



Luen Thai Holdings Limited  
聯泰控股有限公司  
(Incorporated in the Cayman Islands with limited liability) (Stock Code: 311)



2023 ANNUAL REPORