Chi Cheung
(resigned on 1 January 2024)

REGISTERED OFFICE

Cricket Square, Hutchins Drive,
P.O. Box 2681, Grand Cayman,
KY1-1111, Cayman Islands

PRINCIPAL PLACE OF BUSINESS

Rooms 1001–1005, 10/F,
Nanyang Plaza,
57 Hung To Road,
Kwun Tong, Kowloon,
Hong Kong

WEBSITE

http://www.luenthai.com

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive,
P.O. Box 2681, Grand Cayman,
KY1-1111, Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services
Limited
Shops 1712–1716
17th Floor, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Citibank, N.A.
Hang Seng Bank Limited
Standard Chartered Bank (Hong Kong)
Limited
The Hongkong and Shanghai
Banking Corporation Limited

AUDITORS

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor
22nd Floor, Prince's Building
Central, Hong Kong

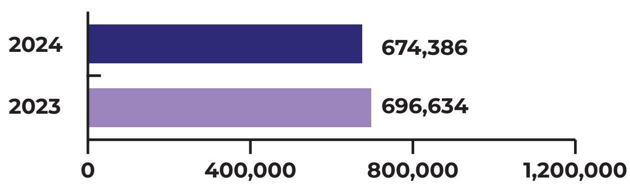
LEGAL ADVISORS

Deacons
5th Floor, Alexandra House
18 Chater Road
Central, Hong Kong

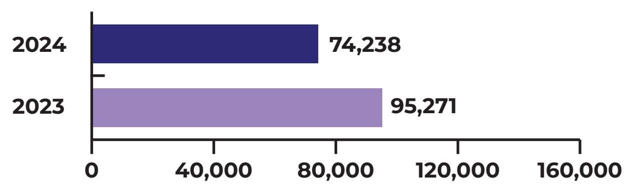
KEY FINANCIAL HIGHLIGHTS

	2024 US$000	2023 US$000
Revenue	**674,386**	696,634
Gross Profit	**74,238**	95,271
Gross Profit Margin	**11.0%**	13.7%
Operating (Loss)/Profit	**(14,184)**	6,332
Loss attributable to owners of the Company	**(33,891)**	(6,008)
Basic Loss Per Share	**US(3.3) cents**	US(0.6) cents
Total Assets	**445,983**	474,997
Capital and Reserves		
Attributable to owners of the Company	**155,954**	190,668

Revenue (US$000)



Gross Profit (US$000)



CHAIRMAN'S STATEMENT

OVERVIEW

It is my pleasure to present on behalf of the board (the "Board") of directors (the "Directors") of Luen Thai Holdings Limited ("Luen Thai" or the "Company", and together with its subsidiaries, the "Group") the annual report for the year ended 31 December 2024.

During the year ended 31 December 2024, the global economy remained trapped in the state of uncertainty. The headwinds posed by global political uncertainty, the on-going Russia-Ukraine War and the military conflicts in the Middle East have consecutively created disruption to the supply chains and global market to a certain extent during the past few turbulent years. In addition, the pace of overall market recovery was more moderate than expected due to negative factors such as weak export and sluggish consumption in major western economies and the People's Republic of China (the "PRC").

Due to complexity of the macroeconomic landscape, the Group's revenue decreased by approximately US$22,248,000 to approximately US$674,386,000 for the year ended 31 December 2024 from approximately US$696,634,000 for the year ended 31 December 2023. Certain non-recurring expenses have been incurred during the year which adversely affected our gross profit, and the gross profit of the Group amounted to approximately US$74,238,000 for the year ended 31 December 2024, representing a year-on-year decrease of approximately US$21,033,000 or approximately 22.1%. The Group recorded a net loss attributable to owners of the Company ("Net Loss") of approximately US$33,891,000 for the year ended 31 December 2024. Details of the results of the Company and the Group are set out in the "Management Discussion and Analysis" section of this Annual Report.

PROSPECTS AND CHALLENGES

According to the latest Global Economic Prospects report published by the World Bank, the worldwide economic growth in 2025 is expected to stabilize below its pre-pandemic pace amid persistent challenges. The global economic growth rate is anticipated to remain steady at 2.7% in 2025, on par with the level in 2024. Though the global economy avoided recession in 2024, the ongoing political tensions and geopolitical conflicts continued to hold the economies in their grip, coupled with the new tariffs measures imposed by the Trump's administration, the macroeconomics environment is expected to remain unsettled in the year 2025.

Under these circumstances, the Group will continue to stay agile and responsive to the changes and pursue sustainable and fruitful values for its shareholders and customers by leveraging on its execution, excellent management and expertise. For sake of ensuring our business continuity and sustaining the healthy growth and profitability of the Group in the long run, the Group will achieve this aim through our principal objectives and competitive advantages.

PRINCIPAL OBJECTIVES

In the year ahead, the key objective of the Group is to improve production and operational efficiency and enhance profitability. Embracing technological advancements not merely enhances operational efficiency but also assists us to foster innovation, achieve cost reduction and drive informed decision-making. The Group will increasingly apply automation technologies into our workflow and production, enabling us to control labour costs and streamline our operations. Meanwhile, the Group is exploring printing and dyeing technologies that may further enhance the quality of our products, delivery timeliness and the satisfaction of our customers.

The Group will devote more efforts to promote organizational optimization, realize the results of management improvement, increase the linkage among supply, production and sales, aiming to reinforce the core competitiveness and industry status. By promoting a culture of mutual respect, trust, and accountability, the Group ensures that all stakeholders are motivated to work towards common goals. Regular training and development programs are conducted to align individual goals with the overall corporate vision, thereby fostering a sense of belonging and commitment among all members of the Group.

Luen Thai firmly believes that with the leadership of the Group's Directors and the diligence of all employees, the Group will successfully achieve our targets, calmly respond to various challenges, effectively resolve potential risks, and continue to move forward towards the ultimate goal of becoming the global leader in the industry.

Diversification of production bases

After Mr. Donald Trump was re-elected to a second term as the president of the United States of America ("USA") beginning in 2025, he continued a trade war with the PRC and initiated a second one with Canada and Mexico. With the new presidency of Trump, the global economy has been injected with new sources of uncertainties. In light of this, the importance of manufacturing hubs in the Southeast Asia countries has increased remarkably. Increasingly, customers worldwide have set up sourcing offices and warehouses in the Southeast Asia countries closer to these hubs.

With a long-term vision to ease customers' concern pertaining to risk exposures arises from procurement concentration, the Group has continuously implemented efficient purchase channels to streamline and consolidate its production capacities in certain Southeast Asia countries. These Southeast Asia countries have been opted as our key production bases mainly due to their availability of workers, wage level and customs and tax incentive.

Benefited from our diversified production footprint, Luen Thai has been helpful to our strategic customers to reduce the adverse impact arising from the supply chain disruption to minimal. The resilience and flexibility of the Group in dealing with the business crisis amid global uncertainties, has reaffirmed the necessity and significance of diversification of production bases.

Besides, in the view of the importance of the "China for China" strategy (i.e. produced in the PRC for domestic sales), additional efforts was put into localizing Chinese products and fulfilling the specific needs of Chinese customers by brand owners. In addition, the local supply chain in the PRC can enhance stability, efficiency, agility and end-to-end testing capabilities, and competitiveness in the PRC market. Hence, the Group will continue its presence in the PRC by maintaining certain production facilities in the PRC to grasp the opportunities presented in the PRC and mitigate risks associated with international trade conflicts and geopolitical tensions.

Mutual growth with customers

Luen Thai is aiming for a win-win relationship with our branded customers by providing high quality products. Luen Thai firmly believes that mutual growth with customers is the key driving force to become a world-class company and customer-oriented approach has been adopted and emphasized in our operation at all levels of the Group.

Upholding the principle of customers first and abiding by business ethics, the Group has continuously improved customer satisfaction level by providing products with quality that meet or even exceed customer's expectations. In addition, the Group has also established an outstanding communication system to cater the needs of our customers timely and to ensure on time delivery of the goods.

For the business development of the Group, we are not merely putting effort to attract new customers. Over the last decade, the Group has also strived to increase the business of our existing brand customers and nurture close ties with them. Such strong and close relationship with customers is an invaluable asset to the Group, it helps the Company to sustain itself during the difficult period and it seeks to build a strong growth momentum for future years. We believe that our ability on continuous improvement of product's quality can gain the brand reputation for our customers and in turn increase our business together.

HUMAN RESOURCES AND CORPORATE SOCIAL RESPONSIBILITY

I believe that the past success and future performance of the Group heavily depend upon the continuing support and services of our employees, in particular our key management personnel. For the sake of replication of our past success, the Group must continue to attract, motivate and retain an adequate number of qualified management and operating staff to work together and implement our growth strategy. With emphasis on quality training and continuing education, the Group offers training programmes which are designed for development of employee's skills to meet customers' requirements and the goals of the Company.

The Group cares for the need of each and every employee and endeavours to foster a pleasant workplace and work life balance for them. The Group offers attractive remuneration packages to its employees, which include salary, discretionary bonuses and allowance. The Group also implemented a fair and transparent promotion system under which priority would be granted to existing qualified employees for internal vacancies, further ensuring that employees can share the success of the Group.

Through continuous optimization of human resources, the Group has maintained a satisfactory relationship with its employees. The Group had not experienced any major strikes, industrial actions or labour disputes which materially affected our operations during the year. The Group continues to uphold the concept that employees are one of the essential ingredients to the success of our future.

In addition, the sustainable development of the community also relies on the participation of the government, corporations and people. The Group has been active in participating in caring for the poverty stricken, charitable donations and supporting environmental protection activities, which is in line with our commitment to be a responsible corporate citizen. The Group also encouraged our employees and business partners to partake in the aforementioned activities to meet the needs of society and to enhance staff understanding in conservation of the environment.

CORPORATE GOVERNANCE

The Group acknowledges the necessity and importance of corporate governance as one of the essential elements in enhancing shareholder value. The Group is devoted to improving its corporate governance policies in compliance with regulatory requirements and in accordance with international recommended practices. As at the date of this report, the Company has formed the Audit Committee, Remuneration Committee, Nomination Committee and Financing and Banking Committee ("Committees") all at the Board level, to provide assistance, advice and recommendations on the relevant matters that aim to ensure protection of the interests of Group and the Company's shareholders as a whole.

During the year under review, the Company continued to provide the Committees with adequate and appropriate resources to perform the duties and responsibilities of their own. The Board also maintained effective communication and collaborated closely with each of the Committees on various projects of the Company. The Company has been in pursuit of excellent cooperate governance and a just and fair decision-making process to ensure the persistence of a transparent administration to provide an open channel of communication for all shareholders and investors.

APPRECIATION

On behalf of the Board, I would like to express my utmost gratitude to all our customers, suppliers and shareholders for their dedicated support to and great confidence in Luen Thai amidst an extremely challenging business environment. I would also like to take this opportunity to express my warmest thanks to all our management and staff members for their unity, dedication and resilience in overcoming the adversities faced in last year.

WANG Weimin
Chairman

Hong Kong, 28 March 2025

Message from our CEO
RAYMOND TAN

Turning the Tide Towards Profitability

Dear valued stakeholders,

As we reflect on the past year, it's vital to acknowledge both the challenges and triumphs we have encountered. The reality is that our journey has been marked by significant hurdles, but also by remarkable resilience and potential for growth.

In many ways, 2024 tested our mettle. We faced obstacles that challenged our operations and strained our resources. However, through these trials, we have identified critical areas for improvement and innovation that will pave the way for our future.

As we embrace our theme for 2025, "***Turning the Tide Towards Profitability***", we are determined to transform these challenges into opportunities. Our focus is clear: to realign our strategies, enhance operational efficiency, and invest in sustainable growth. Together, we will navigate this path, ensuring that we not only recover but thrive in the years to come.

2024 Recap — Reflecting on Challenges

I have full confidence in our ability to overcome obstacles because I believe we have the right team in place to turn the tide. Our history at Luen Thai is marked by a proven track record of resilience and determination over challenges. However, it's important to acknowledge that we fell short in 2024.

The macroeconomic situation has significantly impacted our operations over the past year. The increasing complexity of US-China relations, the Myanmar military coup, and high US interest rates have serious ramifications for our company, colleagues, clients, and the countries in which we do business.

In fiscal 2024, our revenue amounted to USD674.4 million, accompanied by a loss of approximately USD33.9 million. This loss was largely driven by non-recurring expenses totalling approximately USD33.2 million. Excluding these factors, the loss attributable to the owners of the Company for FY2024 would be reduced to no more than USD0.7 million. To cope with the challenges and sustain the healthy growth and profitability of the Group in the long run, we implemented a series of internal reorganization and consolidation measures in 2024. The non-recurring expenses during this period were primarily due to the following factors:

— **Severance Payments:** Payments made to former employees who were laid off to reduce operating costs.

— **Legal Costs:** Expenses incurred related to compliance with customs laws and regulations in the USA.

— **Factory Closures:** The cessation of production at a loss-making factory in China and the temporary suspension of operations at a factory in Southeast Asia.

— **Divestitures:** The closure of the personal protective equipment business, which was a non-core aspect of the Group, and the disposal of equity interest in a non-profitable partially-owned subsidiary, along with the deregistration of a joint venture aimed at minimizing unnecessary cash expenditure in the future.

— **Prudent Provisions:** Provisions for impairment of inventories and tax expenses made for the sake of prudence.

Additionally, certain factories were not operating at their optimal efficiency, which inevitably led to a deterioration in gross profit margins and impacted the overall profitability of the Group. Addressing these inefficiencies will be a top priority as we move forward, ensuring that we are better positioned to meet market demands and enhance our competitive advantage.

Many of our investment initiatives were developed before the pandemic and the emergence of significant geopolitical issues. During that period, we could not have anticipated the profound impacts these events would have on our industry. In light of these unexpected developments, we have made the difficult but necessary choice to discontinue unprofitable initiatives. This realignment will allow us to concentrate on our core businesses and strategies, providing us with a renewed foundation as we navigate an increasingly uncertain landscape.

Although the abovementioned internal reorganization and consolidation measures contributed to a significant one-off loss for the Group in the short term, we believe that the Group is now in a position to make more effective deployment of its resources and eliminate unnecessary cash expenditure in the long run.

Our lacklustre results do not reflect the hard work, initiatives, or innovative ideas we implemented throughout the year. As we look ahead to 2025, we remain optimistic. We anticipate that the groundwork laid in 2024 will contribute to improved outcomes, particularly if the external environment becomes more supportive.

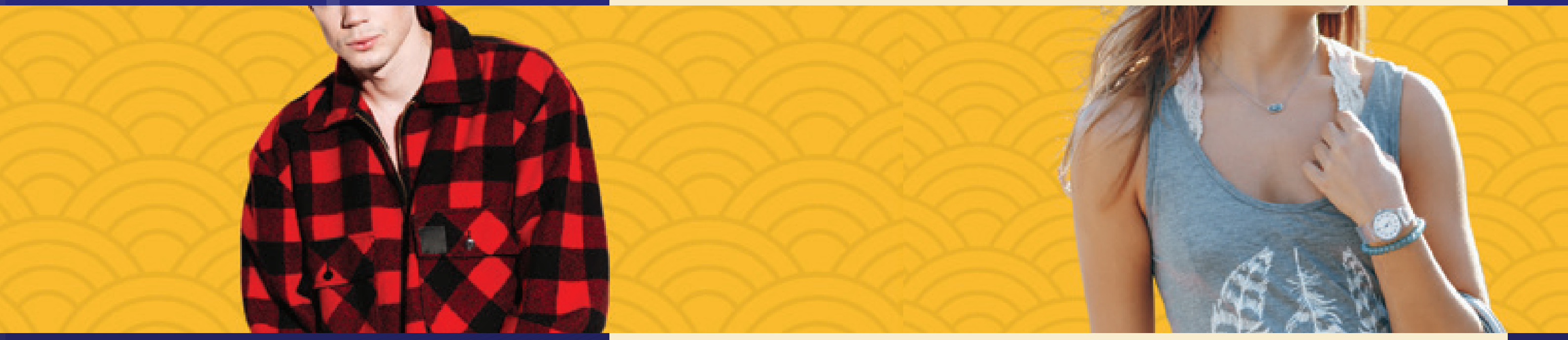
Setting our Sights on 2025

We celebrate our past successes that have laid a strong foundation for 2025. Our Accessories business has demonstrated robust resilience, achieving a revenue increase of 13.8% in 2024 compared to 2023. This growth is particularly noteworthy given the challenges we faced, including the impact of the Myanmar military coup, which directly affected our factory operations. Despite these obstacles, we maintained a segment net profit of 5.4%. This performance underscores our commitment to generating margins and highlights the strength of our Accessories segment as we move forward into the future.

Since implementing the dual circulation strategy in 2020, we have achieved a remarkable shift in our business. In response to global supply chain uncertainties and geopolitical tensions, we restructured to support our international clients' nearshore and offshore sourcing strategies across both China and international operations. Our manufacturing capacity in China is driving our expansion in that market, while our production facilities abroad cater to global demand. As customers relocate from China, our proactive strategy has effectively mitigated risks.

Furthermore, we are enhancing our ability to serve global customers through expanded manufacturing capabilities and innovative solutions. We aim to guide our industry toward a green economy by providing advanced technology solutions. Our strategic partnership with NTX™ to establish a sophisticated dyeing and printing production center, equipped with Cooltrans™ coloration technologies, will drive long-term growth and transform our supply chain functions with a focus on sustainability. This initiative enables vertical integration and supports on-demand manufacturing operations. Our unique advantage is rooted in the application of cutting-edge technologies and the new vertical model we are implementing. We are excited about the future and believe that our strategic decisions will lead to further success.

We have established a dedicated Continuous Improvement (CI) team, comprised of industry experts with decades of experience, to focus intently on enhancing factory efficiency — our core development and key driver for performance in 2025.



Through the work of our CI team, we believe that the efficiency of our factories could increase by 20% to 30%. Our ultimate goal is to achieve over 90% efficiency across all our factories. This successful trial lays the groundwork for our pursuit of operational excellence. We will continue to drive improvements through automation, streamlined processes, and cost optimization in labor, materials, logistics, and inventory management. We are committed to sustaining this momentum and enhancing our overall performance.

Our finance department is actively developing strategies to navigate the challenges posed by high interest rates. By focusing on improved cash management and refinancing existing loans, we aim to secure lower rates and better terms. This approach will help us reduce interest expenses in the coming year, even in a high-rate environment. We are devoted to refining our financial strategies to ensure stability and foster overall growth.

Global trade compliance involves ensuring our international business adheres to the regulations of every country we operate in. To address challenges with US Customs and Border Protection (CBP) detentions, our primary strategy is to remain vigilant about these regulations while managing supply chain disruptions to ensure smooth shipments and minimize risks.

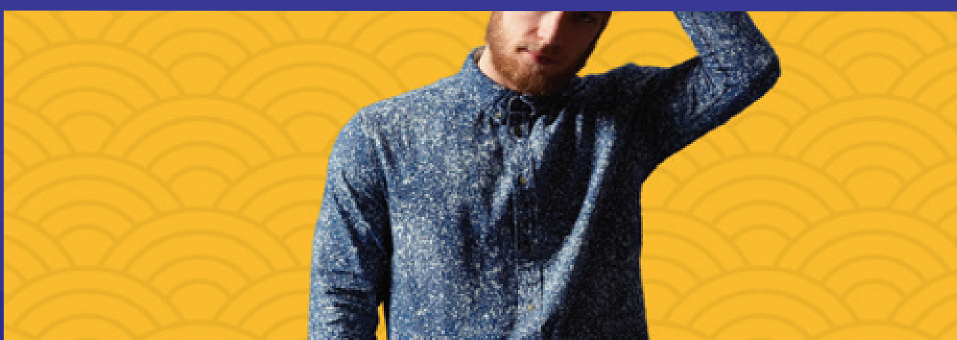
We are actively diversifying our suppliers across various regions to mitigate risks, investing in supply chain monitoring tools to proactively identify potential disruptions, and developing contingency plans that incorporate alternative logistics options and inventory management strategies. Additionally, we prioritize training our team on the latest regulations through comprehensive programs that educate employees on legal requirements and ethical standards. We also collaborate with local customs experts to eliminate obstacles and automate our paperwork processes, which reduces errors and accelerates operations.

At Luen Thai, we take pride in our high average employee tenure, which reflects our commitment to fostering long-term relationships with our team and partners around the world. By end of 2024, our headcount has been reduced to approximately 27,500, down from 54,000 pre-pandemic in 2019. This significant reduction reflects our strategic response to the challenging economic landscape and the need for operational efficiency. While this transition has been difficult, it also presents an opportunity to build a more agile and focused organization.

Team spirit during times of adversity, especially when workforce reductions are necessary, can be challenging to maintain. To effectively manage employee performance, we rely on fact-based metrics. This year, we began implementing individual performance metrics, with the goal of achieving

continuous improvement year over year. We firmly believe that maximum performance is attainable only when clear metrics and incentives are established at the individual level. Our approach involves setting, communicating, and incentivizing goals at the team, business unit, and company-wide levels, while emphasizing individual accountability. This strategy not only drives performance but also reinforces our devotion to integrity and collaboration throughout the organization.

I am continually amazed and grateful for the people associated with Luen Thai. Our focus on fact-based decisions, metrics, and team efforts will remain pivotal to our success.



Looking ahead — Dedication to Sustainability

A cornerstone of our long-term prosperity is the enduring trust we build with top global fashion brands. These relationships enable us to secure high-quality orders that drive company growth.

While delivering excellent products on time is our core competency, great customer relationships extend beyond our partnerships with leading fashion brands; they also encompass the end customers we serve.

To excel, we must think beyond traditional boundaries and work closely with our partners to identify key customer trends in the fashion retail sector. Collaborating to serve end customers will empower us to deliver truly value-added products to the market and maintain our relevance.

As the fashion market evolves, we recognize the growing demand for sustainability, on-demand fashion with customized goods, and smaller-batch orders. These trends require us to transform our ability to deliver smaller quantities of sustainable products to end customers. To embrace these changes, we will continue to execute vertical integration by leveraging access to eco-friendly, waterless textile coloration technology to build a sustainable and flexible supply chain. With the support and participation of top brands, we believe we can meet the expectations of our partners and consumers, positioning ourselves as leaders in the industry.

WE SUPPORT

UN GLOBAL COMPACT

Reaffirming our commitment to the United Nations Global Compact (UNGC)

I am pleased to once again reaffirm Luen Thai's strong support for the Ten Principles of the UNGC in the areas of Human Rights, Labor, Environment and Anti-Corruption. As an early signatory of the UNGC since 2003, we remain steadfastly committed to supporting initiatives that contribute to building a more peaceful and prosperous world for all. This commitment not only strengthens our corporate governance but also enhances our reputation among stakeholders. We recognize the importance of transparency and accountability in our efforts and will continue to engage with our partners and communities to promote ethical practices and social responsibility. Through this reaffirmation, we are dedicated to creating lasting positive impacts in the industries we operate in and beyond.

We actively seek opportunities to implement tangible actions throughout our value chain and remain steadfast in showcasing our eXtraOrdinary (XO) Care with a clear purpose: driving positive change for our people, community, and environment.

Collaborating with charitable organizations and clubs such as the TSL Football Foundation in Hong Kong, Tuloy Football Club, and XO United Football Club exemplifies our dedication to caring for people. Our primary aim is to support children across nations in their physical, mental, and emotional growth. I am delighted to share that some players from XO United Football Club participated in the International Under-14 Football Youth Cup. We will continue to work diligently to achieve meaningful results and change people's lives for the better.

Closing

In the 50-year history of Luen Thai Holdings, this is undoubtedly one of the most challenging periods we have faced as leaders. It is a brutal moment — never could I have imagined a time when the only path forward would be to lay off employees so they can receive unemployment benefits while the company fights to survive and eventually return to full staffing levels. We understand the profound impact these decisions have on our people and their families, and it weighs heavily on us.

As we navigate these challenging times, I want to express my heartfelt gratitude for the dedication and resilience shown by our employees, as well as the firm support from our shareholders, customers, suppliers, partners, and communities. We must stay true to our vision of "Sustainable Shared Success Through Reinvention" and remain focused on delivering results through mutually beneficial relationships. Together, we will ***Turn the Tide Towards Profitability***.

Thank you for being an essential part of our journey and for your continued support.

Raymond Tan
Chief Executive Officer

Hong Kong, 28 March 2025

Management Discussion and Analysis

RESULT REVIEW

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

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

Management Discussion and Analysis

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

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

Management Discussion and Analysis

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

SEGMENTAL REVIEW

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

Apparel

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

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

Accessories

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

MARKETS

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

FUTURE PLANS AND PROSPECTS

Looking ahead, some positive prospects, such as inflation returning closer to targets, monetary easing policies in some economies and rebounding global trade growth, may give rise to a broad-based and moderate expansion of the global economy. However, the multiple successive negative shocks in recent years created significant challenges and detrimental outcomes to the global economy, particularly for the most vulnerable countries. At present, the ongoing military conflicts in Ukraine and the Middle East, along with rising

Management Discussion and Analysis

Management Discussion and Analysis

protectionism and simmering geopolitical tensions, are hindering the recovery of the global economy. The global economy is expected to grow at a sluggish pace and its growth rate is projected to stabilize at 2.7% in 2025, below pre-pandemic level amid elevated policy uncertainty.

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

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

Management Discussion and Analysis

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

There was no significant investments and material acquisition or disposal of subsidiaries, associates and joint ventures during the year ended 31 December 2024.

FUTURE PLAN FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

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

CHARGE OF ASSETS

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

CONTINGENT LIABILITIES

The Group has contingent liabilities regarding potential exposures to import duties, other taxes and penalties in various overseas countries with aggregated amounts of approximately US$16,723,000 as at 31 December 2024 (31 December 2023: US$16,723,000).

Management Discussion and Analysis

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

During the year ended 31 December 2022, one subsidiary of Universal has paid the IRD an amount of US$22,000 to settle a tax case related to periods prior to the acquisition. The amount has been recovered from the previous owners in full. Accordingly, the amounts of contingent liability and indemnified assets have been reduced to US$5,482,000 as at 31 December 2022. No payment was made in year ended 31 December 2023 and 2024.

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

During the year ended 31 December 2022, the subsidiary of Sachio has paid the Cambodia tax authority a total amount of US$220,000 on cases related to periods prior to the acquisition. The amount has been recovered from the previous owner in full. Accordingly, the amounts of contingent liability and indemnified assets have been reduced to US$11,241,000. No payment was made in the year ended 31 December 2023 and 2024.

LIQUIDITY AND FINANCIAL RESOURCES

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

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

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

Management Discussion and Analysis

FOREIGN EXCHANGE RISK MANAGEMENT

The Group adopts a prudent policy to hedge against the fluctuations in exchange rates. Most of the Group's operating activities are denominated in US dollar, Euro, Hong Kong dollar, Cambodian Riel, Chinese Yuan, Burmese Kyat, and Philippine Peso. The Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures and to mitigate the impact on exchange rate fluctuations by entering into currency hedge arrangement if necessary. During the years ended 31 December 2024 and 2023, no forward foreign exchange or hedging contracts had been entered into by the Group.

HUMAN RESOURCES AND CORPORATE SOCIAL RESPONSIBILITY

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

Management Discussion and Analysis

With approximately 27,000 employees around the world, Luen Thai continuously strives to foster open communications with its employees through various channels. Under its employee care initiatives, Luen Thai has provided safe and enjoyable work and living environments, equitable compensation and benefit schemes, and opportunities for career growth through a variety of formal and informal learning and development programmes; and a strong corporate culture where employees' contributions are recognized and rewarded.

As a global corporate citizen, Luen Thai is conducting business and developing a sustainable business strategy with a long-term view, which creates a positive impact for our worldwide supply chain and the surrounding environment. We not only focus on profit maximization, but we must also understand the needs and concerns of other stakeholders.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

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

Management Discussion and Analysis

INVESTOR RELATIONS AND COMMUNICATIONS

The Group acknowledges the crucial importance of communication with our shareholders. The Group has a policy of proactively promoting investor relations through meetings with analysts and investors, and participation in investors' conferences, company interviews and manufacturing plant visits. The annual general meeting will be called by giving not less than 20 clear business days' notice and our Directors shall be available at the annual general meeting to answer questions on the Group's businesses.

The Group encourages dual communications with both private and institutional investors and responds to their enquiries in an informative and timely manner. The Group has established various forms of communication channels to improve its transparency, including proactive and timely issuance of press releases so as to inform investors of our latest corporate developments. The Group regularly updates its corporate information on the Company's website (www.luenthai.com) in both English and Chinese on a timely basis to all concerned parties.

MANAGEMENT EXECUTIVES

EXECUTIVE DIRECTORS

WANG Weimin, aged 56, is the Chairman of the Board and the Chairman of the Nomination Committee. Mr. Wang is a professor senior engineer (正高級工程師) who has been conferred a Master degree of Business Administration by the China Europe International Business School. Mr. Wang served as the deputy general manager, general manager and chairman of Shanghai Dragon Corporation (上海龍頭(集團)股份有限公司) (an A-share listed company) between 2004 to 2022. Since August 2022, Mr. Wang has been the chairman of Orient International Holdings Hong Kong Company Limited ("OIH HK") and Shangtex (Hong Kong) Limited ("Shangtex HK"), he also serves as the general manager of OIH HK and Shangtex HK started from February 2023. Mr. Wang was awarded the China Textile Outstanding Labour (全國紡織工業勞動模範), National Textile Excellent Culture Inheritor (全國紡織優秀文化傳承者) and Shanghai Model Worker (上海勞動模範) in 2016. He was also named as Outstanding contributors to talent build up in China's textile industry (中國紡織行業人才建設突出貢獻人物) in 2017. He was elected as one of the National Outstanding Textile Entrepreneur (全國優秀紡織企業家) in 2018. In 2020, he was named the National Exemplary Individual in the Battle Against COVID-19 (全國抗擊新冠肺炎疫情先進個人) and admitted as an excellent industry leader. As an excellent expert, Mr. Wang has penetrating market insight and innovative ideas in the textile industry.

Dr. TAN Siu Lin, aged 94, is the founder and Honorary Life Chairman of the Group. Dr. Tan is the Honorary Director of Peking University Education Foundation (北京大學教育基金會) and chairman of the board of the Peking University Luen Thai Center for Supply Chain System Research & Development (北京大學聯泰供應鏈系統研發中心), chairman of the board of Tan Siu Lin School of Business in Quanzhou Normal University (泉州師範學院陳守仁商學院). Dr. Tan is the permanent honorary director of the board of the Huaqiao University (華僑大學), the honorable president of the Hong Kong General Chamber of Textiles Limited, and the honorary consul of the Federated States of Micronesia in HKSAR. Dr. Tan was appointed as a non-executive director and chairman of S.A.I. Leisure Group Company Limited (stock code: 1832) on 5 November 2018, a company listed on the Stock Exchange of Hong Kong Limited on 16 May 2019. Dr. Tan holds a honorary Doctoral of Laws degree from the University of Guam and has been awarded honorary university fellowships by both the Hong Kong Baptist University, as well as the Honorary President of The Hong Kong Baptist University Foundation, and the Chinese University of Hong Kong.

TAN Cho Lung, Raymond, aged 63, is the Chief Executive Officer of the Company, Chairman of Financing and Banking Committee and son of Dr. Tan Siu Lin. Mr. Tan joined the Group in 1989 and has over 35 years of experience in the industry. Mr. Tan was the recipient of the Young Industrialist Award of Hong Kong and the DHL/SCMP Owner-Operator award for 2003. In August 2012, Mr. Tan was awarded "Outstanding Entrepreneurship Award" 2012, Hong Kong region. In 2013, Mr. Tan was also awarded "Capital Leader of Excellence 2012" and "Entrepreneur of the Year 2013" which were organized respectively by Capital Magazine and Capital Entrepreneur Magazine. In January 2019, Mr. Tan was the recipient of Asian Chinese Leaders Award organized by the Asian College of Knowledge Management. Mr. Tan is a co-founder and chairman of TSL Football Foundation and chairman of Tuloy Foundation in the Philippines. Mr. Tan graduated with a Bachelor's degree in Business Administration from the University of Guam.

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EXECUTIVES

ZHANG Min, aged 52, is an executive Director and a member of the Remuneration Committee. Mr. Zhang graduated from Shanghai University of Finance and Economics with a Bachelor degree of Economics in 1995, and graduated from Fudan University with a Master degree of Economics (on-the-job postgraduate) in 2002. Mr. Zhang is a certified International Business Engineer. Mr. Zhang joined Orient International (Holding) Co., Ltd. ("OIH") in 1995 and commenced his career in human resources department. During 2006 and 2007, Mr. Zhang was assistant director of Business Development Department of OIH and stationed in United States for one year. From September 2007 to July 2012, Mr. Zhang worked in Hong Kong as assistant general manager of Orient International Holdings Hong Kong Co. Limited and continues to serve as assistant director of Business Development Department of OIH. From July 2012 to August 2014, Mr. Zhang worked in Hong Kong serving as deputy general manager of Orient International Holdings Hong Kong Co. Limited. From August 2014 to March 2018, Mr. Zhang served as director of CEO's Office and director of Production Safety Committee Office at the same time in OIH. From March 2018 to November 2022, Mr. Zhang acted as the general manager of Overseas Enterprises Management Department of OIH. From October 2022 to August 2024, Mr. Zhang acted as director of CEO's Office, and from December 2022, he also acted as director of Enterprises Management Office of OIH at the same time. Since September 2024, Mr. Zhang has been serving as director of the Chairman's Office in OIH.

JIN Xin, aged 46, is an executive Director and a member of the Financing and Banking Committee. Mr. Jin is a Medium Level Accountant who has obtained a Bachelor's degree in Economics from the department of business administration from the Shanghai University of Finance and Economics. Mr. Jin joined Orient International Holdings Shanghai Textile Import and Export Co., Ltd., (東方國際集團上海家用紡織品進出口有限公司) in 2000 and mainly responsible for financial works. Mr. Jin served as the deputy general manager of Hometex International Co. Ltd., a local Hong Kong Company between 2011 to 2013. In December 2013, Mr. Jin acted as the deputy manager of the finance department of Orient International Holdings Shanghai Hometex Co., Ltd. (東方國際集團上海家紡有限公司). From July 2014, Mr. Jin worked in Hong Kong as assistant general manager of OIH HK. From March 2018, Mr. Jin has been acting as the deputy general manager of planning and finance department of Orient International (Holding) Co., Ltd. (東方國際(集團)有限公司) and financial controller of OIH HK and Shangtex HK. Mr. Jin has extensive experience in corporate management and financial management, coupled with a remarkable capability of promoting business development.

NON-EXECUTIVE DIRECTOR

FOK Yue San, Sandy, aged 58, is a non-executive Director and a member of the Audit Committee. Ms. Fok served as the Chief People Officer of the Group from 1 January 2020 to 31 March 2024 and was mainly responsible for developing the Group's employee engagement and human resources strategy to support the Company's overall business plan and strategic direction. Ms. Fok is an expert in the areas of succession planning, talent management, change management, and organizational performance. Ms. Fok had over twenty some years of experience in general business and human resources management and had held multiple senior positions at Swire Pacific group companies. She later founded her own consulting firm in 2008 and had since been involved in leadership development and organizational culture development consulting work for listed companies and multinational brands. Ms. Fok graduated from the University of Hong Kong with a major in Psychology and a Master of Social Sciences degree in Behavioral Health. She was the past Chairman of the University of Hong Kong's Career Advisory Board and the Past Chairman of the University of Hong Kong's Graduate House.

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INDEPENDENT NON-EXECUTIVE DIRECTORS

CHAN Henry, aged 59, is an independent non-executive Director, the Chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee. Mr. Chan has over 37 years of experience in the financial market and is the Managing Director of Sanfull Securities Limited. He was a director of the Stock Exchange of Hong Kong Limited and was a member of the Advisory Committee of the Securities and Futures Commission. Mr. Chan is currently the Permanent Honorary President of Hong Kong Stockbrokers Association Limited. Mr. Chan was an independent non-executive director of Hengan International Group Company Limited, a company listed on the Main Board of the Stock Exchange of Hong Kong Limited which engages in the manufacture and distribution of personal hygiene products, and was a committee member of the Chinese People's Political Consultative Conference in Xiamen, Fujian Province, China. Mr. Chan obtained his Master's degree in Business Administration from Asia International Open University (Macau) and his Bachelor's degree in Arts from Carleton University in Canada. He joined the Group in 2004.

WANG Ching, aged 70, has been an independent non-executive Director and a member of the Audit Committee, the Nomination Committee and the Remuneration Committee since 8 April 2019. Dr. Wang has over 32 years' managerial experience in investment banking, securities, treasury and asset management in the United States, Hong Kong, Taiwan and the PRC. Dr. Wang was the managing director of Shanghai International Asset Management (HK) Co., Ltd., a licensed corporation registered with Hong Kong Securities and Futures Commission, the executive director of Shanghai International Shanghai Growth Investment Limited ("Shanghai Limited"), an investment fund company listed on the Stock Exchange of Hong Kong Limited (stock code: 770 and the independent non-executive director of China Shuifa Singyes Energy Holdings Ltd. (中國水發興業能源集團有限公司) (stock code: 750), a company listed on the Stock Exchange of Hong Kong Limited). Dr. Wang also serves as independent non-executive director of Minth Group Limited (敏實集團有限公司) (stock code: 425), a company listed on the Stock Exchange and are third parties independent of the Company and connected persons of the Company. Dr. Wang received his bachelor degree majoring in economics from the National Taiwan University in 1977. Dr. Wang obtained his Master's degree in business administration from the University of Houston and Ph.D from the Graduate School of Business, Columbia University in the city of New York. He will be retiring from office with effect from 29 March 2025.

LEE Cheuk Yin, Dannis, aged 54, is an independent non-executive Director, the Chairman of the Audit Committee and a member of the Nomination Committee and the Remuneration Committee. Mr. Lee obtained the Bachelor of Business Administration from Texas A & M University, the USA. He is an associate member of the Hong Kong Institute of Certified Public Accountants and a member of the American Institute of Certified Public Accountants. Mr. Lee possesses over 22 years of experience in accounting and auditing field. Mr. Lee is currently a managing director of DLK Advisory Limited, a company engaged in financial advisory and investment consulting services, and is an independent non-executive director of a number of companies listed on the Stock Exchange, namely Tiangong International Company Limited (Stock Code: 826), CMBC Capital Holdings Limited (formerly known as Skyway Securities Group Limited, Stock Code: 1141), Cathay Group Holdings Inc. (formerly known as Cathay Media and Education Group Inc. (Stock Code: 1981) and C&D Property Management Group Co., Ltd. (Stock Code: 2156). Previously, Mr. Lee was an independent non-executive director of Geely Automobile Holdings Limited (Stock Code: 175) (resigned in 2022), Meilleure Health International Industry Group Limited (formerly known as U-Home Group Holdings Limited (Stock Code: 2327) (resigned in 2015) and Southern Energy Holdings Group Limited (formerly known as China Unienergy Group Limited, Stock Code: 1573) (resigned in 2019), and an independent director of Gridsum Holding Inc. (Stock Code: GSUM.US) (resigned in 2021). He joined the Group in May 2023.

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SENIOR MANAGEMENT

SAUCEDA Francisco, aged 66, is the President of Lifestyle Apparel Division. He is responsible for the apparel business units which manufacture international brand names in facilities/offices such as the Philippines, Cambodia, Vietnam, China, U.S., Indonesia, India, and Bangladesh. He also oversees Corporate Communications for Luen Thai and has been with the Group since 1994. Mr. Sauceda obtained his degree in Business Administration from Texas Southmost College/University of Texas. He is the Chairman of the Confederation of Wearable Exporters of the Philippines (CONWEP) and is involved in trade initiatives for Philippines. Mr. Sauceda is also a member of the Hong Kong Chamber of Commerce and the Mexican Chamber of Commerce in Hong Kong.

CHIU Chi Cheung, aged 61, is the Chief Financial Officer of the Group. Mr. Chiu had been working as the Senior Vice President of Corporate Finance and Company Secretary of the Company before he was appointed as the Chief Financial Officer of the Group from 1 January 2024. Mr. Chiu has over 32 years of experience in the field of company secretarial, auditing and accounting. He joined the Group in 2002. Prior to joining the Group, he was an auditing manager of an international auditing firm. Mr. Chiu is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. Mr. Chiu holds a Bachelor of Business Administration degree from the University of Hong Kong.

SANJEEV Wadhwa, aged 58, joined the Group in 2004 and is the executive vice president of the Company. Mr. Sanjeev has a Bachelor degree in Textile Technology from The Technological Institute of Textile and Sciences. He also holds a post graduate diploma in Garment Manufacturing Technology from National Institute of Fashion Technology. Mr. Sanjeev has over 30 years of experience in merchandising. He joined the Group as chief products officer before heading the TMS Group as Executive Vice President in 2017. Prior to joining the Group, Mr. Sanjeev held various senior positions in sizable multinational and local companies in garment industry, including Busana Apparel Group and Liz Claiborne.

LEUNG Peter, aged 62, is the Executive Vice President of OEM operations in China. He joined Luen Thai in 2004 and has over 25 years of industry experience ranging from agency to manufacturer. Mr. Leung is a member of both the Hong Kong Institute of Certified Public Accountants and the Hong Kong Chartered Governance Institute, and holds a Bachelor of Science from University of Warwick and a Master of Business Administration from California State University.

COMPANY SECRETARY

CHAN Hiu Leong, aged 46, is the Group Financial Controller, Company Secretary of the Company. Mr. Chan has over 20 years of experience in auditing, accounting, financial management and company secretarial matters. Mr. Chan holds a Bachelor of Commerce in Accounting Degree from Macquarie University in Australia and a master of corporate governance degree from the Hong Kong Polytechnic University. Mr. Chan is an associate member of the Hong Kong Institute of Certified Public Accountants. Mr. Chan is also an associate member of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom.

REPORT OF THE DIRECTORS

The board of directors of Luen Thai Holdings Limited (the "Directors") has the pleasure in presenting to the shareholders this annual report together with the audited consolidated financial statements of Luen Thai Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") for the year ended 31 December 2024.

GROUP PROFIT

The consolidated statement of profit or loss is set out on page 74 and shows the Group's loss for the year ended 31 December 2024. A discussion and analysis of the Group's performance during the year and the material factors underlying its results and financial position are provided on pages 24 to 33 of this annual report.

DIVIDENDS

No interim dividend was paid for the six months ended 30 June 2024 and the Board does not recommend the payment of a final dividend for the year ended 31 December 2024.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The activities of the principal subsidiaries are set out in note 9 to the consolidated financial statements. An analysis of the Group's performance for the year by operating segment is set out in note 5 to the consolidated financial statements.

BUSINESS REVIEW

A fair review of business of the Group, particulars of material events affecting the Group that have occurred since the end of the financial year 2024 (if any), a description of the principal risks and uncertainties facing by the Group, analysis using key financial performance indicators as well as an indication of likely future development in the Group's business, are provided in the "Chairman's Statement", "Management Discussion and Analysis" and "Notes to the Consolidated Financial Statements" sections of this annual report.

Discussions on the Group's environmental policies/performance and our relationship with key stakeholders are covered by a separate Environmental, Social and Governance ("ESG") Report which will be available on the Company's website under the "Investor Relations" section and the website of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") at the same time as the publication of this annual report. The ESG report forms part of this Report of the Directors.

Compliance with laws and regulations

The Group's production and operations are mainly carried out by the Company's subsidiaries in mainland China and certain Southeast Asian countries including the Philippines, Vietnam, Cambodia and Myanmar, while the Company is listed on the Main Board of the Stock Exchange. Sufficient resources have been allocated to ensure the on-going compliance with applicable laws and regulations. During the year under review and up to the date of this report, the Board is not aware of any material non-compliance with the relevant laws and regulations in the countries where the Group is operating.

PRINCIPAL SUBSIDIARIES AND JOINT VENTURES

Details of the principal subsidiaries and joint ventures of the Company and the Group as at 31 December 2024 are set out in notes 9 to 10 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 16 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 December 2024, the Company's reserves available for distribution to the Shareholders of the Company amounted to US$70,915,000. Details of the movements in the reserves of the Company are set out in note 34(a) to the consolidated financial statements. Under the Companies Law (Revised) of the Cayman Islands, the funds in the capital reserve account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debt as they fall due in the ordinary course of business.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 158 of this annual report. This summary does not form part of the audited consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in note 6 to the consolidated financial statements.

RETIREMENT SCHEMES

Details of the retirement schemes are set out in note 19 to the consolidated financial statements.

DONATIONS

Charitable and other donations made by the Group during the year amounted to approximately US$267,000.

SHARE OPTIONS

A share option scheme of the Company was adopted by the Company on 26 May 2014 (the "Old Share Option Scheme"), which had a term of 10 years and expired during the year on 26 May 2024. During the year, no share option was granted or exercised, nor were cancelled or lapsed under the Old Share Option Scheme and there is no share option outstanding as at 31 December 2024. No further option will be granted under the Old Share Option Scheme.

A new share option scheme of the Company was approved and adopted by way of an ordinary resolution in the annual general meeting of the Company held on 30 May 2024 (the "New Share Option Scheme"). Eligible participants of the New Share Option Scheme include directors (save and except any independent non-executive Director) and employees of the Company, its subsidiaries and related entities (the "Eligible Participants"). The principal purpose of the New Share Option Scheme is to enable the Group to recognize and acknowledge the contributions that Eligible Participants have (or may have) made or may make to the Group (whether directly or indirectly); attract and retain and appropriately remunerate the best possible quality of employees and other Eligible Participants; motivate the Eligible Participants to optimise their performance and efficiency for the benefit of the Group; enhance its business, employee and other relations; and retain maximum flexibility as to the range and nature of rewards and incentives which the Company can offer to Eligible Participants. Under the New Share Option Scheme, the Company may grant options to Eligible Participants at the discretion of the Board of Directors.

Where any grant of option to an Eligible Participant would result in the shares issued and to be issued in respect of all options and awards granted under the New Share Option Scheme and other schemes to such Eligible Participant (excluding any options and awards lapsed in accordance with the terms of the New Share Option Scheme and other schemes) in the 12-month period up to and including the date of such grant representing in aggregate over 1% of the shares in issue as at the date of such new grant.

The basis of determining the exercise price under the New Share Option Scheme shall be at least the highest of:

(a) the closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheet on the date of the offer;

(b) the average closing price of the shares of the Company as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of the offer; and

(c) the nominal value of a shares of the Company.

The New Share Option Scheme is valid and effective for a period of 10 years commencing from 30 May 2024, unless otherwise determined in accordance with its term. An option may be exercised at any time during a period to be notified by the Board to each grantee.

Under the New Share Option Scheme, each grantee shall pay a consideration of HK$10 (or such other nominal sum in any currency as the Board may determine) upon acceptance of the offer of the option.

During the year, no share options were granted to or exercised nor were cancelled or lapsed under the New Share Option Scheme, and there is no share option outstanding as at 31 December 2024.

As at the date of this report, the total number of shares available for issue under the New Share Option Scheme is 103,411,266, representing approximately 10% of the total issued share capital of the Company as at the date of this report.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or in existence during the year ended 31 December 2024.

DIRECTORS

The Directors of the Company during the year and up to the date of this report were:

Executive Directors

WANG Weimin
TAN Siu Lin
TAN Cho Lung, Raymond
ZHANG Min
JIN Xin

Non-executive Director

FOK Yue San, Sandy *(appointed on 1 April 2024)*
MOK Siu Wan, Anne *(retired on 1 April 2024)*

Independent non-executive Directors
CHAN Henry
WANG Ching *(retiring with effect from 29 March 2025)*
LEE Cheuk Yin, Dannis

Pursuant to Article 88 of the Articles of Association of the Company ("Articles"), Mr. Wang Weimin, Mr. Zhang Min, Mr. Jin Xin and Mr. Lee Cheuk Yin Dannis shall retire from office at the forthcoming annual general meeting. All retiring Directors, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

UPDATE ON DIRECTORS' INFORMATION

The change of directors' information as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules are set out below:

> Dr. Wang Ching has resigned as an independent non-executive director of China Shuifa Singyes Energy Holdings Limited, a company listed on the Stock Exchange (stock code: 750), with effect from 31 December 2024.

APPOINTMENTS, RE-ELECTION AND REMOVAL OF DIRECTORS

Except for Mr. Tan Cho Lung, Raymond, each of the executive Directors and independent non-executive Directors has entered into service contracts and/or letter of appointment with the Company for a term of three years and is subject to termination by either party by giving not less than three months' written notice or compensation in lieu.

Under the Articles, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation. And, according to the Corporate Governance Code, every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. A retiring Director is eligible for re-election and continues to act as a Director throughout the meeting at which he retires.

The Articles provide that any Director appointed by the Board, either to fill a casual vacancy in the Board or as an addition to the existing Board, shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

Save as disclosed under the paragraph headed "Connected Transactions and Directors' Interests in Contracts" below, no other transactions, arrangements and contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director and the Director's connected entities had a material interest, whether directly or indirectly, subsisted as at 31 December 2024 or at any time during the year.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the paragraph headed "Directors and Chief Executives' Interests in Shares" and for the share option schemes adopted by the Company, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of an acquisition of shares or underlying shares in, or debentures of, the Company or any other body corporate.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of directors and senior management are set out in the section headed "Management Executives" on pages 34 to 37 of this annual report.

EQUITY-LINKED AGREEMENTS

Other than the share option schemes of the Company as disclosed above, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the year or subsisted at the end of the year.

PERMITTED INDEMNITY PROVISION

Pursuant to the Company's Articles of Association 168(1) provides that every Director or other officer of the Company shall be entitled to be indemnified and secured harmless out of the assets and profits of the Company against any liability, action, proceeding, claim, demand, costs, damages or expenses, including legal expenses as a result of any act or failure to act in carrying out his/her functions. The Company has also maintained Directors and officers liability insurance during the year.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 31 December 2024, the interests of the Directors and chief executives of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register maintained by the Company under Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code contained in the Listing Rules were as follows:

Long position in the Shares

Name of Director	Capacity	No. of Shares	Percentage of interests in the Company (Note a)
TAN Siu Lin	Trustee (note b)	1,840,757	0.18%
	Interest of controlled corporation (note b)	10,992,986	1.06%
TAN Cho Lung, Raymond	Interest of controlled corporation (note c)	15,655,639	1.51%
	Interest of spouse (note c)	2,050,000	0.20%

Notes:

a. The percentage has been compiled based on the total number of shares of the Company issued (i.e. 1,034,112,666) as at 31 December 2024.

b. Dr. Tan Siu Lin as a trustee indirectly controls the entire issued share capital of Wincare International Company Limited, which in turn holds directly 1,840,757 shares of the Company ("Shares"). Dr. Tan Siu Lin also controls and is a subscriber and founding member of Tan Siu Lin Foundation Limited, which in turn owns directly 10,992,986 Shares.

c. Mr. Tan Cho Lung, Raymond wholly owns Flying Base Limited, which owns 15,655,639 Shares.

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

CONNECTED TRANSACTIONS AND DIRECTORS' INTERESTS IN CONTRACTS

The related party transactions of the Company for the year ended 31 December 2024 are set out in note 33 to the consolidated financial statements. Other than disclosed below, the related party transactions of the Company did not constitute connected transactions or continuing connected transactions of the Company under Chapter 14A of the Listing Rules which are required to comply with any of the reporting, announcement and/or independent shareholders' approval requirements under the Listing Rules.

Non-exempt Continuing Connected Transactions

A number of agreements and arrangements with connected persons (as defined under Chapter 14A of the Listing Rules) have been entered into in the ordinary and usual course of business. The transactions disclosed under this section constituted non-exempt continuing connected transactions under Chapter 14A of the Listing Rules.

The following table is a summary of the approximate aggregate value and the annual caps of each category of the non-exempt continuing connected transactions of the Group pursuant to Chapter 14A of the Listing Rules for the year ended 31 December 2024. Details of these connected transactions are set out below in accordance with the Listing Rules.

Connected Party	Category	Approximate aggregate value for the year ended 31 December 2024 US$'000	Annual Cap for the year ended 31 December 2024 US$'000
IST BVI	Provision of technological support services (note a)	1,920	2,400
LTG	Lease agreements		
	– Group as tenants of QZ LT Estate and LTID (note b)	814	1,000
	– Group as tenants of DGLT (note c)	1,508	1,800
CTSI	Logistics services to the Group (note d)	1,624	1,700
LTE	Provision of services (OEM) (note e)	80,814	110,000
LTE	Provision of services (OBM) (note f)	809	6,000
LTE	Provision of services (Sales Services) (note g)	43	1,500

Notes:

(a) On 15 November 2021, Luen Thai Overseas Limited ("LTO"), a subsidiary of the Company, entered into an agreement with Luen Thai Group Ltd. ("LTG") for a term of 3 years from 1 January 2022 to 31 December 2024 pursuant to which LTG, through its indirectly wholly owned subsidiary, Integrated Solutions Technology Limited ("IST BVI"), shall continue to provide technological support services to the Group including but not limited to software and system development and maintenance services such as process mapping, analysis and design, process reengineering, scheduling, management reporting and analysis (the "Old Master IT Services Agreement").

IST BVI has been providing technological support services to the Group since the Company's listing on the Stock Exchange in 2004 (the "Listing"). The fees charged under the Old Master IT Services Agreement were based on similar rates charged by service support consultants in the market. While the fees for such technological support services reflect normal commercial terms negotiated on an arm's length basis and are comparable to the terms given by independent third parties, the Directors believe that the Group will benefit from the continuation of such technological support services by IST BVI, which has a better understanding of the Group's existing systems due to its long-term service and has been providing smooth and efficient technological support services to the Group. Therefore, such transactions are beneficial to the Group as a whole as the Group is able to leverage on its long-established relationship with IST BVI. The Directors further believe that IST BVI's expertise and knowledge of the Group's operations, coupled with its development of various software and systems for the Group, should also warrant the continued engagement of IST BVI for provision of technical support services to the Group.

Given the quality services offered by IST BVI to the Group in the past and the benefits of continuity, the Directors (including the independent non-executive Directors) consider that such technological support services and their respective terms are on normal commercial terms, fair and reasonable and are in the interests of the Group and the Company's shareholders as a whole.

IST BVI is an indirectly wholly-owned subsidiary of LTG. LTG is ultimately owned as to 30% by a discretionary family trust founded by Dr. Tan Siu Lin, being an executive Director of the Company and he controls the composition of the board of directors of the discretionary trustee of the said family trust. Hence, LTG is a connected person of the Company. IST BVI is therefore deemed an associate, and hence a connected person of the Company.

The Old Master IT Services Agreement expired on 31 December 2024 and the Company expects to continue this continuing connected transaction thereafter, given the reliable and quality services offered by IST BVI to the Group in the past and the benefits of continuity. In this connection, LTO entered into a master agreement (the "New Master IT Services Agreement") with LTG on 13 December 2024. Pursuant to the New Master IT Services Agreement, the maximum aggregate fee to be paid by the Group for each of the three years ending on 31 December 2027 will amount to US$1,160,000, US$1,160,000 and US$1,160,000, respectively.

(b) On 20 October 2023, LTO entered into an agreement with Luen Thai International Development Limited ("LTID") in relation to the leasing of properties mainly as office premises between the Group and LTID, pursuant to which such leasing arrangements will be for a term of 1 year from 1 January 2024 to 31 December 2024 (the "Old Office Lease Master Agreement").

The rentals under the Old Office Lease Master Agreement were determined based on (i) the historical rent paid by the Group for the leased properties; (ii) the possible relocations of certain members of the Group; (iii) the lease which may or will be entered into by the Group with LTID; (iv) the market rates for properties of similar quality in similar locations; and (v) provision of a buffer to cover a possible fluctuation in market rental of office premises in Hong Kong. While the rentals payable by the Group pursuant to the Old Office Lease Master Agreement reflect normal commercial terms negotiated on an arm's length basis and are comparable to the terms given by independent third parties, the Directors therefore consider that the Group will benefit from the continuity of the leasing arrangements and will save the relocation costs which may otherwise have to be incurred due to any discontinuation of the existing leasing arrangements. The Directors further believe that all the above leasing arrangements and their respective terms are on normal commercial terms, fair and reasonable and are in the interests of the Group and the Company's shareholders as a whole.

LTID is ultimately held as to 97.49% by a discretionary family trust founded by Dr. Tan Siu Lin, an executive Director of the Company and he controls the composition of the board of directors of the discretionary trustee of the said family trust. Dr. Tan Siu Lin also directly held 0.005% equity interest of LTID. Accordingly, LTID is a connected person of the Company.

The Old Office Lease Master Agreement expired on 31 December 2024 and the Company expects to continue this continuing connected transaction thereafter, as the Company will benefit from such leasing arrangements for cost efficiency and better utilization of the Group's office premises, which is beneficial to the Group as a whole. In this connection, LTO entered into a new office lease master agreement (the "Office Lease Master Agreement") with LTID on 25 October 2024. Pursuant to the Office Lease Master Agreement, the maximum aggregate fee to be paid by the Group for the year ending on 31 December 2025 will not exceed US$850,000.

(c) On 8 December 2023, LTO entered into an agreement with the LTG in relation to the leasing of certain factory premises ("Factory") between the Group and the LTG Group, pursuant to which such leasing arrangement will be for a term of 1 year commencing from 1 January 2024 to 31 December 2024 (the "Old Factory Premises and Dormitories Lease Master Agreement").

The LTG Group, with a diverse and wide business network, has been leasing the factory premises and dormitories in the PRC to the Group since 2017. The Directors believe that such transactions are beneficial to the Group as a whole as the Group is able to leverage on its long-established relationship with the LTG Group. To cope with the commercial need for production and avoid any relocation costs and disruption of operation, it is reasonable and necessary for the Company to enter into the Old Factory Premises and Dormitories Lease Master Agreement.

LTG is ultimately owned as to 30% by a discretionary family trust founded by Dr. Tan Siu Lin, being an executive Director of the Company and he controls the composition of the board of directors of the discretionary trustee of the said family trust. Therefore, LTG is a connected person of the Company.

The Old Factory Premises and Dormitories Lease Master Agreement expired on 31 December 2024 and the Company expects to continue this continuing connected transaction thereafter, as the Company will avoid any relocation costs and disruption of operation. In this connection, LTO entered into a new lease agreement (the "Factory Premises and Dormitories Lease Master Agreement") with LTG on 13 December 2024. Pursuant to the Factory Premises and Dormitories Lease Master Agreement, the maximum aggregate fees to be paid by the Group for the year ending on 31 December 2025 will not exceed US$1,180,000.

(d) On 9 December 2022, LTO entered into an agreement with CTSI Holdings Limited ("CTSI") in relation to the provision of freight forwarding and logistics services (the "Logistics Master Agreement") by the CTSI and its subsidiaries ("CTSI Group"), pursuant to which such services will be for a term of 3 years from 1 January 2023 to 31 December 2025. Pursuant to the Logistics Master Agreement, the maximum aggregate fees to be paid by the Group for each of the three years ending on 31 December 2025 will amount to US$1,600,000, US$1,700,000 and US$1,800,000 respectively.

The Group was using the freight forwarding and logistics services provided by CTSI Group for transportation of its products. The Directors propose to continue to use the freight forwarding and logistics services to be provided by CTSI Group for the purpose of transporting its apparel and bags products in Hong Kong, the Philippines, Cambodia, Vietnam and the United States of America, etc., subject to the relevant terms of such services being more favourable than or at least the same as those provided by other independent third-party service providers.

CTSI is an indirect wholly-owned subsidiary of LTG. LTG is ultimately owned as to 30% by a discretionary family trust founded by Dr. Tan Siu Lin, being an executive Director of the Company and he controls the composition of the board of directors of the discretionary trustee of the said family trust. Therefore, LTG is a connected person of the Company. CTSI is a deemed associate of LTG, and hence a connected person of the Company.

(e) On 8 December 2023, LTO entered into the services master agreement (the "OEM Services Master Agreement") with Luen Thai Enterprises Limited ("LTE") in relation to the OEM apparel manufacturing service ("Services") offered by the LTO Group to the LTE Group. The OEM Services Master Agreement was subsequently approved, confirmed and ratified by the independent shareholders on 16 January 2024. Pursuant to the OEM Services Master Agreement, the maximum aggregate fee to be received by the Group for each of the three years ending on 31 December 2026 will amount to US$110,000,000, US$160,000,000 and US$220,000,000, respectively.

The Directors believe that the transactions contemplated under the OEM Services Master Agreement will enable the Group to secure the existing business and revenue streams of the Group and will help optimize the productivity of the Group, which is beneficial to the long-term development of the Group. In addition, the Directors believe that the continued cooperation with the LTE Group is vital to the business development of the Group in the PRC market.

The determination of the above proposed annual caps in respect of the Services under the OEM Services Master Agreement is based on: (i) the anticipated growth of the business with the LTE Group based on the apparel style development plan and the retail network expansion plan of the LTE Group in the coming years; (ii) the historical transaction amount for the two years ended 31 December 2022 and the ten months ended 31 October 2023; (iii) payment and credit terms for the potential transactions under the OEM Services Master Agreement; (iv) expected delivery schedules for the potential transactions under the OEM Services Master Agreement provided by the LTE Group, which also provides an indicative amount of the purchase to be made by LTE Group for the three years ending 31 December 2026; (v) production capacity of the Group in the PRC; and (vi) future market trends forecasted by the Company.

LTE is an indirect wholly-owned subsidiary of LTG. LTG is ultimately owned as to 30% by a discretionary family trust founded by Dr. Tan Siu Lin, being an executive Director of the Company and he controls the composition of the board of directors of the discretionary trustee of the said family trust. Therefore, LTG is a connected person of the Company. LTE is a deemed associate of LTG, and hence a connected person of the Company.

(f) On 8 December 2023, LTO entered into a products purchase master agreement (the "OBM Products Purchase Master Agreement") with LTE in relation to the purchase of OBM products by the LTE Group from the LTO Group from time to time. The OBM Products Purchase Master Agreement was subsequently approved, confirmed and ratified by the independent shareholders on 16 January 2024. Pursuant to the OBM Products Purchase Master Agreement, the maximum aggregate amount of consideration to be paid by the LTE Group to the Group will amount to US$6,000,000, US$10,000,000 and US$16,000,000 for each of the years ending 31 December 2024, 2025 and 2026, respectively.

REPORT OF THE DIRECTORS

The Directors believe that the transactions contemplated under the OBM Products Purchase Master Agreement would provide the flexibility for the LTE Group to purchase OBM products from the LTO Group in the form of OBM purchase orders within the boundaries of the Listing Rules considering the potential bulk purchase volume of the LTE Group. Such arrangement will also further strengthen the cooperative relationship between the LTO Group and the LTE Group, bringing new growth potential for the Group.

The determination of the above proposed annual caps in respect of the sale of OBM Product under the OBM Products Purchase Master Agreement is based on: (i) the estimated demand of the LTE Group for OBM Products taking into account the retail network expansion plan of the LTE Group in the coming years; (ii) the costs and estimated suggested retail price of the range of OBM Products to be offered by the LTO Group; (iii) payment and credit terms for the potential purchase orders under the OBM Products Purchase Master Agreement; (iv) production capacity of the Group in the PRC; and (v) future market trends forecasted by the Company.

LTE is an indirect wholly-owned subsidiary of LTG. LTG is ultimately owned as to 30% by a discretionary family trust founded by Dr. Tan Siu Lin, being an executive Director of the Company and he controls the composition of the board of directors of the discretionary trustee of the said family trust. Therefore, LTG is a connected person of the Company. LTE is a deemed associate of LTG, and hence a connected person of the Company.

(g) On 8 December 2023, LTO entered into a sales and services framework agreement (the "Sales and Services Framework Agreement") with LTE in relation to the design, manufacturing, sales and distribution of Authorized Products by the LTO Group and the provision of the Sales Services by the LTE Group to the LTO Group in relation to such Authorized Products from time to time. The Sales and Services Framework Agreement was subsequently approved, confirmed and ratified by the independent shareholders on 16 January 2024. Pursuant to the Sales and Services Framework Agreement, the maximum aggregate service fees to be paid by the LTO Group to the LTE Group will amount to US$1,500,000, US$4,500,000 and US$8,000,000 for each of the years ending 31 December 2024, 2025 and 2026, respectively.

The Directors believe that the transactions contemplated under the Sales and Services Framework Agreement would provide the flexibility for the LTO Group to enter into Sales and Services Agreement with the LTE Group for different ranges of authorized products from time to time and also help to facilitate a more efficient and expeditious management mode, thereby strengthening the sales capabilities of the LTO Group in the long run. This cooperation model will further strengthen the cooperative relationship between the LTO Group and the LTE Group, 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.

The determination of the above proposed annual caps in respect of the service fees payable by the LTO Group to the LTE Group under the Sales and Services Framework Agreement is based on: (i) the expected range and estimated sales quantity of the Authorized Products; (ii) the estimated marked price of the expected range of Authorized Products; and (iii) future market trends forecasted by the Company.

LTE is an indirect wholly-owned subsidiary of LTG. LTG is ultimately owned as to 30% by a discretionary family trust founded by Dr. Tan Siu Lin, being an executive Director of the Company and he controls the composition of the board of directors of the discretionary trustee of the said family trust. Therefore, LTG is a connected person of the Company. LTE is a deemed associate of LTG, and hence a connected person of the Company.

The aforesaid continuing connected transactions have been reviewed by the directors (including the independent non-executive directors) of the Company.

Pursuant to rule 14A.55 of the Listing Rules, the independent non-executive Directors have reviewed the aforesaid continuing connected transactions and have confirmed that these continuing connected transactions (a) were entered into in the ordinary and usual course of business of the Group; (b) were either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and (c) were in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Group on pages 43 to 46 of the Annual Report in accordance with paragraph 14A.56 of the Listing Rules.

Save as disclosed above:

(i) no contracts of significance subsisted to which the Company or any of its subsidiaries was a party and in which any one of the Directors of the Company had a material interest, whether directly or indirectly at the end of the year or at any time during the year; and

(ii) there were no transactions which need to be disclosed as connected transactions in accordance with the requirements of the Listing Rules.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 31 December 2024, the register of substantial shareholders maintained pursuant to Section 336 of Part XV of the SFO showed that other than the interest disclosed in "Directors' and Chief Executives' Interests in Shares", the following shareholders had notified the Company of their relevant interests in the issued capital of the Company.

Long position in the shares

Name of shareholder	Note	Capacity	Number of ordinary shares beneficially held	Approximate percentage of interests in the Company (Note a)
Shangtex (Hong Kong) Limited	(b)	Beneficial owner	730,461,936	70.64%
Shangtex Investment Co., Ltd.	(b)	Interest of controlled corporation	730,461,936	70.64%
Shangtex Holding Co., Ltd.	(b)	Interest of controlled corporation	730,461,936	70.64%
Orient International (Holding) Co., Ltd.	(b)	Interest of controlled corporation	730,461,936	70.64%
Shanghai Guosheng Group Co., Ltd.	(b)	Interest of controlled corporation	730,461,936	70.64%
Double Joy Investments Limited	(c)	Beneficial owner	71,975,726	6.96%
Luen Thai Capital Limited	(d)	Beneficial owner	17,203,999	1.66%
Dr. Tan Henry	(e)	Interest of controlled corporation	89,179,725	8.62%
Ms. Tan Chiu Joise	(e)	Interest of controlled corporation/Interest of spouse	89,179,725	8.62%

Notes:

(a) The percentage has been compiled based on the total number of shares of the Company in issue (i.e. 1,034,112,666) as at 31 December 2024.

(b) Based on the information recorded in the register required to be kept under section 336 of the SFO, Shangtex (Hong Kong) Limited ("Shangtex HK") directly holds 730,461,936 shares of the Company. Shangtex HK is 100% directly owned by Shangtex Investment Co., Ltd. ("Shangtex Investment"). Shangtex Investment is 100% directly owned by Shangtex Holding Co., Ltd. ("Shangtex"). Orient International (Holding) Co., Ltd. ("Orient International") directly holds 96.65% in Shangtex. Shanghai Guosheng Group Co., Ltd. directly holds 34% in Orient International.

(c) Double Joy Investments Limited ("Double Joy") is a company incorporated in the British Virgin Islands with limited liability and is owned by Ms. Tan Chiu Joise and Dr. Tan Henry in equal shares. Each Ms. Tan Chiu Joise and Dr. Tan Henry is deemed to be interested in the 71,975,726 Shares held by Double Joy.

(d) Luen Thai Capital Limited ("LTCL") is a company incorporated in the British Virgin Islands with limited liability and is owned as to 49% by Dr. Tan Henry. Dr. Tan Henry is deemed to be interested in the 17,203,999 Shares held by LTCL under the SFO.

(e) Both Dr. Tan Henry and Ms. Tan Chiu Joise are deemed to be interested in the 89,179,725 Shares held by Double Joy as mentioned in note (c) and note (d) above.

Save as disclosed above, so far as is known to the Directors, there are no other person (not being a Director or chief executive of the Company) who has an interest or a short position in the Shares or underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

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 (including any sale of treasury shares) during the year ended 31 December 2024. As at 31 December 2024, the Company did not hold any treasury shares.

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 latest practicable date prior to the issue of this report as required under the Listing Rules.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Pursuant to Rule 8.10 of the Listing Rules, there were no competing business of which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year which is required to be disclosed.

MAJOR CUSTOMERS AND SUPPLIERS

The Group's top five customers accounted for approximately 67.3% (2023: 60.5%) of the total sales. Purchases from the Group's five largest suppliers accounted for less than 30.0% of the total purchases for the year. In addition, the Group's largest customer accounted for approximately 25.3% (2023: 19.2%) of the total sales. During the year, none of the Directors, their associates or any shareholders of the Company (which to the knowledge of the Directors own more than 5% of the Company's share capital) had any interest in these major customers and suppliers.

CORPORATE GOVERNANCE

The Group is committed to maintaining a high level of corporate governance practices. A detailed Corporate Governance Report of the Company is set out in pages 50 to 65 of this annual report.

AUDITOR

The consolidated financial statements for the year have been audited by Messrs. PricewaterhouseCoopers. A resolution will be submitted to the forthcoming annual general meeting of the Company to re-appoint Messrs. PricewaterhouseCoopers as the auditor of the Company.

On behalf of the Board
Tan Cho Lung, Raymond
Chief Executive Officer and Executive Director

28 March 2025

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

Luen Thai Holdings Limited together with its subsidiaries (the "Group" or "Luen Thai") acknowledges the need for and importance of corporate governance as one of the key elements in creating shareholders' value. It is committed to ensuring high standards of corporate governance in the interests of shareholders and taking care to identify practices designed to achieve effective oversight, transparency and ethical behavior.

Throughout the year ended 31 December 2024, the Company has complied with all applicable code provisions of the Corporate Governance Code (the "CG Code") as set out in the Appendix C1 of the Listing Rules. This report includes key information relating to corporate governance practices of the Company during the year ended 31 December 2024 and significant events after that date and up to the date of this report.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standards set out in the Model Code as set out in Appendix C3 of the Listing Rules. After having made specific enquiry of all Directors, all the Directors are of the view that they have complied with the required standard set out in the Model Code and its code of conduct regarding securities transactions for the year ended 31 December 2024.

BOARD OF DIRECTORS

The Board

The Board is scheduled to meet at least four times a year to determine overall strategic direction and objectives and approve interim and annual results and other significant matters. Each of the Directors is required to give sufficient time and attention to the affairs of the Company. In 2024, four Board meetings were held with satisfactory attendance, details of which are presented below.

Board Members	Meetings Attended/Held	Average Attendance Rate
Executive Directors		100%
WANG Weimin	4/4	100%
TAN Siu Lin	4/4	100%
TAN Cho Lung, Raymond	4/4	100%
ZHANG Min	4/4	100%
JIN Xin	4/4	100%
Non-executive Director		100%
FOK Yue San, Sandy *(appointed on 1 April 2024)*	3/3	100%
MOK Siu Wan, Anne *(retired on 1 April 2024)*	1/1	100%
Independent non-executive Directors		100%
CHAN Henry	4/4	100%
WANG Ching *(retiring with effect from 29 March 2025)*	4/4	100%
LEE Cheuk Yin, Dannis	4/4	100%

Directors are consulted to include any matter in the draft agenda. As part of our best practices, the agenda of Board meetings are finalized by the Chairman after taking into consideration any matters proposed by other Directors, including the independent non-executive Directors. The notice and agenda are generally released at least 14 days in advance. The Company's articles of association (the "Articles of Association") provide that a Board meeting shall be held in cases where a substantial shareholder or Director has a conflict of interest in a material matter, in which the substantial shareholder or Director is required to abstain from voting and shall not be counted in quorum. This is also in conformity with the requirements of the CG Code.

Up to the date of this report, the Chairman of the Company has held various meetings with the non-executive Director(s) (including the independent non-executive Directors) without the presence of the executive Directors.

The Company Secretary is responsible for taking minutes of meetings of the Board and the Committees under the Board ("Board Committees"). Draft and final minutes are sent to all Directors for comments within a reasonable time. A final draft of each minutes of meetings is made available for inspection by Directors/Committee Members.

All Directors have access to the Company Secretary who is responsible for ensuring that Board procedures are complied with and advises the Board on corporate governance and compliance matters. They are also encouraged to take independent professional advice at the Company's expense in performance of their duties, if necessary. If a substantial shareholder or a Director has a conflict of interest in a matter to be considered material by the Board, the matter will be dealt with in accordance with applicable rules and regulations and, if appropriate, an independent Board committee will be set up to deal with the matter. Furthermore, all the Directors are covered by the Directors' & Officers' Liability Insurance.

Board responsibilities

The Board acknowledges its responsibility for the management of the Group and is collectively responsible to ensure sound and effective internal control systems are maintained so as to safeguard the Group's assets and the interest of the shareholders. The Board is responsible to formulate the overall strategies of the Group, monitors operating and financial performance, reviews the effectiveness of the internal control system and determines the corporate governance policy of the Group. The Board members have separate and independent access to the senior management, and are provided with complete and timely information about the conduct of the business and development of the Company, including monthly reports and recommendations on significant matters.

Regarding our Group's corporate governance, the Board as a whole is responsible to perform the following corporate governance duties including:

(i) to review and monitor the Company's policies and practices in compliance with legal and regulatory requirements;

(ii) to develop and review the Company's policies and practices on corporate governance;

(iii) to review and monitor the training and continuous professional development of directors and management;

(iv) to review the Company's compliance with the CG Code and disclosure in the Corporate Governance report; and

(v) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors.

Corporate Governance Functions

The Board is responsible for performing the corporate governance functions, which includes formulating and reviewing the Group's policies and practices on corporate governance, reviewing and monitoring the training and continuous professional development of the Directors and the senior management, reviewing and monitoring the Group's policies and practices on compliance with legal and regulatory requirements, formulating, reviewing and monitoring the code of conduct, guidelines and compliance manual applicable to employees and Directors, as well as reviewing the Group's compliance with the CG Code and disclosures in this Corporate Governance Report.

Corporate Culture

As part of our efforts to constantly improve, we launched "Be eXtraOrdinary Daily", a global cultural value and branding of numerous XO (eXtraOrdinary) programs to make sure it is realized in many specific areas. We have also re-introduced our vision of "Sustainable Shared Success through Reinvention," which serves as the umbrella for numerous specific programs focusing on building a strong and motivating corporate culture. Corporate belief must be practiced and supported by all levels of employees, hence we have put major emphasis in developing our people as business partners cultivating a culture of shared responsibility in every aspects of our business. Having considered the range of the corporate culture, the culture and its purpose are considered to be in line with the strategy of the Group.

Chairman and Chief Executive Officer

To ensure a balance of power and authority, the roles of the Chairman and the Chief Executive Officer should be separated and should not be performed by the same individual. During the year 2024 and as of the date of this report, Mr. Wang Weimin is the Chairman of the Board and Mr. Tan Cho Lung Raymond is the Chief Executive Officer of the Company.

The Chairman is responsible for providing leadership to, and overseeing the functioning of the Board to ensure that the Board acts in the best interests of the Group. The Chairman is primarily responsible for approving the agenda for each Board meeting, taking into account, where appropriate, matters raised by other Directors for inclusion in the agenda. With the support of the Company Secretary, the Chairman seeks to ensure that all Directors are properly briefed on issues arising at Board meetings and receive reliable, adequate and complete information in a timely manner. The Chairman also actively encourages Directors to fully engage in the Board's affairs and make contribution to the Board's functions.

The Chief Executive Officer is in charge of the Company's operations and day-to-day management. The Chief Executive Officer is also responsible for developing strategic plans and formulating the organizational structure, control systems and internal procedures and processes for the Board's approval.

Composition

During the year ended 31 December 2024, there were five executive Directors, including the Chairman of the Board, one non-executive Director and three independent non-executive Directors. The number of independent non-executive Directors constitute one-third of the Board which is in compliance with the requirement under Rule 3.10A of the Listing Rules. Hence, there has a strong independence element in the composition of the Board. Each of the Directors has the relevant experience, competencies and skills appropriate to the requirements of the business of the Group. The independent non-executive Directors are expressly identified as such in all corporate communications that disclose the names of Directors of the Company.

Biographical details of the Directors are set out on pages 34 to 36 of this annual report. Dr. Tan Siu Lin, the Honorary Life Chairman, is the father of Mr. Tan Cho Lung, Raymond, the Chief Executive Officer and an executive Director. Save as disclosed, to the best knowledge of the Company, there are no financial, business, family or other material or relevant relationships amongst members of the Board.

Board Independence

The Company recognizes that Board independence is key to Board effectiveness and good corporate governance. The Board has established mechanisms to ensure independent views and input from any Director of the Company are conveyed to the Board for enhancing an effective and objective decision making. The mechanisms are reviewed by the Board on an annual basis, through its Nomination Committee and Remuneration Committee, to ensure its effectiveness:

(i) The Board includes three independent non-executive Directors, representing one-third of the Board, which is in compliance with the Listing Rules;

(ii) External independent professional advice is also available to all Directors (including Independent Non-executive Directors) whenever deemed necessary;

(iii) No equity-based remuneration with performance-related elements will be granted to Independent Non-executive Directors as this may jeopardize their decision making and compromise their independence and objectivity;

(iv) A Director (including Independent Non-Executive Director) who has a material interest in a contract, transaction, other arrangement shall not vote or be counted in the quorum on any Board resolution approving the same;

(v) The Chairman of the Board meets with Independent Non-Executive Directors annually without the presence of the executive Director and non-executive Directors;

(vi) The Company has a vigorous selection criteria, nomination and appointment/re-appointment process for Directors (including Independent Non-executive Directors), see "Nomination Procedures" on page 59 of this report;

(vii) To facilitate participation and attendance at Board and Board committee meetings, the Company plans meeting schedules for the year in advance, with remote facilities for attendance. All Directors are encouraged to express freely their independent views and constructive challenges during the Board or Board Committee meetings; and

(viii) The independent non-executive Directors and their immediate family receive no payment from the Company or its subsidiaries (except the director fee). No family member of any independent non-executive Directors is employed as an executive officer of the Company or its subsidiaries or has been so in the past three years. The independent non-executive Directors are subject to retirement and re-election at the annual general meeting in accordance with the provisions of the Articles of Association.

During the year ended 31 December 2024, the Board at all times met the requirements of the Listing Rules relating to the appointment of Independent Non-executive Directors as mentioned in item (i) above. Based on the independence guidelines set out in Rule 3.13 of the Listing Rules, the Company considers all of the independent non-executive Directors to be independent of the management and free of any relationship that could materially interfere with the exercise of their independent judgement.

Supply of and access to information

In respect of regular Board meetings, an agenda and accompanying board papers of the meeting are sent in full to all Directors at least 3 days before the intended date of a meeting. The management has the obligation to supply the Board and the various committees with adequate information in a timely manner to enable the members to make informed decisions. All board papers and minutes are also made available for inspection by the Board and its Committees.

Continuing professional development

Directors are committed to comply with Code Provision C.1.4 of the CG Code on Directors' training so as to ensure that their contribution to the Board will be informed and relevant. All Directors have participated in appropriate continuous professional development to develop and refresh their knowledge and skills and provided the Company their record of training they received for the year ended 31 December 2024.

Individual directors had also attended seminars and/or conferences or workshops or forums relevant to his profession and duties as directors.

A summary of training record of each Director for the year ended 31 December 2024 is summarized below:

Board Members	Type of training
Executive Directors	
WANG Weimin	A
TAN Siu Lin	A
TAN Cho Lung, Raymond	A
ZHANG Min	A
JIN Xin	A
Non-executive Director	
FOK Yue San, Sandy *(appointed on 1 April 2024)*	A
MOK Siu Wan, Anne *(retired on 1 April 2024)*	A
Independent non-executive Directors	
CHAN Henry	A
WANG Ching *(retiring with effect from 29 March 2025)*	A
LEE Cheuk Yin, Dannis	A

A: attending seminars/conferences/workshops/forums

B: reading newspapers/journals and updates relating to their profession and director's responsibility

During the year ended 31 December 2024, Mr. Chan Hiu Leong, the Company Secretary, has undertaken no less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules.

BOARD COMMITTEES

The audit committee ("Audit Committee"), remuneration committee ("Remuneration Committee") and nomination committee ("Nomination Committee") of the Company (collectively, "Board Committees") have been established by the Board in accordance with the CG Code and these Board Committees are mainly composed of independent non-executive Directors. Each of these Board Committees has specific written terms of reference which are posted on the website of the Company and the Stock Exchange. The Board Committees are provided with sufficient resources to discharge their duties, including access to management or professional advice if considered necessary.

AUDIT COMMITTEE

The Audit Committee was established with written terms of reference that sets out the authorities and duties of the Audit Committee adopted by the Board. The functions of risk management and corporate governance was adopted into the terms of reference of Audit Committee in compliance with the Listing Rules.

The Audit Committee currently comprises three independent non-executive Directors and one non-executive Director, none of the members of the Audit Committee is a former partner of the external auditor. The Audit Committee must meet not less than two times a year with the Company's external auditor and meetings shall be held at such other times on an ad hoc/as-needed basis. It meets with the external auditor and the management of the Group, to ensure that the audit findings are addressed properly. The Audit Committee is authorized to take independent professional advice at Company's expense. The principal responsibilities of the Audit Committee include the following:

(i) To review the relationship with the external auditor by reference to the work performed by the auditor, their fees and terms of engagement, and make recommendation to the Board on the appointment, re-appointment and removal of external auditor.

(ii) To review the financial statements and reports and consider any significant or unusual items raised by the external auditor or qualified accountant before submission to the Board.

(iii) To review the effectiveness and adequacy of the Company's financial reporting system, internal control systems and associated procedures, risk management and corporate governance matters.

(iv) To review the resources, qualifications, experience, training programs and budget of the staff of the Group's financial reporting and accounting and internal audit functions are adequate.

The Audit Committee held four meetings during the year to review the financial results and reports, financial reporting and compliance procedures, internal control and risk management systems, corporate governance matters and the re-appointment of the external auditor. The Audit Committee recommended to the Board that, subject to the shareholders' approval at the forthcoming annual general meeting of the Company, Messrs. PricewaterhouseCoopers be re-appointed as the external auditor of the Group for 2025.

In 2024, four Audit Committee meetings were held and the attendance is presented below:

Audit Committee Members	Meeting Attended/Held
Independent non-executive Directors	
LEE Cheuk Yin, Dannis	4/4
CHAN Henry	4/4
WANG Ching *(retiring with effect from 29 March 2025)*	4/4
Non-executive Director	
FOK Yue San, Sandy *(appointed on 1 April 2024)*	2/2
Mok Siu Wan Anne *(retired on 1 April 2024)*	2/2

The consolidated financial statements for the year have been audited by PricewaterhouseCoopers. During the year, remuneration of approximately US$600,000 was payable to PricewaterhouseCoopers for the provision of audit services. In addition, approximately US$200,000 was payable to PricewaterhouseCoopers for non-audit services. Non-audit services mainly included tax advisory services, interim review service and preparation of ESG Report. The Audit Committee is of the view that the auditors' independence is not affected by the services rendered.

REMUNERATION COMMITTEE

The Remuneration Committee was set up with the responsibility of recommending to the Board the remuneration policy of all the Directors and the senior management. In addition, the Remuneration Committee provides effective supervision and administration of the Company's share scheme. The authorities and duties of the Remuneration Committee are set out in its written Terms of Reference (the "RC Terms of Reference"), which are available on the Company's website: http://www.luenthai.com. The Remuneration Committee comprises three independent non-executive Directors and one executive Director.

The Chairman of the Remuneration Committee is required to report to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.

A meeting of the Remuneration Committee is required to be held at least once a year to coincide with key dates within the financial reporting and audit cycle.

The attendance record for the Remuneration Committee's meeting during the year ended 31 December 2024 is as follows:

Remuneration Committee Members	Meeting Attended/Held
Independent non-executive Directors	
CHAN Henry	1/1
WANG Ching *(retiring with effect from 29 March 2025)*	1/1
LEE Cheuk Yin, Dannis	1/1
Executive Director	
ZHANG Min	1/1

The Remuneration Committee is authorized to investigate any matter within the RC Terms of Reference and seek any information it requires from any employee and obtain outside legal or other independent professional advice at the cost of the Company if it considers necessary. The Remuneration Committee shall make recommendations to the Board on the Company's remuneration policy and structure for all Directors' and senior management. The Remuneration Committee has reviewed the compensation of the Directors and senior executives for 2024.

Details of Director's remuneration and the five highest paid individuals are set out in note 25(b) to the financial statements pursuant to code provision E.1.5 of the CG Code.

In 2024, total Directors' remuneration amounted to approximately US$1,105,000 (2023: US$787,000). The executive Directors and senior management's compensation, including the long-term incentive, shall be based on the corporate and individual performance. Details of the remunerations of the Directors are set out in note 35(a) of the consolidated financial statements.

NOMINATION COMMITTEE

The Nomination Committee was established in March 2012 with written terms of reference in compliance with the requirements of the Listing Rules and the CG Code, which is published on the website of the Stock Exchange and the Company. The Nomination Committee comprises three independent non-executive Directors and one executive Director.

Upon acceptance of appointment, a new Director is provided with sufficient orientation package, including introduction to Group's activities (when necessary), induction into their responsibilities and duties, and other regulatory requirements, to ensure that he has a proper understanding of the business and his responsibilities as a Director.

The Nomination Committee reviews regularly the structure, size and composition of the Board and may make recommendations to the Board on the nominees for appointment as Directors for their consideration and approval. For the year ended 31 December 2024, one Nomination Committee meeting was held. During the year ended 31 December 2024, the Nomination Committee reviewed the structure, size and composition of the Board.

The attendance record for the Nomination Committee's meeting during the year ended 31 December 2024 is as follows:

Nomination Committee Members	Meeting Attended/Held
Executive Director	
WANG Weimin	1/1
Independent non-executive Directors	
CHAN Henry	1/1
WANG Ching *(retiring with effect from 29 March 2025)*	1/1
LEE Cheuk Yin, Dannis	1/1

Board Diversity Policy

The Board has adopted a policy on board diversity ("Board Diversity Policy") which sets out the approach by the Company to achieve diversity on the Board. Pursuant to the Board Diversity Policy, the Company recognizes and embraces the benefits of having a diverse Board, and sees increasing diversity at Board level as an essential element in maintaining a competitive advantage. A truly diverse Board will include and make good use of differences in the skills, regional and industry experience, background, race, gender and other qualities of Directors. These differences will be considered in determining the optimum composition of the Board and when possible, should be balanced appropriately. All Board appointments are made on merit and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

The Board has reviewed the implementation and effectiveness of the Board Diversity Policy of the Company for the year ended 31 December 2024 and considered it to be effective.

Gender Diversity

The Company aims to avoid a single gender Board and will review the gender diversity of the Board from time to time in accordance with the business development of the Group. The Company believes the gender diversity of the Board would enhance the business development of the Group and bring more inspiration to the Board, hence gender diversity is one of the essential factors for the Company to select suitable candidate as a Director. As at the date of this annual report, the Board consists of one female and eight male Directors. The Board considers that the gender diversity in respect of the Board taking into account the specific needs of the Company is currently satisfactory.

The Group has also taken steps to promote diversity at all levels of its workforce (including senior management). Opportunities for employment, training and career advancement are equally opened to all eligible employees without discrimination. Currently, the female to male ratio in the workforce of the Group is approximately 7:3 which is in line with the apparel and accessories manufacturing industry. The Board considers that the gender diversity in workforce is currently achieved.

Nomination Policy

The Nomination Committee shall nominate suitable candidates to the Board for it to consider and make recommendations to the Shareholders for election as Directors at general meetings or appoint Directors to fill casual vacancies. When the Nomination Committee considers it appropriate, it invites Board members or any person to nominate candidates and makes final recommendations for the Board's consideration and approval.

Selection Criteria

When assessing and selecting candidates for directorships, the members of the Nomination Committee shall consider the following factors:

(a) age, skills, knowledge, experience, expertise, professional and educational qualifications, background and other personal qualities of the candidate;

(b) effect on the Board's composition and diversity;

(c) commitment of the candidate to devote sufficient time to effectively carry out his/her duties. In this regard, the number and nature of offices held by the candidate in public companies or organizations, and other executive appointments or significant commitments will be considered;

(d) potential/actual conflicts of interest that may arise if the candidate is selected;

(e) independence of the candidate;

(f) in the case of a proposed re-appointment of an independent non-executive director, the number of years he/she has already served the Company; and

(g) other factors considered to be relevant by the Nomination Committee on a case-by-case basis.

These factors are for reference only, and not meant to be decisive and exhaustive. The Nomination Committee has the discretion to nominate any person, as it considers appropriate.

Nomination Procedures

Appointment of Directors

(a) The Nomination Committee identifies individual(s) suitably qualified to become Board members, having due regard to the Nomination Policy, and the Board Diversity Policy, and assesses the independence of the proposed independent non-executive Director(s) as appropriate;

(b) The Nomination Committee may use any process it deems appropriate to evaluate the candidate(s), which may include personal interviews, background checks, presentations or written submissions by the candidate(s) and third party references;

(c) The Nomination Committee makes recommendation(s) to the Board;

(d) The Board considers the individual(s) recommended by the Nomination Committee, having due regard to the Nomination Policy, the Board Diversity Policy and the Corporate Governance Guidelines;

(e) The Board confirms the appointment of the individual(s) as Director(s) or recommends the individual(s) to stand for election at a general meeting. Individual(s) appointed by the Board to fill a casual vacancy or as an addition to the Board will be subject to re-election by shareholders of the Company (the "Shareholders") at the next annual general meeting after initial appointment in accordance with the Company's articles of association; and

(f) The Shareholders approve the election of individual(s), who stand(s) for election at general meeting, as Director(s).

Re-appointment of Directors

(a) The Nomination Committee considers each retiring Director, having due regard to the Nomination Policy, the Board Diversity Policy and the Corporate Governance Guidelines, and assesses the independence of each retiring independent non-executive Director;

(b) The Nomination Committee makes recommendation(s) to the Board;

(c) The Board considers each retiring Director recommended by the Nomination Committee, having due regard to the Nomination Policy, the Board Diversity Policy and the Corporate Governance Guidelines;

(d) The Board recommends the retiring Directors to stand for re-election at the annual general meeting in accordance with the Company's articles of association; and

(e) The Shareholders approve the re-election of Directors at the annual general meeting.

ACCOUNTABILITY AND AUDIT

Financial reporting

The Directors are responsible for the preparation of financial statements for each financial period which give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing the financial statements for the year ended 31 December 2024, the Directors have selected suitable accounting policies and applied them consistently; adopted appropriate Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards; made adjustments and estimates that are prudent and reasonable; and have prepared the financial statements on the going concern basis. Accordingly, the Directors have prepared the financial statements on a going concern basis. The Directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company. In addition, an explanation of the basis on which the Company generates or preserves value over the longer term and the strategy for delivering the Company's objective is included in the Chairman's Statement, Message from our CEO and the Management Discussion and Analysis sections on pages 3 to 9, pages 10 to 23 and pages 24 to 33 respectively.

Risk Management and Internal Control

The Board has overall responsibility for the system of risk management and internal controls of the Company and for reviewing its effectiveness through the Audit Committee. Such system is aimed to provide reasonable but not absolute assurance against material misstatement, loss or fraud.

The Board has delegated to executive management teams the design, implementation and ongoing assessment of such internal control systems, while the Board through the Audit Committee oversees and reviews the adequacy and effectiveness of relevant internal controls and risk management procedures that have been in place. Qualified personnel within the Group maintain and monitor these systems of controls on an ongoing basis.

The Group operates within an established control environment, which is consistent with the principles outlined in Internal Control and Risk Management — A Basic Framework issued by the Hong Kong Institute of Certified Public Accountants. The scope of internal control focused on three major areas: effectiveness and efficiency of operations; reliability of financial reporting; and compliance with applicable laws and regulations.

The Board is committed to the management, identification and monitoring of risks (including environmental and social risks and opportunities) associated with its business activities and has implemented an effective and sound risk management and internal controls systems to safeguard the interests of the shareholders and the Group's assets.

The internal control procedures of the Group feature a comprehensive budgeting and financial/management reporting system to facilitate management's ongoing review and monitoring. Business strategic plans and budgets are prepared on an annual basis by the management of individual business and subject to review and approval by the executive Directors. During the budget setting process, the likelihood and potential financial impact of fundamental and emerging business risks have been identified, evaluated and reported by the management. Certain procedures and guidelines have been established for management approval and control including but not limited to capital expenditures, mergers and acquisitions, unbudgeted items and operating expenses.

The executive Directors review the monthly management reports on major business units and the financial results and hold periodic meetings with senior finance and operational management team to review and discuss the business performance against budget, market outlooks, and to address deficiencies of any key issues on a timely basis.

The Group has adopted a principle of minimizing financial and capital risks. Details of our financial and capital risk management covering market risk (including foreign exchange risk, cash flow interest rate risk), credit risk and liquidity risk are set out in Note 3 to the consolidated financial statements on pages 80 to 87.

All major operations are governed by its standard operating procedures with authorization matrix and key performance indicators and supplemented by written policies and procedures tailored to the respective business units and support functions. These policies and procedures are aimed to provide guidelines on key risk management and control standards for our global operations and are updated on a regular and timely basis.

Significant investments and acquisitions (with consideration above a preset threshold) require the Board's approval. Established procedures are in place to monitor the ongoing performance of the investments against targeted objectives. Post-acquisition Management team was established to support and monitor the key integration process of acquired business through a structured integration program focusing on the alignment of operational, financial and compliance controls with the Group's standards and practices, and projected synergies and developments. The Internal Audit Team ("IA Team") also reports to the management and the Audit Committee any significant integration issues and rectification actions which were identified during the internal audit review.

The IA Team was established in May 2005 with an Internal Audit Charter approved and adopted by the Audit Committee. The IA Team is an independent unit established within the Group, which provides the Board with an independent appraisal of the Group's system of risk management and internal controls (including fraud assessment) and evaluation of the adequacy and effectiveness of the controls established to safeguard shareholders' investment and the Group's assets on an ongoing basis. The head of Internal Audit has a direct reporting line to the Audit Committee.

The IA Team independently reviews compliance with Group policies and guidelines, legal and regulatory requirements, risk management and internal controls and evaluates their adequacy and effectiveness. The IA Team is also tasked to review special areas of concern or risk as raised by the Audit Committee or the management.

The Internal Audit plan is risk-based that covers the Group's significant operations over a cycle and recurring basis. The annual internal audit review plan is reviewed and endorsed by the Audit Committee, the head of Internal Audit attends meetings of the Audit Committee held during the year to report its progress in achieving the audit plan. The internal audit scope covers significant controls including financial, operational and compliance controls, and risk management policies and procedures. Major findings and recommendations including the implementation status of agreed recommendations are reported at the Audit Committee meetings, no major issues but areas of improvement have been identified. Directors and the Audit Committee considered that the major areas of the internal control systems of the Group are reasonably and adequately implemented.

As part of the annual review of the effectiveness of the Group's risk management and internal control systems for 2024, management teams of business units conducted an internal control self-assessment of business operations and relevant accounting and support functions, and considered that sound risk management and internal control practices were in place for 2024.

Our external auditor performs independent statutory audits of the Group's consolidated financial statements. The external auditor also reports to the Audit Committee any significant weaknesses in our internal control which come to notice during the course of the audit. Responsible management have been responded and followed up recommendations from the external auditor.

Over the years, the Company has adopted a code of business ethics which requires all Directors and employees to conform with a set of high ethical standards in conducting the business. The Company has also adopted the inside information policy setting out the guidelines to the Directors and employees of the Group in accordance with the applicable laws and regulations.

Based on the respective assessments made by management and the IA Team, and also taking into account the results of the audit conducted by the external auditors, the Audit Committee and the Directors considered that for 2024:

(i) the risk management, internal controls and accounting systems of the Group are designed to provide reasonable but not absolute assurance that material assets are protected, business risks attributable to the Group are identified and monitored, material transactions are executed in accordance with management's authorization and the financial statements are reliable for publication;

(ii) the risk management and internal controls systems of the Group have been implemented with room for improvement and the IA Team has actively conducted follow-up audit for any improvements which were identified;

(iii) there is an on-going process in place for identifying, evaluating and managing significant risks faced by the Group; and

(iv) the resources, staff qualifications and experience, training programs and budget of the Group's accounting and financial reporting and internal audit functions were adequate.

Whistleblowing Policy

The Company has established a well-defined whistleblowing policy for the Group's employees and those who deal with the Group (e.g. customers, suppliers and business partners) to report genuine concerns about any suspected or actual improprieties in any matter related to the Group, which is in line with our commitment to maintain and achieve high standards of openness and accountability. An email account has been set up for this specific purpose. The IA Team will investigate the reported cases in a confidential and timely manner and report the results of investigations with appropriate follow-up action to the Audit Committee on a regular basis.

External Auditors

PricewaterhouseCoopers has been appointed as the external auditor of the Company. The Audit Committee has been notified of the nature and the service charges of non-audit services performed by PricewaterhouseCoopers and considered that such services have no adverse effect on the independence of the external auditor.

COMMUNICATION WITH SHAREHOLDERS

A shareholders' communication policy has been adopted by the Company, with the objective to ensure that the shareholders of the Company (the "Shareholders"), both institutional and individual, are provided with equal, ready and timely access to accurate, balanced, understandable, and transparent information about the Company. Major means of communication with the Shareholders are as follows:

Disclosure of information on corporate website

All material information in both English and Chinese about the Group is made available on the Company's website (www.luenthai.com). The Company regularly updates its corporate information such as annual reports, interim reports, corporate governance practices, business development and operations to all concerned parties on a timely basis. Announcements made through the Stock Exchange, the same information will be made available on the Company's website.

General meetings with shareholders

The Company's general meeting acts as a useful platform for direct communication between the Shareholders and the Board. Separate resolutions are proposed on each substantially separate issue at the general meetings.

The 2024 annual general meeting ("2024 AGM") and an extraordinary general meeting ("2024 EGM") were held on 30 May 2024 and 16 January 2024 respectively. The attendance record of the Directors at the 2024 AGM and 2024 EGM are set out below:

	2024 AGM Attended/Held	2024 EGM Attended/Held
Executive Directors		
WANG Weimin	1/1	1/1
TAN Siu Lin	0/1	0/1
TAN Cho Lung, Raymond	1/1	1/1
ZHANG Min	1/1	1/1
JIN Xin	1/1	1/1
Non-executive Director		
FOK Yue San, Sandy *(appointed on 1 April 2024)*	1/1	N/A
MOK Siu Wan Anne *(retired on 1 April 2024)*	N/A	1/1
Independent non-executive Directors		
CHAN Henry	1/1	1/1
WANG Ching *(retiring with effect from 29 March 2025)*	1/1	1/1
LEE Cheuk Yin, Dannis	1/1	1/1

The Company's independent external auditor also attended the 2024 AGM.

Voting by poll

Separate resolutions for each issue to be considered will be proposed and voted by a way of poll at the general meetings of the Company. Procedures regarding the conduct of the poll are explained to the Shareholders at the commencement of each general meeting, and questions from Shareholders regarding the voting procedures are answered. The poll results are posted on the websites of the Stock Exchange and the Company respectively on the same day as the poll.

The Company has assessed the implementation and effectiveness of the shareholders' communication policy including but not limited to steps taken at the general meetings, procedures for handling queries received (if any) and the diverse communication channels and engagement in place and considered that the shareholders' communication policy has been properly and effectively implemented for the year ended 31 December 2024.

SHAREHOLDERS' RIGHTS

Procedures for Shareholders to convene Extraordinary General Meeting ("EGM")

Pursuant to Article 58 of the Articles of Association, any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require an EGM to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

The written requisition must state the objects of the EGM and must be signed by the requisitionists concerned and deposited at the registered office of the Company at Rooms 1001–1005, 10th Floor, Nanyang Plaza, 57 Hung To Road, Kwun Tong, Kowloon, Hong Kong for the attention of the Company Secretary. The requisition may consist of several documents in like form, each signed by one or more of the requisitionists concerned.

The EGM convened by the requisitionists shall be convened in the same manner, as nearly as possible, as that in which general meetings are to be convened by the Board.

Procedures for directing Shareholders' enquiries to the Board

Shareholders may at any time send their enquiries to the Board in writing through the Company Secretary of the Company whose contact details are as follows:

Luen Thai Holdings Limited
Rooms 1001–1005, 10th Floor, Nanyang Plaza,
57 Hung To Road, Kwun Tong,
Kowloon, Hong Kong
Email: corporate_communications@luenthai.com

The Company Secretary shall forward the Shareholders' enquiries and concerns to the Board and/or relevant board committees of the Company, where appropriate, to answer the Shareholders' questions.

In addition, Shareholders may also make enquiries to the Board at the general meetings of the Company.

Procedures for Shareholders to propose a person for election as a Director

Subject to applicable laws, rules and regulations, including the Listing Rules and the Articles of Association as amended from time to time, if any Shareholder(s) intends to propose a person other than a Director for election as a Director at any general meeting, the following procedures shall apply:

- a notice signed by a Shareholder (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also a notice signed by the person to be proposed of his willingness to be elected shall have been lodged at the head office or at the Hong Kong Branch Share Registrar of the Company;

- such notice(s) shall be given within seven (7) days after the day of dispatch of the notice of the meeting (or such other period, being a period of not less than seven (7) days, commencing no earlier than the day after the dispatch of the notice of such meeting and ending no later than seven (7) days prior to the date of such meeting, as may be determined by the Board from time to time); and

- in order for the Company to inform Shareholders of that proposal, such notice(s) for the nomination of a director must state the full name of the person nominated for election as a Director and include the person's biographical details as required by the Listing Rules.

For Shareholders who would like to nominate a person for election as a Director at the forthcoming annual general meeting, please refer to the notice of the annual general meeting to be published for further information on the relevant nomination period.

Constitutional documents

A copy of the Articles is available on the websites of the Company and the Stock Exchange. During the period from 1 January 2024 up to the date of this annual report, there was no change in constitutional documents of the Company.

Dividend Policy

The Company intends to maintain a balance between meeting the expectations of the Shareholders and retaining adequate capital for development and operation of the Company's business. According to the dividend policy of the Company ("Dividend Policy"), in deciding whether to declare or recommend a dividend, the Board shall consider the following factors:

- the Group's operating results, actual and expected financial performance;
- the liquidity position of the Group;
- retained earnings and distributable reserves of the Company and each of the subsidiaries of the Group;
- the Group's capital expenditure requirements, working capital requirements and future expansion plans;
- general economic and financial conditions, business cycle of the Group and other internal or external factors that may have an impact on the business or financial performance and position of the Company;
- statutory and regulatory restrictions; and
- any other factors the Board may deem relevant and appropriate.

The recommendation of the payment of any dividend is subject to the absolute discretion of the Board, and any declaration of final dividend will be subject to the approval of the Shareholders. The Dividend Policy will be reviewed from time to time and there is no assurance that a dividend will be proposed or declared in any specific periods.

INDEPENDENT AUDITOR'S REPORT

羅兵咸永道

TO THE SHAREHOLDERS OF LUEN THAI HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of Luen Thai Holdings Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 72 to 157, comprise:

- the consolidated statement of financial position as at 31 December 2024;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

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pwc 羅兵咸永道

KEY AUDIT MATTER

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter identified in our audit is related to the risk of impairment of non-financial assets relating to the cash-generating units of Apparel and Accessories.

Key Audit Matter	How our audit addressed the Key Audit Matter
Risk of impairment of non-financial assets relating to the cash-generating units of Apparel and Accessories *Refer to Notes 4, 6, 7 and 8 to the consolidated financial statements* As at 31 December 2024, the Group had a total of non-financial assets related to Apparel and Accessories segments of US$84,911,000 and US$69,240,000, respectively. Annual impairment assessments were performed based on the value in use calculation using the discounted cash flow model in order to determine the recoverable amounts of the cash-generating units of Apparel and Accessories ("CGUs"). After taking into account the result of the impairment assessments performed, no provision for impairment of non-financial assets was made in respect of these CGUs.	We tested management's impairment assessments of non-financial assets which focused on assessing the reasonableness of the key assumptions used in determining the recoverable amounts. Our procedures performed included the following: o Obtained an understanding of the management's internal control and assessment process in identifying the indicators of potential impairment and estimating the recoverable amounts of the CGUs, and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity, changes, uncertainty and susceptibility to management bias or fraud; o Involved our internal valuation expert to assess the appropriateness of the methodologies used in determining the recoverable amounts;

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KEY AUDIT MATTER (CONTINUED)

Key Audit Matter	How our audit addressed the Key Audit Matter
Risk of impairment of non-financial assets relating to the cash-generating units of Apparel and Accessories (Continued) We focused on auditing the impairment of non-financial assets because the estimation of recoverable amounts is subject to certain degree of estimation uncertainty. The inherent risk in relation to the impairment assessment of property, plant and equipment, right-of-use assets and intangible assets is considered significant due to subjectivity of significant assumptions used and significant judgements involved in selecting data for determining the discounted cash flow under the value in use calculation. The key assumptions used are as follows: • Average revenue growth; • Average gross profit margin; • Terminal growth rate; and • Discount rate.	o Tested the underlying calculations and compared the data used in the discounted cash flow to the latest budgets prepared by management; o Assessed the reasonableness of the key assumptions used as follows: • evaluated the assumptions used, mainly average revenue growth, average gross profit margin and terminal growth rate, within the impairment assessment by comparing them to industry information and customer's public information; and • benchmarked the discount rates used in determining the recoverable amounts against certain market data and industry research; o Reviewed sensitivity analysis performed by management over key assumptions in the models in order to assess the potential impact of a range of possible outcomes; and o Reviewed the inclusion of all appropriate assets and liabilities in the cash-generating units. Based on the above, we considered that the management's judgements, assumptions and the methodologies used are supported by the evidence obtained from the procedures performed.

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OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

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AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purpose of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Lai Pui Ling, Sandra.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 28 March 2025

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2024

	Note	31 December 2024 US$'000	31 December 2023 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	**87,386**	105,203
Right-of-use assets	7	**23,202**	25,039
Intangible assets	8	**43,563**	44,231
Interests in joint ventures and associates	10	**5,078**	5,893
Deferred income tax assets	11	**3,385**	3,455
Deposits, prepayments and other receivables	14	**3,197**	4,604
Total non-current assets		**165,811**	188,425
Current assets			
Inventories	12	**55,584**	65,292
Trade and other receivables	14	**165,439**	141,170
Prepaid income tax		**4,247**	4,330
Derivative financial instruments	22	**31**	–
Cash and bank balances	15	**54,871**	75,780
Total current assets		**280,172**	286,572
Total assets		**445,983**	474,997
EQUITY			
Equity attributable to owners of the Company			
Share capital	16	**10,341**	10,341
Other reserves	17	**(6,685)**	(2,680)
Retained earnings		**152,298**	183,007
		155,954	190,668
Non-controlling interests		**748**	1,018
Total equity		**156,702**	191,686

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2024

	Note	31 December 2024 US$'000	31 December 2023 US$'000
LIABILITIES			
Non-current liabilities			
Borrowings	18	–	556
Lease liabilities	7	19,514	19,930
Retirement benefit obligations	19	4,351	7,730
Deferred income tax liabilities	11	2,214	2,438
Total non-current liabilities		26,079	30,654
Current liabilities			
Trade and other payables	20	86,796	82,268
Provisions	21	19,078	17,533
Borrowings	18	143,501	142,099
Lease liabilities	7	3,202	3,414
Derivative financial instruments	22	–	52
Current income tax liabilities		10,625	7,291
Total current liabilities		263,202	252,657
Total liabilities		289,281	283,311
Total equity and liabilities		445,983	474,997

The consolidated financial statements on pages 72 to 157 were approved by the Board of Directors on 28 March 2025 and signed on its behalf by:

Tan Cho Lung, Raymond
Director

Weimin Wang
Director

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2024

	Note	2024 US$'000	2023 US$'000
Revenue	5	674,386	696,634
Cost of sales	24	(600,148)	(601,363)
Gross profit		74,238	95,271
Other (losses)/gains — net	23	(3,647)	880
Reversal of/(provision for) impairment of trade and other receivables	3.1(b)(ii)	107	(230)
Selling and distribution expenses	24	(1,736)	(1,419)
General and administrative expenses	24	(83,146)	(88,170)
Operating (loss)/profit		(14,184)	6,332
Finance income	26	659	1,508
Finance costs	26	(13,778)	(13,940)
Finance costs — net	26	(13,119)	(12,432)
Share of profit of joint ventures and associates — net	10	536	545
Loss before income tax		(26,767)	(5,555)
Income tax expenses	27	(6,719)	(363)
Loss for the year		(33,486)	(5,918)
(Loss)/profit attributable to:			
Owners of the Company		(33,891)	(6,008)
Non-controlling interests		405	90
		(33,486)	(5,918)
Loss per share attributable to owners of the Company for the year (expressed in US cents per share)			
Basic and diluted	28	(3.3)	(0.6)

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2024

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

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2024

	Attributable to owners of the Company				
	Share Capital (Note 16) US$'000	Other reserves (Note 17) US$'000	Retained earnings US$'000	Non-controlling interests US$'000	Total equity US$'000
Balance at 1 January 2023	10,341	(883)	191,786	1,177	202,421
(Loss)/profit for the year	–	–	(6,008)	90	(5,918)
Other comprehensive income:					
Currency translation differences	–	(687)	–	–	(687)
Actuarial losses on retirement benefit obligations	–	(1,110)	–	–	(1,110)
Total comprehensive (loss)/income	–	(1,797)	(6,008)	90	(7,715)
Total contributions by and distributions to owners of the Company, recognised directly in equity					
Dividend declared and paid to shareholders	–	–	(2,771)	–	(2,771)
Dividend declared to non-controlling interests	–	–	–	(249)	(249)
Total transactions with owners, recognized directly in equity	–	–	(2,771)	(249)	(3,020)
Balance at 31 December 2023	10,341	(2,680)	183,007	1,018	191,686
Balance at 1 January 2024	**10,341**	**(2,680)**	**183,007**	**1,018**	**191,686**
(Loss)/profit for the year					
Other comprehensive income:	**–**	**–**	**(33,891)**	**405**	**(33,486)**
Currency translation differences	**–**	**954**	**–**	**–**	**954**
Actuarial losses on retirement benefit obligations	**–**	**(541)**	**–**	**–**	**(541)**
Total comprehensive (loss)/income	**–**	**413**	**(33,891)**	**405**	**(33,073)**
Total contributions by and distributions to owners of the Company, recognised directly in equity					
Transfer of accumulated remeasurements of defined benefits obligations to retained earnings upon settlement	**–**	**(3,182)**	**3,182**	**–**	**–**
Dividend declared to non-controlling interests	**–**	**–**	**–**	**(273)**	**(273)**
Disposal of a subsidiary (Note 32(b))	**–**	**–**	**–**	**(1,638)**	**(1,638)**
Transactions with non-controlling interests					
Acquisition of non-controlling interests (Note 32(a))	**–**	**(1,236)**	**–**	**1,236**	**–**
Total transactions with owners, recognized directly in equity	**–**	**(4,418)**	**3,182**	**(675)**	**(1,911)**
Balance at 31 December 2024	**10,341**	**(6,685)**	**152,298**	**748**	**156,702**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2024

	Note	2024 US$'000	2023 US$'000
Cash flows from operating activities			
Cash (used in)/generated from operations	30(a)	(897)	12,788
Interest paid	30(c)	(13,778)	(13,940)
Income tax paid		(3,456)	(1,568)
Net cash outflow from operating activities		(18,131)	(2,720)
Cash flows from investing activities			
Purchases of property, plant and equipment	6	(2,901)	(3,720)
Proceeds from disposals of property, plant and equipment	30(b)	891	421
Proceeds from disposals of a joint venture	30(b)	1,028	—
Proceeds from disposals of subsidiaries	32(b)	974	—
Interest received		659	1,508
Dividends received from a joint venture	10(a)	—	649
Increase in bank deposits maturing beyond 3 months		(735)	—
Net cash outflow from investing activities		(84)	(1,142)
Cash flows from financing activities			
Net decrease in bank borrowings of trade finances arising from transferred receivables	30(c)	(649)	(607)
Net decrease in bank borrowings of other trade finances	30(c)	(8,882)	(3,088)
Proceeds from bank borrowings of term loans	30(c)	92,133	285,333
Repayments of bank borrowings of term loans	30(c)	(81,756)	(287,484)
Repayments of principal element of lease payments	30(c)	(3,860)	(5,123)
Dividends paid to shareholders		—	(2,771)
Dividends paid to non-controlling interests		(273)	(249)
Net cash outflow from financing activities		(3,287)	(13,989)
Net decrease in cash and cash equivalents		(21,502)	(17,851)
Cash and cash equivalents at beginning of the year		75,780	93,952
Exchange losses on cash and bank balances		(142)	(321)
Cash and cash equivalents at end of the year	15	54,136	75,780

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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.

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

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

These consolidated financial statements are presented in United States dollars ("US$"), unless otherwise stated.

2 BASIS OF PREPARATION

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

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. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

(a) Amended standards and interpretation adopted by the Group

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

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

2 BASIS OF PREPARATION (CONTINUED)

(a) Amended standards and interpretation adopted by the Group (Continued)

The updated policy did not result in a change in the classification of Group's bank borrowings as at 31 December 2024. The Group did not make retrospective adjustments as a result of adopting the amendments to HKAS 1.

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

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

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

		Effective for annual reporting periods beginning on or after
Amendments to HKAS 21	Lack of Exchangeability	1 January 2025
Amendments to HKFRS 9 and HKFRS 7	Classification and Measurement of Financial Instruments	1 January 2026
HKFRS 1, HKFRS 7, HKFRS 9, HKFRS 10 and HKAS 7	Annual Improvements to HKFRS Accounting Standards — Volume 11	1 January 2026
HKFRS 18	Presentation and Disclosure in Financial Statements	1 January 2027
HKFRS 19	Subsidiaries without Public Accountability: Disclosures	1 January 2027
Amendments to Hong Kong Interpretation 5	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2027
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

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

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

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures which considered the impact is immaterial to the Group.

Risk management is carried out by a central treasury department ("Group Treasury") under policies approved by the Board of Directors. Group Treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board of Directors provides guidance for overall risk management and specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

(a) Market risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Hong Kong dollar ("HK$"), the Euro ("Euro"), the Philippine Peso ("Peso") and the Chinese Renminbi ("RMB"). Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations.

To manage the foreign exchange risk arising from future commercial transactions and recognized assets and liabilities, the Group enters into foreign exchange forward contracts with external financial institutions to partially hedge against such foreign exchange risk. The Group also mitigates this risk by maintaining HK$, Euro, Peso and RMB bank accounts which are used by the Group to pay for the transactions denominated in these currencies.

The HK$ is pegged to the US$ and thus foreign currency exposure is considered as minimal and is not hedged. At 31 December 2024, if the US$ had weakened/strengthened by 5% (2023: 5%) against the Euro with all other variables held constant, the post-tax loss for the year would have been US$180,000 lower/higher (2023: US$94,000), mainly as a result of foreign exchange gains/losses on translation of Euro-denominated trade and other receivables, trade payables and cash and bank balances.

At 31 December 2024, if the US$ had weakened/strengthened by 5% (2023: 5%) against the RMB with all other variables held constant, the post-tax loss for the year would have been US$471,000 higher/lower (2023: US$127,000), mainly as a result of foreign exchange losses/gains on translation of RMB-denominated trade and other receivables, trade payables and cash and bank balances.

At 31 December 2024, if the US$ had weakened/strengthened by 5% (2023: 5%) against the Peso with all other variables held constant, the post-tax loss for the year would have been US$57,000 lower/higher (2023: US$143,000 higher/lower), mainly as a result of foreign exchange gains/losses (2023: losses/gains) on translation of Peso-denominated other receivables, trade and other payables and cash and bank balances.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(ii) Cash flow and fair value interest rate risk

The Group's interest rate risk arises from bank borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk. During the year, the Group's borrowings at variable rate were denominated in the US$ and HK$. Borrowings obtained at various rates expose the Group to cash flow interest rate risk which is partially offset by bank deposits held at various rates.

The Group analyses its interest rate exposure on a dynamic basis by running simulations that include scenarios of refinancing, renewal of existing positions and alternative financing. Based on the scenarios, the Group calculates the impact of a defined interest rate shift on consolidated statement of profit or loss. For each simulation, the same interest rate shift is used for all currencies. The simulations will be run only for liabilities that represent major interest-bearing positions.

At 31 December 2024, if interest rates on borrowings had been 50 basis points (2023: 50 basis points) higher/lower with all other variables held constant, post-tax loss for the year would have been US$811,000 higher/lower (2023: US$788,000), mainly as a result of higher interest expense on floating rate borrowings.

(b) Credit risk

Credit risk of the Group mainly arises from deposits with banks and financial institutions, as well as credit exposures to customers such as trade and other receivables and amounts due from related companies. The carrying amounts of these balances in the consolidated statement of financial position represent the Group's maximum exposure to credit risk in relation to its financial assets.

(i) Risk Management

Majority of the Group's bank deposits are placed in those banks and financial institutions which are independently rated with a high credit rating. Management does not expect any losses from non-performance by these banks and financial institutions as they have no default history in the past. Debtors of the Group may be affected by the unfavorable economic conditions, the lower liquidity situation, and deteriorating operating conditions, which have an impact on management's cash flow forecasts and assessment of the impairment of receivables. Management assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. The compliance with credit limits by customers is regularly monitored by management.

(ii) Impairment of financial assets

The Group has two types of financial assets that are subject to the expected credit loss model:

- Trade receivables;
- Other financial assets at amortized cost included in deposit, prepayment and other receivables.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

While cash and cash equivalents and restricted cash are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

Trade receivables

The Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

For customers who are experiencing unexpected economic difficulties, impairment is provided on an individual basis on the entire amounts of the related trade receivables. For the year ended 31 December 2024, the balance of such customers is US$4,101,000 (2023: US$4,101,000) and the corresponding loss allowance in this regard is US$4,101,000 (2023: US$4,101,000).

Expected credit losses are also estimated by grouping the remaining receivables from third parties based on shared credit risk characteristics and the days past due and assessed for the likelihood of loss allowance, individually or collectively taking into account the nature of the customer and its ageing category, the insurance coverage on the balances, and applying expected credit loss rates to the respective gross carrying amounts of the receivables.

The Group uses two categories including individual basis and Grouped basis for those trade receivables which reflect their credit risk and how the loss allowance is determined for each of those categories.

For trade receivables relating to corporate customers, which are listed entities with satisfactory credit history and insurance coverage on the balances, expected credit losses are assessed individually for impairment allowance. As at 31 December 2024, the balances of such individually assessed trade receivables is US$90,796,000 (2023: US$60,075,000) and the corresponding loss allowance is US$4,000 (2023: US$232,000).

The Group has set out the new accounting of write-offs under HKFRS 9 new disclosure requirement and has written off the amount.

Other than those trade receivables which were assessed on an individual basis, trade receivables have been grouped based on shared similar credit risk characteristics and the days past due.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

The following tables present the balances of gross carrying amounts and loss allowance in respect of the collectively assessed trade receivables with insurance as at 31 December 2024:

31 December 2024	**Not yet past due US$'000**	**Past due** 1 to 30 days US$'000	31 to 60 days US$'000	61 to 90 days US$'000	91 to 120 days US$'000	Over 120 days US$'000	**Total US$'000**
Trade receivables	**8,847**	**1,027**	**21**	**19**	**–**	**28**	**9,942**
Expected loss rate	**0.02%**	**0.11%**	**0.64%**	**1.09%**	**–**	**1.44%**	**0.04%**
Loss allowance	**2**	**1**	**–***	**–***	**–**	**1**	**4**

31 December 2023	Not yet past due US$'000	Past due 1 to 30 days US$'000	31 to 60 days US$'000	61 to 90 days US$'000	91 to 120 days US$'000	Over 120 days US$'000	Total US$'000
Trade receivables	15,246	568	90	99	–	68	16,071
Expected loss rate	0.04%	0.18%	1.11%	2.02%	–	4.41%	0.08%
Loss allowance	6	1	1	2	–	3	13

* Amount below US$1,000

The following tables present the balances of gross carrying amounts and loss allowance in respect of the collectively assessed trade receivables without insurance as at 31 December 2024:

31 December 2024	**Not yet past due US$'000**	**Past due** 1 to 30 days US$'000	31 to 60 days US$'000	61 to 90 days US$'000	91 to 120 days US$'000	Over 120 days US$'000	**Total US$'000**
Trade receivables	**2,185**	**335**	**294**	**189**	**204**	**394**	**3,601**
Expected loss rate	**0.21%**	**1.13%**	**6.39%**	**10.94%**	**14.20%**	**14.44%**	**3.71%**
Loss allowance	**5**	**4**	**19**	**21**	**28**	**57**	**134**

31 December 2023	Not yet past due US$'000	Past due 1 to 30 days US$'000	31 to 60 days US$'000	61 to 90 days US$'000	91 to 120 days US$'000	Over 120 days US$'000	Total US$'000
Trade receivables	1,694	1,445	12	35	183	196	3,565
Expected loss rate	0.41%	2.35%	8.33%	20.00%	31.69%	46.94%	5.58%
Loss allowance	7	34	1	7	58	92	199

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

As at 31 December 2024, the Group had a concentration of credit risk given that the top 5 customers account for 80% (2023: 59%) of the Group's total year end trade receivables balance. However, the Group concludes that the credit risk in relation to these customers is not significant because they have no history of default in recent years.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group.

Impairment losses on trade receivables are presented as net impairment losses within operating loss. Subsequent recoveries of amounts previously written off are credited against the same line item.

The Group has assessed that the expected credit losses for amounts due from related parties including trade receivables and shareholders loan receivables. Trade receivables of US$8,239,000 (2023: US$6,677,000) is assessed under simplified approach with a corresponding loss allowance of US$3,000 (2023: US$4,000). The remaining amount of US$11,309,000 (2023: US$13,943,000) is non-trade nature and is assessed under 12 months expected losses method with a corresponding loss allowance of US$311,000 (2023: US$115,000).

Other financial assets at amortized cost include certain deposits and other receivable. The remaining financial assets are considered to be of low credit risk primarily because they had no history of default and the counterparties had a strong capacity to meet their contractual cash flow obligations in the near term.

On that basis, the closing loss allowances for trade receivables and amounts due from related parties as at 31 December 2024 and 2023 reconcile to the opening loss allowances as follows:

	2024 US$'000	2023 US$'000
At 1 January	**4,664**	4,434
(Reversal of)/provision for impairment of trade and other receivables	**(107)**	230
At 31 December	**4,557**	4,664

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of available credit facilities. The directors aim to maintain flexibility in funding by keeping credit lines available.

Management monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities (Note 18) at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Surplus cash held by Group entities over and above balances required for working capital management is invested in interest-bearing bank accounts and bank deposits with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the above-mentioned forecasts.

The following tables analyze the Group's non-derivative financial liabilities into relevant maturity grouping based on the remaining period at the date of the consolidated statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the date of the consolidated statement of financial position) and the earliest date the Group can be required to pay. The Group uses derivative financial instruments to hedge certain risk exposures which considered the impact is immaterial to the Group.

Specifically, for bank loans which contain a repayment on demand clause which can be exercised at the bank's sole discretion, the analysis shows the cash outflow based on the earliest period in which the entity can be required to pay, that is if the lenders were to invoke their unconditional rights to call the loans with immediate effect. The maturity analysis for other bank borrowings and finance lease liabilities is prepared based on the scheduled repayment dates.

	On demand US$'000	Within 3 months US$'000	More than 3 months but less than 1 year US$'000	More than 1 year but less than 2 years US$'000	More than 2 years but less than 5 years US$'000	More than 5 years US$'000	Total undiscounted cash outflows US$'000	Carrying Amount US$'000
Group								
At 31 December 2024								
Non-derivatives								
Bank borrowings with interest payment	**149,277**	**–**	**3,156**	**–**	**–**	**–**	**152,433**	**143,501**
Trade and other payables	**–**	**53,451**	**1,061**	**–**	**–**	**–**	**54,512**	**54,512**
Lease liabilities with interest payment	**–**	**1,357**	**2,997**	**3,121**	**6,480**	**22,209**	**36,164**	**22,716**
	149,277	**54,808**	**7,214**	**3,121**	**6,480**	**22,209**	**243,109**	**220,729**
At 31 December 2023								
Non-derivatives								
Bank borrowings with interest payment	138,462	563	10,100	599	–	–	149,724	142,655
Trade and other payables	–	55,790	1,311	–	–	–	57,101	57,101
Lease liabilities with interest payment	–	1,536	3,598	3,021	6,041	23,979	38,175	23,344
	138,462	57,889	15,009	3,620	6,041	23,979	245,000	223,100

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

The table below summarizes the maturity analysis of bank borrowings with a repayment on demand clause based on agreed scheduled repayments set out in the loan agreements. The amounts include interest payments computed using contractual rates. Taking into account the Group's financial position, the directors do not consider that it is probable that the bank will exercise its discretion to demand immediate repayment. The directors believe that such bank loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

	Maturity analysis — Bank borrowings subject to a repayment on demand clause based on scheduled repayments			
	Within 1 year	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total cash outflows
	US$'000	US$'000	US$'000	US$'000
At 31 December 2024	**149,277**	**–**	**–**	**149,277**
At 31 December 2023	137,282	1,180	–	138,462

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Group monitors capital by maintaining a net cash position throughout the year.

3.3 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2)
- Inputs for the asset and liability that are not based on observable market data (that is, unobservable inputs) (level 3)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (Continued)

The following table presents the Group's financial instruments that were measured at fair value.

	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
At 31 December 2024				
Assets				
— Derivative financial instruments (Note i)	**–**	**31**	**–**	**31**
At 31 December 2023				
Liabilities				
— Derivative financial instruments (Note i)	–	52	–	52

Notes:

(i) The fair values of financial instruments, that are not traded in an active market, which primarily represented the forward foreign exchange contracts, is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. As all significant inputs required for fair value of an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

(ii) There were no transfers among level 1, level 2 and level 3 during the year.

3.4 Offsetting financial assets and financial liabilities

No financial assets and financial liabilities were subject to offsetting, enforceable master netting arrangements and similar agreements as at 31 December 2024 (2023: same).

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made. Please refer to Note 27 for details.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

(b) Useful lives of property, plant and equipment and intangible assets (other than goodwill)

The Group's management determines the estimated useful lives, related depreciation and amortization charges for its property, plant and equipment and intangible assets (other than goodwill). This estimate is based on the historical experience of the actual useful lives of property, plant and equipment and intangible assets of similar nature and functions. Management will increase the depreciation and amortization charges where useful lives are less than previously estimated lives. It will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in depreciable and amortization lives and therefore depreciation and amortization expense in future periods.

(c) Impairment of property, plant and equipment, right-of-use assets and intangible assets with finite life (other than goodwill)

Property, plant and equipment, right-of-use assets and intangible assets with finite life (other than goodwill) are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable such as declines in asset's market value and significant increase in interest rates that may affect the discount rate used in calculating the asset's recoverable amount. The recoverable amounts have been determined based on the higher of fair value less costs of disposal calculations or value in use calculations. These calculations require the use of judgements and estimates.

(d) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment. For the purposes of impairment reviews, the recoverable amount of goodwill is determined based on the higher of fair value less costs of disposal or value in use calculations. The recoverable amount calculations primarily use cash flow forecast based on financial budgets and forecasts covering a period of 5 years approved by management and estimated terminal value at the end of the budget period.

There are a number of assumptions and estimates involved in the preparation of cash flow forecast for the period covered by the approved budgets. Key assumptions include revenue growth, gross profit margin, terminal growth rate and discount rates to reflect the risks involved. Management prepares the financial budgets and forecasts reflecting actual and prior year performance and market development expectations. Judgment is required to determine the key assumptions adopted in the cash flow forecasts and the changes to the key assumptions and hence the result of the impairment reviews.

No impairment has been recognized in the year ended 31 December 2024 (2023: Same) (Note 8).

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

(e) Defined benefit plans

The present values of the pension obligations depend on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost/income for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension obligation.

Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in Note 19.

(f) Impairment of trade receivables

The Group's management determines the provision for impairment of trade receivables on a forward-looking basis and the expected lifetime losses are recognised from initial recognition of the assets. The provision matrix is determined based on the Group's historically observed default rates over the expected lives of the trade receivables with similar credit risk characteristics and is adjusted for forward-looking estimates. In making the judgement, management considers available reasonable and supportive forward-looking information such as actual or expected significant changes in the operating results of customers, actual or expected significant adverse changes in business and customers' financial position. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed by the Group's management.

5 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.

5 SEGMENT INFORMATION (CONTINUED)

The executive directors assess the performance of each segment based on a measure of segment profit primarily. Assets and liabilities of the Group are regularly reviewed on a consolidated basis. The segment information provided to the executive directors for the reportable segments for the years ended 31 December 2024 and 2023 is as follows:

	Apparel US$'000	Accessories US$'000	Total US$'000
For the year ended 31 December 2024			
Revenue (from external customers)	399,375	275,011	674,386
Revenue recognized under HKFRS 15			
— At a point in time	399,319	274,318	673,637
Rental income recognized under HKFRS 16	56	693	749
	399,375	275,011	674,386
Segment (loss)/profit for the year	(35,111)	14,730	(20,381)
Segment (loss)/profit for the year includes:			
Cost of inventories	(210,445)	(233,244)	(443,689)
Depreciation and amortization	(11,180)	(7,461)	(18,641)
Reversal of loss allowances of trade receivables — net	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	(6,400)	(319)	(6,719)

5 SEGMENT INFORMATION (CONTINUED)

	Apparel US$'000	Accessories US$'000	Total 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 (loss)/profit for the year	(14,840)	19,763	4,923
Segment (loss)/profit for the year includes:			
Cost of inventories	(247,440)	(195,308)	(442,748)
Depreciation and amortization	(11,762)	(8,799)	(20,561)
Provision for loss allowances of trade and other receivables	(230)	—	(230)
Share of profits of joint ventures and associates — net	545	—	545
Finance income	1,093	415	1,508
Finance costs	(8,686)	(5,254)	(13,940)
Income tax (expense)/credit	(989)	626	(363)

The revenue from external parties is derived from numerous external customers and the revenue reported to management is measured in a manner consistent with that in the consolidated statement of profit or loss. Management assesses the performance of the operating segments based on a measure of profit before corporate expenses for the year.

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

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

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.

5 SEGMENT INFORMATION (CONTINUED)

	2024 US$'000	2023 US$'000
Analysis of revenue by category		
Sales of garment, textile products and accessories	666,749	686,266
Others	7,637	10,368
Total revenue	674,386	696,634

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

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

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

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

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

5 SEGMENT INFORMATION (CONTINUED)

Accounting policies for revenue recognition

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, see Note 36.14.

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.

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

	2024 US$'000	2023 US$'000
Analysis of non-current assets by geographical location		
PRC (including Hong Kong and Macao)	**61,292**	71,479
Cambodia	**54,761**	56,740
Philippines	**26,246**	31,534
Myanmar	**15,882**	17,083
Vietnam	**1,784**	1,970
Others	**341**	4,019
	160,306	182,825

6 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings US$'000	Leasehold improvements US$'000	Plant and machinery US$'000	Furniture, fixtures and equipment US$'000	Motor vehicles US$'000	Construction-in-progress US$'000	Total US$'000
Year ended 31 December 2024							
Opening net book amount	66,650	8,404	27,508	2,190	447	4	105,203
Additions	136	63	1,266	930	7	499	2,901
Write-offs and disposals (Note (i))	(56)	(1,067)	(2,069)	(25)	(8)	(2)	(3,227)
Disposal of subsidiary (Note 32(b))	(2,515)	–	(646)	(11)	–	–	(3,172)
Transfer	84	67	224	80	33	(488)	–
Depreciation (Note 24)	(4,271)	(1,311)	(6,818)	(1,553)	(162)	–	(14,115)
Exchange differences	(5)	(72)	(120)	(6)	(1)	–	(204)
Closing net book amount	60,023	6,084	19,345	1,605	316	13	87,386
At 31 December 2024							
Cost	104,725	26,406	119,771	23,004	2,824	13	276,743
Accumulated depreciation and impairment	(44,702)	(20,322)	(100,426)	(21,399)	(2,508)	–	(189,357)
Net book amount	60,023	6,084	19,345	1,605	316	13	87,386

	Land and buildings US$'000	Leasehold improvements US$'000	Plant and machinery US$'000	Furniture, fixtures and equipment US$'000	Motor vehicles US$'000	Construction-in-progress US$'000	Total US$'000
Year ended 31 December 2023							
Opening net book amount	68,774	9,459	32,995	3,739	635	2,124	117,726
Additions	142	94	1,619	832	24	1,009	3,720
Write-offs and disposals	(63)	(41)	(374)	(8)	–	–	(486)
Reversal of impairment (Note 24)	–	–	12	33	–	–	45
Transfer	2,102	364	1,173	(595)	69	(3,113)	–
Depreciation (Note 24)	(4,383)	(1,313)	(7,933)	(1,791)	(301)	–	(15,721)
Exchange differences	78	(159)	16	(21)	21	(16)	(81)
Closing net book amount	66,650	8,404	27,508	2,189	448	4	105,203
At 31 December 2023							
Cost	108,171	27,734	131,181	23,456	3,128	4	293,674
Accumulated depreciation and impairment	(41,521)	(19,330)	(103,673)	(21,267)	(2,680)	–	(188,471)
Net book amount	66,650	8,404	27,508	2,189	448	4	105,203

6 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Notes:

(i) Depreciation expense of US$10,072,000 (2023: US$11,328,000) had been charged to the cost of sales and US$4,043,000 (2023: US$4,393,000) has been charged to general and administrative expenses. During the year, write-offs amounted to US$2,202,000 have been charged to the cost of sales due to the shutdown of a production line associated with the Group's protective equipment manufacturing operations.

(ii) During the year end 31 December 2023, reversal of impairment of US$45,000 has been credited to the cost of sales with regards to the reassessment on the damage to property, plant and equipment caused by a typhoon incident.

(iii) Freehold land of US$23,608,000 (2023: US$24,167,000) under Land and buildings is not subject to depreciated as at 31 December 2024.

Accounting policies for Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognized when replaced. All other repairs and maintenance are charged to the consolidated statement of profit or loss during the reporting period in which they are incurred.

Freehold land is not depreciated. For other PPE, depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements, the shorter lease term as follows:

Land and buildings	20 years
Leasehold improvements	5–20 years or the remaining lease term, whichever is shorter
Plant and machinery	4–10 years
Furniture, fixtures and equipment	3–7 years
Motor vehicles	3–5 years

Construction-in-progress represents buildings, plant and machinery under construction and pending installation and is stated at cost. Cost includes the costs of construction of buildings and the costs of plant and machinery. No provision for depreciation is made on construction-in-progress until such time as the relevant assets are completed and ready for intended use. When the assets concerned are brought into use, the costs are transferred to other property, plant and equipment and depreciated in accordance with the policy described above.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

For accounting policy on impairment of non-financial assets, refer to note 8.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains or losses on disposals are determined by comparing the proceeds with carrying amount and are recognized within "Other (losses)/gains — net" in the consolidated statement of profit or loss.

7 LEASES

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

(i) Amounts recognized in the consolidated statement of financial position

	Land and properties US$'000	Land use rights US$'000	Total US$'000
Right-of-use assets			
As at 1 January 2024	**20,057**	**4,982**	**25,039**
Additions	**4,185**	**–**	**4,185**
Write-offs and disposals	**(662)**	**–**	**(662)**
Depreciation (Note 24)	**(4,965)**	**(251)**	**(5,216)**
Exchange differences	**(142)**	**(2)**	**(144)**
As at 31 December 2024	**18,473**	**4,729**	**23,202**
As at 1 January 2023	25,206	5,238	30,444
Additions	1,870	–	1,870
Disposals	(1,279)	–	(1,279)
Depreciation (Note 24)	(5,263)	(252)	(5,515)
Exchange differences	(477)	(4)	(481)
As at 31 December 2023	20,057	4,982	25,039

	2024 US$'000	2023 US$'000
Lease liabilities		
Current	**3,202**	3,414
Non-current	**19,514**	19,930
	22,716	23,344

7 LEASES (CONTINUED)

(ii) Amounts recognized in the consolidated statement of profit or loss

	2024 US$'000	2023 US$'000
Interest expense (included in finance costs) (Note 26)	**1,618**	1,659
Expense relating to short-term leases (included in cost of sales and general administrative expenses) (Note 24)	**782**	606
Depreciation expenses of right-of-use assets (Note 24)	**5,216**	5,515
Loss on write-off of right-of-use assets (Note 23)	**647**	–

The total cash outflow for leases for the year ended 31 December 2024 was US$6,260,000 (2023: US$7,388,000).

Accounting policies for leases

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

For leases of properties for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Lease payments are allocated between principal and finance cost. The finance cost is charged to consolidated statement of profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

7 LEASES (CONTINUED)

(ii) Amounts recognized in the consolidated statement of profit or loss (Continued)

Accounting policies for leases (Continued)

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received, and
- any initial direct costs.

Rental income from operating leases where the Group is a lessor is recognized in income on a straight-line basis over the lease term. The respective leased assets are included in the consolidated statement of financial position based on their nature.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

To determine the incremental borrowing rate, the Group, where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received.

For right-of-use assets, it is generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of properties and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise office equipment.

8 INTANGIBLE ASSETS

	Goodwill US$'000	Customer relationships US$'000	Total US$'000
Year ended 31 December 2024			
Opening net book amount	**42,320**	**1,911**	**44,231**
Amortization (Note 24)	**–**	**(668)**	**(668)**
Closing net book amount	**42,320**	**1,243**	**43,563**
At 31 December 2024			
Cost	**63,498**	**53,192**	**116,690**
Accumulated amortization, write-off and provision for impairment loss	**(21,178)**	**(51,949)**	**(73,127)**
Net book value	**42,320**	**1,243**	**43,563**
Year ended 31 December 2023			
Opening net book amount	42,320	2,579	44,899
Amortization (Note 24)	–	(668)	(668)
Closing net book amount	42,320	1,911	44,231
At 31 December 2023			
Cost	63,498	53,192	116,690
Accumulated amortization, write-off and provision for impairment loss	(21,178)	(51,281)	(72,459)
Net book value	42,320	1,911	44,231

For the year ended 31 December 2024, amortization of customer relationships of US$668,000 (2023: Same) is included in general and administrative expenses.

Impairment tests for goodwill

Goodwill is allocated to CGUs for the purpose of impairment testing. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments. Goodwill of the Group is monitored by management at the level of the two operating segments identified in Note 5. The following is a summary of goodwill allocation for each operating segment.

8 INTANGIBLE ASSETS (CONTINUED)

Impairment tests for goodwill (Continued)

	US$'000
At 31 December 2024 and 2023	
Apparel	33,952
Accessories	8,368
	42,320

In accordance with HKAS 36 "Impairment of Assets", the recoverable amount of a CGU is determined based on the higher of fair value less costs of disposal or value in use calculations. The Group has made reference to the valuation reports issued by an independent valuer for the calculation of the recoverable amounts of the CGUs. These calculations use pre-tax cash flow forecast covering a five-year period. Cash flows beyond the five-year period are extrapolated using the terminal growth rate stated below.

Inherent in the development of the present value of future cash flow forecast are assumptions and estimates derived from a review of the expected revenue growth rates, gross profit margins, business plans, cost of capital and, if applicable, tax rates. Certain assumptions are made about future market conditions, market prices and interest rates. Changes in assumptions or estimates could materially affect the determination of the recoverable amount of a CGU, and therefore could eliminate the excess of recoverable amount over carrying value of a CGU entirely and, in some cases, could result in impairment.

The key assumptions and parameters used for value in use calculations are as follows:

	2024		2023	
	Accessories	**Apparel**	Accessories	Apparel
Average revenue growth (Note i)	**5.8%**	**4.6%**	9.2%	7.8%
Average gross profit margin	**19.4%**	**13.6%**	19.8%	14.5%
Terminal growth rate (Note ii)	**2.0%**	**2.0%**	2.0%	2.0%
Discount rate (Note iii)	**16.0%**	**17.0%**	16.0%	17.0%

Notes:

(i) Average revenue growth rate covers the five-year forecast period. It is based on the past performance and management's expectations on market development.

(ii) The terminal growth rates do not exceed the long-term average growth rate of the business in which the CGUs operate.

(iii) Pre-tax discount rate applied to the pre-tax cash flow forecast.

These assumptions and parameters have been used for the analysis of each CGU within the operating segment. Management determined the financial forecast based on past performance and its expectations for the market development. The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

8 INTANGIBLE ASSETS (CONTINUED)

Impairment tests for goodwill (Continued)

In the Apparel CGU, the recoverable amount calculated based on value in use exceeded the carrying amount by US$16,701,000 (2023: US$2,610,000). A fall in average revenue growth rate to 4.5% (2023: 7.8%), a fall in gross profit margin to 13.3% (2023: 14.4%), a fall in terminal growth rate to –3.4% (2023: 1.6%) or rise in discount rate to 19.3% (2023: 17.5%), all changes taken in isolation, would remove the remaining headroom. In the Accessories CGU, the recoverable amount calculated based on value in use exceeded the carrying amount by US$27,274,000 (2023: US$9,134,000). A fall in average revenue growth rate to 4.1% (2023: 9.1%), a fall in gross profit margin to 18.4% (2023: 19.4%), a fall in terminal growth rate to –8.9% (2023: 0.3%) or rise in discount rate to 19.9% (2023: 18.0%), all changes taken in isolation, would remove the remaining headroom. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated. Up to the date of this report, there were no reasonably possible changes in any of the key assumptions mentioned above that would have caused the recoverable amounts of the Apparel CGU and the Accessories CGU to be less than their respective carrying amounts.

Accounting policies for intangible assets and impairment of non-financial assets

(a) Goodwill

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortized but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(b) Contractual customer relationships

Contractual customer relationships acquired in a business combination are recognized at fair value at the acquisition date. The contractual customer relations have a finite useful life and are carried at cost less accumulated amortization and impairment losses. Amortization is calculated using the straight-line method over the expected life of the customer relationship of 8 to 14 years.

Goodwill and intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9 SUBSIDIARIES

The directors are of the opinion that a complete list of the particulars of all the subsidiaries will be of excessive length and therefore the following list contains only the particulars of the subsidiaries which materially affect the results or assets of the Group.

Particulars of the principal subsidiaries as at 31 December 2024 and 2023 are shown as follows:

Name	Place of incorporation/ establishment	Principal activities and place of operations	Particulars of issued share capital/ registered capital	Proportion of ordinary shares held by the Company (%)		Proportion of ordinary shares held by the Group (%)	
				2024	2023	**2024**	2023
Bright Sky Pte Ltd	Cambodia	Contractor manufacturing of garments in Cambodia	1,000 ordinary shares of US$1,000 each	–	–	100%	100%
D'Luxe Group Limited	Hong Kong	Sourcing, manufacturing and trading of textile and garment products in Cambodia	1 ordinary share of HK$1 each	–	–	100%	100%
Dluxe International Co., Ltd.	Cambodia	Manufacturing of bags in Cambodia	100 ordinary shares of US$10,000 each	–	–	100%	100%
DLX Bags Philippines, Inc.	Philippines	Manufacturing of bags in the Philippines	210,000 ordinary share of Peso 100 each	–	–	100%	100%
Dluxe Bags Philippines, Inc.	Philippines	Provision of subcontracting services in the Philippines	50,000,000 ordinary share of Peso 100 each	–	–	100%	100%
東莞環藝實業有限公司+	PRC	Provision of technical services in PRC	Registered and total paid-in capital of HK$10,000,000	–	–	100%	100%
東莞天河針織有限公司+	PRC	Garment manufacturing in the PRC	Registered and total paid-in capital of HK$26,771,800	–	–	100%	100%
東莞通威服裝有限公司+	PRC	Trading and manufacturing of garment products in the PRC	Registered and total paid-in capital of US$2,500,000	–	–	100%	100%
東莞星駿手袋有限公司+	PRC	Manufacturing of bags in the PRC	Registered capital of HK$10,014,600 and total paid-in capital of HK$9,930,000	–	–	100%	100%
Elite Enterprises Corporation Ltd	Hong Kong	Trading of handbags in Hong Kong	10,000 ordinary shares of HK$1 each	–	–	100%	100%
EMC Manufacturing Ltd	Myanmar	Manufacturing of handbags in Myanmar	1,000 ordinary shares of US$1 each	–	–	100%	100%
Golden Dragon Apparel, Inc.	Philippines	Garment manufacturing in the Philippines	62,000 ordinary shares of Peso 100 each	–	–	100%	100%
廣州市捷進製衣廠有限公司+	PRC	Garment manufacturing in the PRC	Registered and total paid-in capital of US$7,200,000	–	–	100%	100%
L & T International Group Phils., Inc.	Philippines	Garment manufacturing in the Philippines	20,000 ordinary shares of Peso 100 each	–	–	100%	100%
Luen Thai International Group Limited	Hong Kong	Sourcing, manufacturing and trading of textile and garment products in Hong Kong	2 ordinary shares of HK$1 each	–	–	100%	100%

9 SUBSIDIARIES (CONTINUED)

Name	Place of incorporation/ establishment	Principal activities and place of operations	Particulars of issued share capital/ registered capital	Proportion of ordinary shares held by the Company (%)		Proportion of ordinary shares held by the Group (%)	
				2024	2023	**2024**	2023
Luen Thai Overseas Limited	Bahamas	Investment holding in Hong Kong	16,685,806 ordinary shares of US$1 each	**100%**	100%	**100%**	100%
Ocean Sky Global Singapore (S) Pte Ltd	Singapore	Garment trading and sourcing overseas in Singapore	Registered and total paid-in capital of US$21,223,245	**–**	–	**100%**	100%
Suntex Pte Ltd	Cambodia	Contract manufacturing of garments in Cambodia	1,200,000 ordinary shares of US$1 each	**–**	–	**100%**	100%
TellaS Ltd.	United States	Import and distribution of garments in the United States	100 ordinary shares with total paid-in capital of US$100,000	**–**	–	**100%**	100%
Tien-Hu Knitting Factory (Hong Kong) Limited	Hong Kong	Subcontracting service of manufacturing garment products	1,000,000 ordinary shares of HK$1 each	**–**	–	**100%**	100%
Tien-Hu Trading (Hong Kong) Limited	Hong Kong	Trading of garment products in Hong Kong	1,000,000 ordinary shares of HK$1 each	**–**	–	**100%**	100%
TMS Fashion (H.K.) Limited	Hong Kong	Garment trading and investment holding in Hong Kong	3,000,000 shares of HK$1 each	**–**	–	**100%**	100%
TMS International Limited	Hong Kong	Garment trading in Hong Kong	2,000 ordinary shares of HK$500 each	**–**	–	**100%**	100%
Unison Development (Asia) Ltd	Hong Kong	Trading of money pieces in Hong Kong	10,000 ordinary shares of HK$1 each	**–**	–	**100%**	100%
Universal Handicraft Manufacturers Ltd	Hong Kong	Provision of technical and management services in Hong Kong	1,000 ordinary shares of HK$100 each and 100 non-voting deferred shares of HK$1,000 each	**–**	–	**100%**	100%
Verte HK Limited	Hong Kong	Sourcing and trading company in Hong Kong	1 ordinary share of HK$1 each	**–**	–	**100%**	100%
Yuen Thai Philippines, Inc	Philippines	Garment manufacturing in the Philippines	1,000,000 shares of Peso 1 each	**–**	–	**100%**	100%
Yuen Thai Industrial Company Limited	Hong Kong	Sourcing and trading company in Hong Kong	10,000 ordinary shares of HK$1 each	**–**	–	**100%**	100%

\+ The subsidiaries are established as wholly foreign-owned enterprises in the PRC.

(a) Non-controlling interests

The total non-controlling interest as at 31 December 2024 is US$748,000 (2023: US$1,018,000), mainly comprised the Group's investments in Dandong Yuen Thai Garment Limited (2023: Unit 15 Apparel LLP, Sew Sew You Limited and Dandong Yuen Thai Garment Limited). The management is of the opinion that the non-controlling interests in respect of these subsidiaries are not material to the Group.

10 INTERESTS IN JOINT VENTURES AND ASSOCIATES

	2024 US$'000	2023 US$'000
Interests in joint ventures (Note (a))	**4,990**	5,803
Interests in associates (Note (b))	**88**	90
	5,078	5,893

(a) The movement of interests in joint ventures is provided as follows:

	2024 US$'000	2023 US$'000
Beginning of the year	**5,803**	6,231
Share of post-tax profits, net	**538**	455
Disposal of a joint venture	**(1,351)**	(234)
Dividend received	**—**	(649)
End of the year	**4,990**	5,803

(b) The movement of the interests in associates is provided as follows:

	2024 US$'000	2023 US$'000
Beginning of the year	**90**	—
Share of post-tax (losses)/profits, net	**(2)**	90
End of the year	**88**	90

Notes:

(i) As at 31 December 2024 and 2023, none of the joint ventures or associates are material to the Group.

Information for unrecognized share of losses of joint ventures:

	2024 US$'000	2023 US$'000
The unrecognized share of losses of joint ventures for the year	**(5,316)**	(6,916)
Cumulative unrecognized share of losses of joint ventures	**(14,513)**	(9,197)

(ii) There are no contingent liabilities relating to the Group's investments in joint ventures or associates and these entities also had no material contingent liabilities.

11 DEFERRED INCOME TAX

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. The offset amounts are as follows:

The analysis of deferred income tax assets and deferred income tax liabilities is as follows:

	2024 US$'000	2023 US$'000
Deferred income tax assets	**3,385**	3,455
Deferred income tax liabilities	**(2,214)**	(2,438)
	1,171	1,017

The net movement on the deferred income tax assets is as follows:

	2024 US$'000	2023 US$'000
At 1 January	**1,017**	(522)
Credited to consolidated statement of profit or loss (Note 27)	**193**	1,407
Charged to consolidated statement of comprehensive income (Note 27)	**(39)**	132
At 31 December	**1,171**	1,017

11 DEFERRED INCOME TAX (CONTINUED)

The movements in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

Deferred income tax liabilities	Accelerated tax depreciation US$'000	Intangible assets US$'000	Others US$'000	Total US$'000
At 1 January 2023	780	698	1,655	3,133
(Credited)/charged to consolidated statement of profit or loss	(411)	(275)	229	(457)
Credit to consolidated statement of comprehensive income (Note 27)	–	–	(132)	(132)
At 31 December 2023	369	423	1,752	2,544
(Credited)/charged to consolidated statement of profit or loss	(55)	(200)	35	(220)
Charged to consolidated statement of comprehensive income (Note 27)	–	–	39	39
At 31 December 2024	**314**	**223**	**1,826**	**2,363**

Deferred income tax assets	Tax losses US$'000	Provisions US$'000	Others US$'000	Total US$'000
At 1 January 2023	(1,081)	(1,118)	(412)	(2,611)
Credited to consolidated statement of profit or loss	(846)	–	(104)	(950)
At 31 December 2023	(1,927)	(1,118)	(516)	(3,561)
Charged to consolidated statement of profit or loss	–	–	27	27
At 31 December 2024	**(1,927)**	**(1,118)**	**(489)**	**(3,534)**

Deferred income tax assets are recognized for tax loss carried forward to the extent that the realization of the related tax benefit through the future taxable profits is probable. The Group did not recognize deferred income tax assets of US$10,417,000 (2023: US$4,837,000) in respect of losses amounting to US$55,353,000 (2023: US$24,185,000) that can be carried forward against future taxable income. Among the tax losses, US$13,604,000 (2023: US$8,342,000) have expiry dates from 2025 to 2030 (2023: 2024 to 2029). The remaining tax losses have no expiry date.

Deferred income tax liabilities of US$6,327,000 (2023: US$6,559,000) have not been recognized for the withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries. Such amounts are permanently reinvested. Unremitted earnings totalled US$30,064,000 (2023: US$31,581,000) at 31 December 2024.

Accounting policies on deferred income tax are disclosed in note 27.

12 INVENTORIES

	31 December 2024 US$'000	31 December 2023 US$'000
Raw materials	**24,285**	33,670
Work in progress	**23,370**	27,158
Finished goods	**7,929**	4,464
	55,584	65,292

The cost of inventories recognized as expense and included in cost of sales amounted to US$443,689,000 (2023: US$442,748,000).

As at 31 December 2024, management performed item-by-item specific review on inventories, after taking into account their conditions, ageing, historical sales record, latest selling price, existence of orders and their subsequent utilization sales. The Group has made a provision of US$5,824,000 (2023: reversal of provision of US$1,785,000). The amount provision has been included in 'cost of sales' in the consolidated statement of profit or loss.

Accounting policies for inventories

Raw materials, work in progress and finished goods are stated at the lower of cost and net realizable value. Cost comprises design costs, direct materials, direct labor and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. It excludes borrowing costs. Costs are assigned to individual items of inventory on the basis of weighted average costs. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

13 FINANCIAL INSTRUMENTS BY CATEGORY

	Assets at fair value through profit or loss US$'000	Assets at amortized cost US$'000	Total US$'000
31 December 2024			
Financial assets as per consolidated statement of financial position			
Trade and other receivables excluding non-financial assets	–	146,692	146,692
Derivative financial instruments	31	–	31
Cash and bank balances	–	54,871	54,871
Total	31	201,563	201,594
31 December 2023			
Financial assets as per consolidated statement of financial position			
Trade and other receivables excluding non-financial assets	–	115,747	115,747
Cash and bank balances	–	75,780	75,780
Total	–	191,527	191,527

13 FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

	Liabilities at fair value through profit or loss US$'000	Other financial liabilities at amortized cost US$'000	Total US$'000
31 December 2024			
Financial liabilities as per consolidated statement of financial position			
Borrowings	–	143,501	143,501
Trade and other payables excluding non-financial liabilities	–	54,512	54,512
Lease liabilities	–	22,716	22,716
Total	–	220,729	220,729
31 December 2023			
Financial liabilities as per consolidated statement of financial position			
Borrowings	–	142,655	142,655
Trade and other payables excluding non-financial liabilities	–	57,101	57,101
Lease liabilities	–	23,344	23,344
Derivative financial instruments	52	–	52
Total	52	223,100	223,152

14 TRADE AND OTHER RECEIVABLES

	31 December 2024 US$'000	31 December 2023 US$'000
Current portion		
Trade receivables	108,440	83,812
Less: loss allowances	(4,243)	(4,545)
Trade receivables — net	104,197	79,267
Amounts due from related parties (Note 33(b))	19,548	20,620
Less: loss allowances	(314)	(119)
Amounts due from related parties — net	19,234	20,501
Deposits, prepayments and other receivables	25,285	24,679
Indemnified assets (Note 21(i))	16,723	16,723
	165,439	141,170
Non-current portion		
Deposits	2,120	2,145
Others	1,077	2,459
	3,197	4,604

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

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

The Group does not hold any collateral as security.

14 TRADE AND OTHER RECEIVABLES (CONTINUED)

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

	31 December 2024 US$'000	31 December 2023 US$'000
US$	**99,873**	77,001
RMB	**3,631**	1,134
Euro	**693**	970
Other currencies	**–**	162
	104,197	79,267

(i) Transferred receivables

The carrying amounts of the trade receivables include receivables which are subject to a factoring arrangement. Under this arrangement, the Group has transferred the relevant receivables to the factor in exchange for cash and is prevented from selling or pledging the receivables. However, the Group has retained late payment and credit risk. The Group therefore continues to recognize the transferred assets in their entirety in its consolidated statement of financial position. The amount repayable under the factoring agreement is presented as secured borrowing. The Group considers the held to collect business model to remain appropriate for these receivables and hence continues measuring them at amortized cost.

The relevant carrying amounts are as follows:

	31 December 2024 US$'000	31 December 2023 US$'000
Transferred receivables	**1,996**	6,484
Associated secured factoring loan	**1,597**	5,188

(ii) Fair values of trade and other receivables

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

Accounting policies for trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade receivables is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

14 TRADE AND OTHER RECEIVABLES (CONTINUED)

(ii) Fair values of trade and other receivables (Continued)

Accounting policies for trade receivables (Continued)

A receivable is recognized when the products are shipped as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. Trade receivables are recognized initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognized at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortized cost using the effective interest method.

Accounting policies for investments and other financial assets including impairment policy are disclosed in note 36.5.

15 CASH AND BANK BALANCES

(a) Cash and cash equivalents

	2024 **US$'000**	2023 US$'000
Cash at bank and on hand	**54,136**	46,760
Short-term bank deposits	**–**	29,020
Bank deposits with a maturity period of over 3 months	**735**	–
Cash and cash balance	**54,871**	75,780
Less: Bank deposits with a maturity period of over 3 months	**(735)**	–
Cash and cash equivalents in the consolidated statement of cash flows	**54,136**	75,780

The effective interest rate on short-term bank deposits was 3.90% (2023: 5.12%) per annum. These deposits have an average maturity period of 143 days (2023: 14 days).

At 31 December 2024, the Group's cash and cash equivalents and short-term bank deposits included balances of US$11,173,000 (2023: US$16,261,000), which were deposited with banks in the PRC and Vietnam. The remittance of such balances out of the PRC and Vietnam is subject to the rules and regulations of foreign exchanges control promulgated by corresponding governments.

15 CASH AND BANK BALANCES (CONTINUED)

(a) Cash and cash equivalents (Continued)

The Group's cash and bank balances are denominated in the following currencies:

	2024 US$'000	2023 US$'000
US$	37,023	53,720
RMB	11,114	16,042
Peso	1,297	1,456
Euro	3,593	1,374
HK$	1,162	1,986
Other currencies	682	1,202
	54,871	75,780

16 SHARE CAPITAL

	Number of Shares	Nominal value US$'000
Authorized — ordinary shares of US$0.01 each		
At 31 December 2023 and 2024	1,500,000,000	15,000
Issued and fully paid — ordinary shares of US$0.01 each		
At 1 January 2023, 31 December 2023 and 31 December 2024	1,034,112,666	10,341

Share option

On 30 May 2024, a share option scheme (the "Option Scheme") of the Company was approved and adopted pursuant to an ordinary resolution. The terms of the Option will expire in May 2034, ten years after its effective Date.

Options may be exercised at any time within the relevant exercise period. The Group has no legal or constructive obligation to repurchase or settle the options in cash. The exercise price is determined by the highest of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares.

As at 31 December 2024 and 2023, there is no outstanding share option under the Option Schemes. No share options have been granted or vested during the year ended 31 December 2024 (2023: Nil).

17 OTHER RESERVES

	Capital reserve (Note i) US$'000	Other capital reserves (Note ii) US$'000	Employment benefits reserve US$'000	Exchange reserve US$'000	Total US$'000
At 1 January 2024	**7,891**	**(2,795)**	**4,602**	**(12,378)**	**(2,680)**
Actuarial losses on retirement benefit obligations	**–**	**–**	**(541)**	**–**	**(541)**
Transfer of accumulated remeasurements of defined benefits obligations to retained earnings upon settlement	**–**	**–**	**(3,182)**	**–**	**(3,182)**
Acquisition of non-controlling interests (Note 32(a))	**–**	**(1,236)**	**–**	**–**	**(1,236)**
Currency translation differences	**–**	**–**	**(9)**	**963**	**954**
At 31 December 2024	**7,891**	**(4,031)**	**870**	**(11,415)**	**(6,685)**
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)

Notes:

(i) The capital reserve of the Group represents the difference between the nominal value of the shares of the subsidiaries acquired pursuant to the Initial Public Offering reorganization and the nominal value of the Company's shares issued in exchange thereof.

(ii) Other capital reserves primarily represent (a) the initial recognition of the financial liabilities in relation to the put options granted to the non-controlling interests and the subsequent derecognition of such financial liabilities upon the put options are exercised, expired or terminated; and (b) the difference between the amount by which the non-controlling interests are acquired and the fair value of the consideration paid.

18 BORROWINGS

	2024 US$'000	2023 US$'000
Non-current		
Bank borrowings		
— Term loans	–	556
Current		
Bank borrowings		
— Term loans	122,090	111,157
— Trade finances	21,411	30,942
	143,501	142,099
Total borrowings	143,501	142,655
Non-current borrowings		
— Unsecured	–	556
Current borrowings		
— Secured	1,599	5,188
— Unsecured	141,902	136,911
	143,501	142,655

The interest-bearing bank borrowings, including those repayable on demand, are carried at amortized cost. The carrying amounts of the borrowings are approximately equal to their fair values.

18 BORROWINGS (CONTINUED)

As at 31 December 2024 and 2023, the Group's borrowings, based on the scheduled repayment terms set out in the loan agreements and ignoring effect of any repayment on demand clause, were repayable as follows:

	Trade finance		Term loans		Total	
	2024 US$'000	2023 US$'000	**2024 US$'000**	2023 US$'000	**2024 US$'000**	2023 US$'000
Within 1 year	**21,411**	30,942	**122,090**	111,157	**143,501**	142,099
Bank borrowings due for repayment after 1 year:	**–**	–	**–**	–	**–**	–
After 1 year but within 2 years	**–**	–	**–**	556	**–**	556
After 2 years but within 5 years	**–**	–	**–**	–	**–**	–
	–	–	**–**	556	**–**	556
	21,411	30,942	**122,090**	111,713	**143,501**	142,655
Representing:						
Maturity within 5 years	**21,411**	30,942	**122,090**	111,713	**143,501**	142,655

As at 31 December 2024 and 2023, the carrying amounts of the borrowings are denominated in the following currencies:

	2024 US$'000	2023 US$'000
US$	**127,912**	126,386
HK$	**15,589**	16,269
	143,501	142,655

The effective interest rates per annum at the date of the consolidated statement of financial position are as follows:

	2024	2023
Term loans	**6.21%**	6.24%
Trade finances	**6.31%**	6.10%

As at 31 December 2024, the Group had aggregate banking facilities of approximately US$469,934,000 for overdrafts, loans, trade financing and bank guarantees. Unused facilities as at the same date amounted to approximately US$326,433,000.

18 BORROWINGS (CONTINUED)

Of the trade finances, US$1,597,000 relate to transferred receivables (Note 14). The remaining facilities are either secured by inventories or guaranteed by a corporate guarantee provided by the Company (Note 33).

19 RETIREMENT BENEFIT OBLIGATIONS

	2024 US$'000	2023 US$'000
Consolidated statement of financial position obligations for:		
— Defined benefit plans (Note b)	**4,043**	7,538
— Provision for long service payments (Note c)	**308**	192
	4,351	7,730
Included in consolidated statement of profit or loss were charges/(gains) included in operating profit for (Note 25(a)):		
— Defined contribution plans (Note a)	**2,164**	2,242
— Defined benefit plans (Note b)	**273**	(730)
— Provision for long service payment (Note c)	**286**	31
	2,723	1,543
Included in consolidated statement of comprehensive Income (Note 27):		
— Defined benefit plans (Note b)	**501**	1,231
— Provision for long service payments (Note c)	**1**	11
	502	1,242

The Group's major plans are valued by qualified actuaries annually using the projected unit credit method.

(a) Defined contribution plans

During the year, the Group maintained various defined contribution retirement schemes for its employees, which are managed by independent trustees. Employees' and employer's contributions are based on various percentages of employees' gross salaries and length of service. The total contributions to the defined contribution retirement schemes were approximately US$2,164,000 (2023: US$2,242,000) for the year ended 31 December 2024 (Note 25(a)).

19 RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

(b) Defined benefit plans

The assets of the defined benefit plans are held independently of the Group's assets in separate trustee administered funds. The Group's major plans are valued by Actuarial Exponents, Inc. and Key Actuarial Intelligence, Inc., qualified actuaries, annually using the projected unit credit method. The amounts recognized in the consolidated statement of financial position are determined as follows:

	2024 US$'000	2023 US$'000
Present value of unfunded obligations	2,446	3,744
Present value of funded obligations	1,886	4,050
Fair value of plan assets	(289)	(256)
Liabilities in the consolidated statement of financial position	4,043	7,538

The movements in the present values of defined benefit obligations over the year are as follows:

	2024 US$'000	2023 US$'000
At 1 January	7,794	8,074
Current service cost	248	629
Interest cost	327	452
Curtailment/Settlement loss	(300)	(1,806)
Total — included in employee benefit expenses in the year	275	(725)
Remeasurements:		
— (Gain)/loss from change in financial assumptions	(69)	1,257
— Experience loss/(gain)	570	(26)
	501	1,231
Contributions paid	(4,152)	(542)
Exchange differences	86	(244)
At 31 December	4,332	7,794

19 RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

(b) Defined benefit plans (Continued)

The movements in the fair values of plan assets over the year are as follows:

	2024 US$'000	2023 US$'000
At 1 January	(256)	(267)
Interest income — included in employee benefit expenses	(2)	(5)
Remeasurements:		
— Loss on plan assets, excluding amounts included in interest income	(33)	—
Exchange differences	2	16
At 31 December	(289)	(256)

The principal actuarial assumptions used are as follows:

	2024	2023
Discount rate	6.09%—6.20%	5.12%—7.80%
Future salary increase rate	3.50%—4.50%	3.50%—4.50%

The sensitivity of the defined benefit plans to changes in the weighted principal assumptions is:

	Impact on defined benefit plan					
	2024			2023		
	Change in assumption	Increase in assumption	Decrease in assumption	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	1.0%	Decrease by US$535,000	Increase by US$963,000	1.0%	Decrease by US$532,000	Increase by US$956,000
Future salary increase rate	1.0%	Increase by US$1,421,000	Decrease by US$1,521,000	1.0%	Increase by US$1,421,000	Decrease by US$1,521,000

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligations to significant actuarial assumptions the same method (present value of the defined benefit obligations calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liabilities recognized within the consolidated statement of financial position.

19 RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

(c) Long service payments

The amounts recognized in the consolidated statement of financial position are as follows:

	2024 US$'000	2023 US$'000
Present value of unfunded obligations	**308**	192

As at 31 December 2024 and 2023, there are no funded obligations and plan assets.

The movements in the long service payments over the year are as follows:

	2024 US$'000	2023 US$'000
At 1 January	**192**	395
Current service cost	**286**	31
Curtailment/Settlement loss	**—**	—
Total — included in employee benefit expenses (Note 25(a))	**286**	31
Re-measurements:		
— Loss from change in financial assumptions	**1**	11
Mandatory Provident Fund payment	**(171)**	(245)
At 31 December	**308**	192

The principal actuarial assumptions used are as follows:

	2024	2023
Discount rate	**3.50%**	3.50%
Future salary increase rate	**3.00%**	3.00%

19 RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

(c) Long service payments (Continued)

The sensitivity of the long service payments to changes in the weighted principal assumptions is:

	Impact on long service payments					
	2024			2023		
	Change in assumption	Increase in assumption	Decrease in assumption	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	1.0%	Decrease by US$1,200	Increase by US$1,200	1.0%	Decrease by US$1,000	Increase by US$1,000
Future salary increase rate	1.0%	Increase by US$900	Decrease by US$900	1.0%	Increase by US$1,000	Decrease by US$1,000

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligations to significant actuarial assumptions the same method (present value of the defined benefit obligations calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liabilities recognized within the consolidated statement of financial position.

(d) Risks for defined benefit plans and long service payments

Through its defined benefit plans and long service payments, the Group is exposed to a number of risks, the most significant of which are detailed below:

(i) Changes in discount rate

A decrease in discount rate will increase plan liabilities.

(ii) Inflation risk

The Group's pension obligations are linked to future salary increase rate. Higher inflation will lead to higher future salary increase rate and hence increase plan liabilities.

Expected contributions to defined benefit plans and provision for long service payments for the year ending 31 December 2025 are US$26,000.

The weighted average duration of the defined benefit obligations is 16.61 years (2023: 18.23 years).

An expected maturity analysis of undiscounted pension is as follows:

	2024 US$'000	2023 US$'000
Retirement benefits		
— No later than 1 year	148	207
— Later than 1 year and no later than 5 years	1,207	1,651
— Later than 5 years	29,232	71,099
	30,587	72,957

19 RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

Accounting policies for retirement benefit obligations

The Group operates various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Group has both defined contribution and defined benefit pension plans.

(a) Defined contribution plans

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Defined benefit plans

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognized in the consolidated statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

The current service cost of the defined benefit plan, recognized in the consolidated statement of profit or loss in employee benefit expense, except where included in the cost of an asset, reflects the increase in the defined benefit obligation results from employee service in the current year, benefit changes, curtailments and settlements.

Past-service costs are recognized immediately in the consolidated statement of profit or loss.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the consolidated statement of profit or loss.

19 RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

Accounting policies for retirement benefit obligations (Continued)

(b) Defined benefit plans (Continued)

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in the period in which they occur, directly in other comprehensive income. They are included in employment benefits reserve in the statement of changes in equity and in the consolidated statement of financial position.

(c) Long service payments

Provision for long service payments represents the Group's obligations for long service payments to its employees in Hong Kong on cessation of employment in certain circumstances under the Hong Kong Employment Ordinance.

The obligation is calculated using the projected unit credit method, discounted to its present value and reduced by entitlements accrued under the Group's retirement plans that are attributable to contributions made by the Group. The Group's long service payment obligations are valued by Real Actuarial Consulting Limited, an independent qualified actuary valuer. The discount rate is the yield at the end of reporting period on high quality corporate bonds which have terms to maturity approximating the terms of the related liability.

20 TRADE AND OTHER PAYABLES

	31 December 2024 US$'000	31 December 2023 US$'000
Trade payables (Note a)	**40,404**	44,485
Contract liabilities (Note b)	**74**	106
Other tax payables	**9,033**	9,038
Accrued wages and salaries	**23,177**	16,023
Others	**13,104**	11,936
Amounts due to related parties (Note 33(b))	**1,004**	680
	86,796	82,268

20 TRADE AND OTHER PAYABLES (CONTINUED)

(a) Trade payables

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

	31 December 2024 US$'000	31 December 2023 US$'000
0 to 30 days	**32,445**	35,617
31 to 60 days	**4,683**	3,527
61 to 90 days	**1,349**	2,023
Over 90 days	**1,927**	3,318
	40,404	44,485

The carrying amounts of the Group's trade payables are denominated in the following currencies:

	31 December 2024 US$'000	31 December 2023 US$'000
US$	**25,534**	21,740
RMB	**12,251**	14,185
HK$	**2,323**	7,390
Peso	**152**	782
Other currencies	**144**	388
	40,404	44,485

The carrying amounts of trade payables approximate their fair values.

(b) Contract liability

The following table shows how much of the revenue recognized in the current reporting period relates to carried-forward contract liability.

	2024 US$'000	2023 US$'000
Revenue recognized that was included in the contract liability balance at the beginning of the year	**106**	478

Contract liability is recognized when payments are received from customers in advance but the relevant performance obligation has not been performed. The contract liability represents prepayment placed by customers.

NOTES TO THE CONSOLIDATED
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21 PROVISIONS

	2024 US$'000	2023 US$'000
Contingent liabilities (Note i)	16,723	16,723
Other provisions	2,355	810
	19,078	17,533

Note:

(i) The Group has contingent liabilities regarding potential exposures to import duties, other taxes and penalties in various overseas countries with aggregated amounts of approximately US$16,723,000 as at 31 December 2024 (31 December 2023: US$16,723,000).

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

During the year ended 31 December 2022, one subsidiary of Universal has paid the IRD an amount of US$22,000 to settle a tax case related to periods prior to the acquisition. The amount has been recovered from the previous owners in full. Accordingly, the amounts of contingent liability and indemnified assets have been reduced to US$5,482,000 as at 31 December 2022. Settlement in the amount of US$22,000 was made up to the year ended 31 December 2024.

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

During the year ended 31 December 2022, the subsidiary of Sachio has paid the Cambodia tax authority a total amount of US$220,000 on cases related to periods prior to the acquisition. The amount has been recovered from the previous owner in full. Accordingly, the amounts of contingent liability and indemnified assets have been reduced to US$11,241,000. Settlement in the amount of US$220,000 was made up to the year ended 31 December 2024.

NOTES TO THE CONSOLIDATED
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22 DERIVATIVE FINANCIAL INSTRUMENTS

	2024 US$'000	2023 US$'000
Assets:		
Forward foreign exchange contracts (Note i)	31	–
Liabilities:		
Forward foreign exchange contracts (Note i)	–	52

Note:

(i) The notional principal amounts of the outstanding forward foreign exchange contracts as at 31 December 2024 were approximately US$447,520 (2023: US$7,487,720).

23 OTHER (LOSSES)/GAINS — NET

	2024 US$'000	2023 US$'000
Fair value gains on derivative financial instruments — net	292	19
Net foreign exchange gains	1,317	1,224
Loss on disposal of a subsidiary (Note 32(b))	(600)	–
Loss on disposal of a joint venture (Note 30(b))	(323)	(234)
Losses on disposals of property, plant and equipment — net (Note 30(b))	(134)	(65)
Loss on write-off of other non-current asset	(1,407)	–
Loss on write-off of property, plant and equipment (Note 6)	(2,202)	–
Loss on write-off of right-of-use assets (Note 7)	(647)	–
Others	57	(64)
	(3,647)	880

24 EXPENSES BY NATURE

	2024 US$'000	2023 US$'000
Raw materials and consumables used	**441,351**	432,823
Changes in inventories of finished goods and work in progress	**(3,486)**	11,710
Provision for/(reversal of provision for) obsolete inventories (Note 12)	**5,824**	(1,785)
Employee benefit expenses (Note 25(a))	**170,123**	167,543
Reversal of impairment property, plant and equipment (Note 6)	**—**	(45)
Auditors' remuneration		
— Audit services	**600**	615
— Non-audit services	**200**	202
Loss on lease termination	**—**	3
Depreciation of property, plant and equipment (Note 6)	**14,115**	15,721
Depreciation of right-of-use assets (Note 7)	**5,216**	5,515
Amortization of intangible assets (Note 8)	**668**	668
Short-term leases		
— Office premises and warehouses	**690**	480
— Plant and machinery	**92**	126
Travelling expenses	**2,057**	3,530
Communication, supplies and utilities	**14,559**	17,575
Other expenses	**33,021**	36,271
	685,030	690,952

	2024 US$'000	2023 US$'000
Cost of sales	**600,148**	601,363
Selling and distribution expenses	**1,736**	1,419
General and administrative expenses	**83,146**	88,170
	685,030	690,952

25 EMPLOYEE BENEFIT EXPENSES

(a) Employee benefit expenses during the year are as follows:

	2024 US$'000	2023 US$'000
Wages, salaries and allowances	156,525	164,697
Termination benefits	10,875	1,303
Pension costs		
— Defined contribution plans (Note 19)	2,164	2,242
— Defined benefit plans (Note 19)	273	(730)
Long service payments (Note 19)	286	31
	170,123	167,543

(b) Five highest paid individuals

There is one director included in the top five highest paid individual in the Group in current year (2023: nil), reflected in the analysis presented in Note 35. The emoluments payable to the remaining four (2023: five) individuals during the year are as follows:

	2024 US$'000	2023 US$'000
Basic salaries, other allowances and benefits in kind	1,182	1,459
Discretionary bonuses	354	470
Pension scheme contributions	5	9
Others	130	313
	1,671	2,251

25 EMPLOYEE BENEFIT EXPENSES (CONTINUED)

(b) Five highest paid individuals (Continued)

The emoluments of the remaining four (2023: five) highest paid individuals fell within the following bands:

	Number of individuals	
	2024	2023
Emolument bands		
US$256,410 to US$320,513 (equivalent to HK$2,000,001 to HK$2,500,000)	**2**	1
US$320,513 to US$384,615 (equivalent to HK$2,500,001 to HK$3,000,000)	**1**	1
US$384,616 to US$448,718 (equivalent to HK$3,000,001 to HK$3,500,000)	**–**	–
US$448,718 to US$512,821 (equivalent to HK$3,500,001 to HK$4,000,000)	**–**	1
US$512,822 to US$576,923 (equivalent to HK$4,000,001 to HK$4,500,000)	**–**	1
US$576,924 to US$641,026 (equivalent to HK$4,500,001 to HK$5,000,000)	**–**	1
US$641,027 to US$705,128 (equivalent to HK$5,000,001 to HK$5,500,000)	**1**	–
	4	5

During the year, no emoluments have been paid to any of the five highest paid individuals as an inducement to join or as compensation for loss of office.

26 FINANCE COSTS — NET

	2024 US$'000	2023 US$'000
Interest expense on lease liabilities (Note 7)	(1,618)	(1,659)
Interest expense on bank borrowings	(12,160)	(12,281)
Finance costs	(13,778)	(13,940)
Interest income from bank deposits	630	644
Interest income arise from loans to a joint venture and an associate (Note 33)	29	854
Other interest income	—	10
Finance income	659	1,508
Finance costs — net	(13,119)	(12,432)

27 INCOME TAX EXPENSE

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

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

	2024 US$'000	2023 US$'000
Current income tax	6,787	4,066
Under/(over) provision in prior years	125	(2,296)
Deferred income tax (Note 11)	(193)	(1,407)
Income tax expense	6,719	363

27 INCOME TAX EXPENSE (CONTINUED)

The tax on the Group's loss before income tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits/losses of the consolidated entities as follows:

	2024 US$'000	2023 US$'000
Loss before income tax	(26,767)	(5,555)
Tax calculated at domestic tax rates applicable to loss in the respective countries	(4,925)	(723)
Income not subject to tax	(8,738)	(9,593)
Expenses not deductible for tax purposes	9,651	10,542
Utilization of previously unrecognized tax losses	(276)	(632)
Tax losses for which no deferred income tax asset was recognized	5,856	2,231
Tax effect of taxable temporary difference not recognized — net	23	767
Tax effect of share of results of joint ventures and associates	3	67
Under/(over) provision in prior years	125	(2,296)
Additional provision for Hong Kong offshore claim (note i)	5,000	—
Income tax expense	6,719	363

The tax expense relating to components of other comprehensive income/(loss) is as follows:

	Actuarial loss/(gains) on retirement benefit obligations	
	2024 US$'000	2023 US$'000
Before tax (Note 19)	502	1,242
Deferred income tax expense/(credit) (Note 11)	39	(132)
After tax	541	1,110

27 INCOME TAX EXPENSE (CONTINUED)

Notes:

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

The IRD tentatively disallowed the 50% or 100% offshore profits claim for the previous years and issued notices of additional assessments/assessments for the years of assessment 2000/01 to 2014/15 on the basis of no 50:50 apportionment for 2000/01 to 2011/12 and no 100% offshore profit for 2012/13 to 2014/15 with the amount of US$3,820,000 (equivalent to approximately HK$29,797,000). The subsidiary has lodged objections against the above assessments for 2000/01 to 2014/15 by the statutory deadlines. The tax provisions made has increased from US$811,000 as at 31 December 2023 to US$5,811,000 (equivalent to approximately HK$45,326,000) as at 31 December 2024 for the years of assessment 2000/01 to 2022/23, based on management's latest assessment considering the latest communication with IRD. Pending settlement of the objections, it has paid a total sum of US$3,695,000 (equivalent to approximately HK$28,823,000) in the form of tax reserve certificates in respect of the tax in dispute up to and including the year of assessment 2014/15.

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

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

At the date of disposal, there was a receivable balance on book of the disposed subsidiary. Management considers that there were sufficient supporting documents to substantiate the nature and amount and therefore this receivable balance could be excluded from WIT calculation and there will be no capital gain from the disposal transaction. The case is current under review by the in-charge tax authority and there is no final assessment as 31 December 2024. Management assessed that the maximum WIT exposure to be approximately RMB10,005,000 (equivalent to US$1,533,000). Despite the uncertain outcomes of the above case, management has provided for the abovementioned amount in full and considers that such provision to be sufficient but not excessive as at 31 December 2024.

(iii) Certain Cambodia incorporated subsidiaries of the Group have been under tax audits by the local tax authority since the year ended 31 December 2016. According to management's experience, the tax audits have been carried out by the local tax authority on a routine basis. On a case-by-case basis, management will determine whether or not to make a provision, depending on the expected outcomes of the tax audits. They consider the provisions as at 31 December 2024 to be adequate but not excessive.

(iv) The Group is within the scope of the OECD Pillar Two model rules. Pillar Two legislation was enacted in Vietnam and became effective from 1 January 2024. Since the Pillar Two legislation was not effective for the year ended 31 December 2024, the Group has no related current tax exposure. The Group applies the exception to recognizing and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes, as provided in the amendments to HKAS 12 issued in July 2023.

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

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

27 INCOME TAX EXPENSE (CONTINUED)

Accounting policies for current and deferred income tax

(i) The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. Current and deferred tax is recognized in the consolidated statement of profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries, joint ventures and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment.

The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

(b) Deferred income tax

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Deferred tax liabilities and assets are not recognized for temporary differences between the carrying amount and tax bases of investments in subsidiaries and joint arrangements where the Group is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

28 LOSS PER SHARE

(a) Basic

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

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

(b) Diluted

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

29 DIVIDENDS

Dividend recognized during the reporting period

	2024 US$'000	2023 US$'000
Final dividend of US0.268 cent or HK2.10 cents per ordinary share for the year ended 31 December 2022	**–**	2,771

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

30 CASH FLOW INFORMATION

(a) Cash (used in)/generated from operations

	2024 US$'000	2023 US$'000
Loss before income tax	(26,767)	(5,555)
Adjustments for:		
Share of profit of joint ventures and associates – net (Note 10)	(536)	(545)
Finance costs (Note 26)	13,778	13,940
Finance income (Note 26)	(659)	(1,508)
Fair value gains on derivative financial instruments (Note 23)	(292)	(19)
Amortization of intangible assets (Note 8)	668	668
Depreciation of property, plant and equipment (Note 6)	14,115	15,721
Loss on write-off of right-of-use assets (Note 7)	647	–
Loss on write-off of property, plant and equipment (Note 6)	2,202	–
Loss on write-off of other non-current asset (Note 23)	1,407	–
Reversal of impairment property, plant and equipment (Note 6)	–	(45)
Depreciation of right-of-use assets (Note 7)	5,216	5,515
Losses on disposals of property, plant and equipment – net (Note 23)	134	65
Net loss on sale of investment in a joint venture (Note 23)	323	234
Net loss on sale of investment in subsidiary (Note 32(b))	600	–
(Reversal of)/provision for loss allowances of trade and other receivables – net	(107)	230
Provision for/(reversal of) obsolete inventories (Note 12)	5,824	(1,785)
Operating profit before working capital changes	16,553	26,916
Changes in working capital (excluding the effects of currency translation on consolidation):		
Inventories	3,870	19,975
Trade and other receivables, deposits and prepayments	(24,531)	(10,184)
Trade and other payables	6,918	(21,949)
Derivative financial instrument	209	(35)
Retirement benefit obligations	(3,916)	(1,964)
Restricted cash	–	29
Cash (used in)/generated from operations	(897)	12,788

30 CASH FLOW INFORMATION (CONTINUED)

(b) In the consolidated statement of cash flows, proceeds from disposals of property, plant and equipment and joint venture comprise:

	2024 US$'000	2023 US$'000
Net book amount (Note 6)	1,025	486
Losses on disposals of property, plant and equipment — net (Note 23)	(134)	(65)
Proceeds from disposals of property, plant and equipment	891	421
Net book amount (Note 10)	1,351	234
Loss on disposal of joint venture — net (Note 23)	(323)	(234)
Proceeds from disposals of joint venture	1,028	—

(c) **Reconciliation of liabilities arising from financing activities**

	Borrowings US$'000	Lease liabilities US$'000	Total US$'000
At 1 January 2024	142,655	23,344	165,999
Cashflows	846	(3,860)	(3,014)
Addition	—	4,185	4,185
Interest expense	12,160	1,618	13,778
Interest payments	(12,160)	(1,618)	(13,778)
Termination of lease	—	(15)	(15)
Exchange difference	—	(938)	(938)
At 31 December 2024	143,501	22,716	166,217

30 CASH FLOW INFORMATION (CONTINUED)

(c) Reconciliation of liabilities arising from financing activities (Continued)

	Borrowings US$'000	Lease liabilities US$'000	Total US$'000
At 1 January 2023	148,501	28,192	176,693
Cashflows	(5,846)	(5,123)	(10,969)
Addition	–	1,870	1,870
Interest expense	12,281	1,659	13,940
Interest payments	(12,281)	(1,659)	(13,940)
Termination of lease	–	(1,276)	(1,276)
Exchange difference	–	(319)	(319)
At 31 December 2023	142,655	23,344	165,999

31 CAPITAL COMMITMENTS

There was no significant capital expenditure contracted for at the end of the reporting period but not recognized as liabilities (2023: Nil).

32 TRANSACTIONS WITH NON-CONTROLLING INTERESTS

(a) Acquisition of non-controlling interests

During the year end 31 December 2024, the group acquired an additional 20% of the issued shares of Sew Sew You Limited for US$1. The negative non-controlling interests of HK$1,236,000 has been transferred to equity attributable to owners of the parent. There were no transactions with non-controlling interests in 2023.

(b) Disposal of a subsidiary

On 20 November 2024, the 51% shareholding held by the Group in On Time International Limited, a subsidiary of the Group was disposed to the existing shareholders at a consideration of US$974,000. As such, loss of disposal of US$600,000 was recognised in the combined statement of profit or loss for the year ended 31 December 2024 and the non-controlling interest of HK$1,638,000 is derecognised.

33 RELATED-PARTY TRANSACTIONS

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

(a) Transactions with related parties

During the year, the Group had the following significant transactions with related companies and joint ventures and associates. Related companies include companies which are beneficially owned or controlled by certain directors of the Company, individually, jointly or collectively, or together with their close family members, and companies which are related companies of the immediate or ultimate holding company of the Company.

33 RELATED-PARTY TRANSACTIONS (CONTINUED)

(a) Transactions with related parties (Continued)

(i) Provisions of goods and services

	2024 US$'000	2023 US$'000
Rental income from joint ventures	**175**	137
Service income from		
— related companies	**110**	30
— joint ventures	**29**	62
— an associate	**—**	—
	139	92
Subcontracting income from		
— related companies	**42**	—
— joint ventures	**95**	—
	137	—
Recharge of material costs and other expenses to		
— related companies	**193**	188
— joint ventures	**15,660**	12,557
	15,853	12,745
Sales of apparels, textile products and accessories to		
— related companies	**451**	515
— joint ventures	**7**	726
	458	1,241
Technology support and services income from		
—related companies	**12**	20
— joint ventures	**2**	69
	14	89
Sales of apparels and textile products under OEM Service Master Agreement to		
— related companies	**80,814**	71,020

33 RELATED-PARTY TRANSACTIONS (CONTINUED)

(a) Transactions with related parties (Continued)

(ii) Purchases of goods and services

	2024 US$'000	2023 US$'000
Rental expenses for occupying office premises, warehouses and staff quarters charged by related companies	**262**	204
Interest expenses arise from lease liabilities from related companies	**184**	65
Professional and technological support service fees to related companies	**1,920**	1,960
Subcontracting expenses to joint ventures	**15,518**	2,997
Freight forwarding and logistics services charged by related companies	**1,624**	1,482
Recharge of material costs and other expenses by		
— related companies	**149**	199
— joint ventures	**1,944**	3,711
	2,093	3,910
Purchases of materials from joint ventures	**24,779**	20,442

(iii) Interest income arising from loans

	2024 US$'000	2023 US$'000
Interest income arise from loans to (Note 26)		
— a joint venture	**—**	821
— an associate	**29**	33
	29	854

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

33 RELATED-PARTY TRANSACTIONS (CONTINUED)

(b) Balances with related parties

(i) Year-end balances arising from sales and purchases of goods and services or loans

	2024 US$'000	2023 US$'000
Amounts due from related parties (Note 14)		
— Joint ventures	10,267	13,106
— Related companies	8,304	6,836
— Associates	663	678
	19,234	20,620
Amounts due to related parties (Note 20)		
— Joint ventures	71	50
— Related companies	933	630
	1,004	680

As at 31 December 2024, the amounts due from joint ventures include US$8,074,000 (2023: US$8,242,000) financial supports to a joint venture in the form of shareholder loans. The amount due from an associate also includes a shareholder loan of US$463,000 (2023: US$480,000) financial supports to an associate. These loans are unsecured, on demand and interest-free. The remaining amounts due from joint ventures, an associate and related companies arise mainly from trade transactions. They are unsecured, interest-free and repayable on demand in accordance with credit terms.

Information about the impairment of the balances can be found in Note 3.1(b)(ii).

The amounts due from joint ventures and related companies are unsecured, interest-free and repayable on demand.

The carrying amounts of these balances approximate their fair values and are denominated in US$.

(ii) Year-end balances arising from leases

	2024 US$'000	2023 US$'000
Lease liabilities from leases with related companies	1,760	1,542

33 RELATED-PARTY TRANSACTIONS (CONTINUED)

(c) Key management compensation

	2024 US$'000	2023 US$'000
Basic salaries and allowance	1,979	2,532
Bonus	354	506
Pension scheme contributions	9	17
	2,342	3,055

As at 31 December 2024, there are no amount due to key management, loans, quasi-loans and other dealing arrangements in favor of key management (2023: Same).

(d) Banking facilities

As at 31 December 2024, certain banking facilities of the Group to the extent of US$469,934,000 were supported by corporate guarantees given by the Company.

34 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

		2024 US$'000	2023 US$'000
ASSETS			
Non-current asset			
Investments in subsidiaries		**71,564**	71,564
Current assets			
Amounts due from subsidiaries		**14,615**	16,339
Deposits, prepayments and other current assets		**26**	47
Cash and bank balances		**32**	44
Total current assets		**14,673**	16,430
Total assets		**86,237**	87,994
EQUITY			
Equity attributable to owners of the Company			
Share capital		**10,341**	10,341
Other reserves	(a)	**71,564**	71,564
Retained earnings	(a)	**(649)**	942
Total equity		**81,256**	82,847
LIABILITIES			
Current liabilities			
Other payables and accruals		**496**	358
Amounts due to fellow subsidiaries		**4,485**	4,789
Total liabilities		**4,981**	5,147
Total equity and liabilities		**86,237**	87,994

The statement of financial position of the Company has been approved by the Board of Directors on 28 March 2025 and has been signed on behalf.

Tan Cho Lung, Raymond
Director

Weimin Wang
Director

34 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

(a) Reserve movement of the Company

	Retained earnings US$'000	Other reserves US$'000	Total US$'000
At 1 January 2024	**942**	**71,564**	**72,506**
Loss for the year	**(1,591)**	**–**	**(1,591)**
At 31 December 2024	**(649)**	**71,564**	**70,915**
At 1 January 2023	2,129	71,564	73,693
Profit for the year	1,584	–	1,584
Dividend paid	(2,771)	–	(2,771)
At 31 December 2023	942	71,564	72,506

35 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and senior management's emoluments

The remuneration of every director for the year ended 31 December 2024 is set out below:

Name of director	Fees US$'000	Salary US$'000	Discretionary bonuses US$'000	Other benefits (Note ix) US$'000	Employer's contribution to pension scheme US$'000	Total US$'000
Executive directors						
Mr. Weimin Wang *(Chairman)* (Note vi)	**154**	**13**	**–**	**–**	**–**	**167**
Mr. Tan Cho Lung, Raymond *(Chief Executive Officer)*	**–**	**367**	**–**	**–**	**2**	**369**
Dr. Tan Siu Lin	**104**	**9**	**–**	**–**	**–**	**113**
Mr. Zhang Min	**77**	**6**	**–**	**–**	**–**	**83**
Mr. Xin Jin (Note vii)	**77**	**6**	**–**	**–**	**–**	**83**
Non-executive director						
Ms. Mok Siu Wan, Anne (Note i)	**8**	**–**	**–**	**–**	**–**	**8**
Ms. Fok Yue San Sandy (Note ii)	**23**	**165**	**–**	**–**	**1**	**189**
Independent non-executive directors						
Mr. Chan Henry	**31**	**–**	**–**	**–**	**–**	**31**
Dr. Wang Ching	**31**	**–**	**–**	**–**	**–**	**31**
Mr. Lee Cheuk Yin, Dannis (Note viii)	**31**	**–**	**–**	**–**	**–**	**31**
Total	**536**	**566**	**–**	**–**	**3**	**1,105**

35 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(a) Directors' and senior management's emoluments (Continued)

The remuneration of every director for the year ended 31 December 2023 is set out below:

Name of director	Fees US$'000	Salary US$'000	Discretionary bonuses US$'000	Other benefits (Note ix) US$'000	Employer's contribution to pension scheme US$'000	Total US$'000
Executive directors						
Mr. Qu Zhiming *(Chairman)* (Note iii)	123	32	–	–	–	155
Mr. Weimin Wang *(Chairman)* (Note vi)	93	7	–	–	–	100
Mr. Tan Cho Lung, Raymond *(Chief Executive Officer)*	–	17	–	–	1	18
Mr. Huang Jie (Note iv)	74	20	–	–	–	94
Dr. Tan Siu Lin	104	9	–	–	–	113
Mr. Zhang Min	120	19	–	–	–	139
Mr. Xin Jin (Note vii)	46	4	–	–	–	50
Non-executive director						
Ms. Mok Siu Wan, Anne	31	–	–	–	–	31
Independent non-executive directors						
Mr. Chan Henry	31	–	–	–	–	31
Mr. Seing Nea Yie (Note v)	7	–	–	–	–	7
Dr. Wang Ching	31	–	–	–	–	31
Mr. Lee Cheuk Yin, Dannis (Note viii)	18	–	–	–	–	18
Total	678	108	–	–	1	787

Notes:

(i) Mr. MOK Siu Wan, Anne retired as a non-executive director with effect from 1 April 2024.

(ii) Mr. FOK Yue San, Sandy was appointed as a non-executive director with effect from 1 April 2024.

(iii) Mr. Qu Zhiming resigned as an executive director with effect from 26 May 2023.

(iv) Mr. Huang Jie resigned as an executive director with effect from 26 May 2023.

(v) Mr. Seing Nea Yie resigned as an independent non-executive director with effect from 26 May 2023.

(vi) Mr. Weimin Wang was appointed as an executive director of the Company with effect from 26 May 2023.

(vii) Mr. Xin Jin was appointed as an executive director of the Company with effect from 26 May 2023.

(viii) Mr. Lee Cheuk Yin, Dannis was appointed as an independent non-executive director with effect from 26 May 2023.

(ix) Other benefits mainly include share options and other allowances.

35 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(a) Directors' and senior management's emoluments (Continued)

During the year ended 31 December 2024, none of the directors of the Company waived any emoluments paid or payable by the Group during the year (2023: Same) and there were no amounts paid or payable by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office (2023: Same).

	2024 US$'000	2023 US$'000
Aggregate emoluments paid to or receivable by directors in respect of their services as directors, whether of the company or its subsidiary undertaking	**536**	678
Aggregate emoluments paid to or receivable by directors in respect of their other services in connection with the management of the affairs of the company or its subsidiary undertaking	**569**	109
	1,105	787

(b) Directors' retirement benefits and termination benefits

During the year ended 31 December 2024, none of the directors received or will receive any retirement benefits or termination benefits during the financial year (2023: Same).

(c) Consideration provided to third parties for making available directors' services

During the year ended 31 December 2024, the Company did not pay consideration to any third parties for making available directors' services (2023: Same).

(d) Information about loans, quasi-loans and other dealings in favor of directors, controlled bodies corporate by and controlled entities with such directors

As at 31 December 2024, there are no loans, quasi-loans and other dealing arrangements in favor of directors, controlled bodies corporate by and controlled entities with such directors (2023: Same).

(e) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the financial year (2023: Same).

36 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES

36.1 Subsidiaries

36.1.1 Consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) Principles of consolidation

The Group applies the acquisition method to account for business combinations. See Note 36.1.1(b) for details. Intercompany transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and consolidated statement of financial position, respectively.

(b) Business combinations

The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, liabilities incurred to the former owners of the acquired business and the equity interests issued by the Group, fair value of any asset or liability resulting from a contingent consideration arrangement, and fair value of any pre-existing equity interest in the subsidiary. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS. The acquisition method of accounting is used to account for all business combinations excluding those involving the entities under common control, regardless of whether equity instruments or other assets are acquired.

36 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)

36.1 Subsidiaries (Continued)

36.1.1 Consolidation (Continued)

(b) Business combinations (Continued)

In some business combinations, the seller may contractually indemnify the Group for the outcome of a contingency or uncertainty related to all or part of a specific asset or liability; in other words, the seller will guarantee that the Group's liability will not exceed a specified amount or will be compensated by the seller. The Group shall recognize an indemnification asset at the same time that it recognizes the indemnified item measured on the same basis as the indemnified item, subject to the need for a valuation allowance for uncollectible amounts. Therefore, if the indemnification relates to an asset or a liability that is recognized at the acquisition date and measured at its acquisition-date fair value, the Group shall recognize the indemnification asset at the acquisition date measured at its acquisition-date fair value. For an indemnification asset measured at fair value, the effects of uncertainty about future cash flows because of collectability considerations are included in the fair value measure and a separate valuation allowance is not necessary.

Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquired entity, and the acquisition-date fair value of any previous equity interest in the acquired entity, over the fair value of the identifiable net assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognized directly in the consolidated statement of profit or loss as a bargain purchase.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognized in the consolidated statement of profit or loss. If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquired entity is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognized in the consolidated statement of profit or loss.

36 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)

36.1 Subsidiaries (Continued)

36.1.1 Consolidation (Continued)

(c) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognized in a separate reserve within equity attributable to owners of the Company.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognized in the consolidated statement of profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss or pay.

If the ownership interest in a joint venture is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income are reclassified to profit or loss where appropriate.

36.1.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment losses. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements the investee's net assets including goodwill (Note 8).

36 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)

36.2 Joint arrangements and associates

(a) Joint Arrangements

Under HKFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method. See Note 36.2(c) for details.

(b) Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounting for using the equity method, after initially being recognized at cost. See Note 36.2(c) for details.

(c) Equity Method

Under the equity method of accounting, the investments are initially recognized at cost and adjusted thereafter to recognize the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from joint ventures are recognized as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the joint venture.

Unrealized gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amounts of equity-accounted investments are tested for impairment (Note 8).

36 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)

36.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Company that make strategic decisions.

36.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in US$, which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized in consolidated statement of profit or loss.

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized in consolidated statement of profit or loss.

Foreign exchange gains and losses are presented in the consolidated statement of profit or loss on a net basis within "other income and other gains — net".

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognized in the consolidated statement of profit or loss as part of the fair value gain or loss.

36 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)

36.4 Foreign currency translation (Continued)

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) income and expenses for each statement of profit or loss are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting currency translation differences are recognized in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognized in other comprehensive income.

36.5 Investments and other financial assets

(i) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ("OCI") or through profit or loss); and
- those to be measured at amortized cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will be recorded in profit or loss or OCI.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

36 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)

36.5 Investments and other financial assets (Continued)

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Debt instrument

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in "other income and other gains — net" together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

- Fair value through other comprehensive income ("FVOCI"): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other income and other gains — net. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other income and other gains — net and impairment expenses are presented as separate line item in the statement of profit or loss.

- FVPL: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognized in profit or loss and presented net within "other income and other gains — net" in the period in which it arises.

  As at 31 December 2024 and 2023, the Group only has financial assets measured at amortized cost and FVPL.

36 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)

36.5 Investments and other financial assets (Continued)

(iv) Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see note 3.1(b) for further details.

36.6 Derivative financial instruments

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair values at the end of each reporting period. Changes in the fair value of these derivative instruments are recognized immediately in the consolidated statement of profit or loss within 'other income and other gains — net'. The Group does not have any derivative that is designated as a hedging instrument.

36.7 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

36.8 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

36.9 Trade and other payables

Trade payables represent liabilities for goods or services provided to the Group prior to the end of reporting period which are unpaid. Trade and other payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade and other payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

36.10 Financial guarantee contracts

The Company provides financial guarantees to financial institutions on behalf of subsidiaries to secure loans, overdrafts and other banking facilities.

Financial guarantee contracts are recognized as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of:

- the amount determined in accordance with the expected credit loss model under HKFRS 9 Financial Instruments and

- the amount initially recognized less, where appropriate, the cumulative amount of income recognized in accordance with the principles of HKFRS 15 Revenue from Contracts with Customers.

36 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)

36.10 Financial guarantee contracts (Continued)

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

36.11 Borrowings

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated statement of profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

Borrowings are removed from the consolidated statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in the consolidated statement of profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless, at the end of the reporting period, the group has a right to defer settlement of the liability for at least 12 months after the reporting period.

Covenants that the Group is required to comply with, on or before the end of the reporting period, are considered in classifying loan arrangements with covenants as current or non-current. Covenants that the Group is required to comply with after the reporting period do not affect the classification.

The Group presented cash inflows and outflows on a net basis separately for borrowings related to the factoring arrangement (Note 18) and other trade finance due to the short maturities, large amount and quick turnover of the related receipts from and repayments to financial institutions.

36.12 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

36 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)

36.12 Borrowing costs (Continued)

All other borrowing costs are recognized in the consolidated statement of profit or loss in the period in which they are incurred.

36.13 Employee benefit expenses

(a) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognizes costs for a restructuring that is within the scope of HKAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(b) Profit-sharing and bonus plans

The Group recognizes a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(c) Employee leave entitlements

Employee entitlements to annual leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the date of the consolidated statement of financial position.

Employee entitlements to sick leave and maternity leave are not recognized until the time of leave.

(d) Other short-term obligations

Liabilities for wages and salaries, including non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the consolidated statement of financial position.

36.14 Provisions

Provisions for legal claims are recognized when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

36 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)

36.14 Provisions (Continued)

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to passage of time is recognized as interest expense.

36.15 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognized because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognized but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognized as a provision.

However, the Group shall recognize as of the acquisition date a contingent liability assumed in a business combination if it is a present obligation that arises from past events and its fair value can be measured reliably. Therefore, the Group as an acquirer recognizes a contingent liability assumed in a business combination at the acquisition date even if it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

36.16 Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- The profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares.

- By the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

36 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)

36.16 Earnings per share (Continued)

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share taking into account:

- The after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and

- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

36.17 Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

36.18 Interest income

Interest income on financial assets at amortized cost calculated using the effective interest method is recognized in the statement of profit or loss as part of finance income.

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset.

FIVE YEAR FINANCIAL SUMMARY

	2020	2021 (Restated)	2022 (Restated)	2023	**2024**
Financial highlights (US$'000)					
Total assets	538,616	560,092	519,084	474,997	**445,983**
Total liabilities	350,022	358,223	316,663	283,311	**289,281**
Bank borrowings	160,590	149,769	148,501	142,655	**143,501**
Capital and reserves attributable to owners of the Company	186,104	199,462	201,244	190,668	**155,954**
Working capital	30,001	33,813	32,452	33,915	**16,970**
Revenue	697,329	795,659	858,861	696,634	**674,386**
Profit/(loss) attributable to owners of the Company	(28,028)	11,195	9,911	(6,008)	**(33,891)**
Key ratios					
Current ratio	1.11	1.11	1.12	1.13	**1.06**
Gross profit margin	11.9%	15.5%	14.6%	13.7%	**11.0%**
Profit/(loss) margin attributable to owners of the Company	(4.0)%	1.4%	1.2%	(0.9)%	**(5.0)%**

Notes:

The financial summary of the Group is for information only and does not form part of the audited consolidated financial statements.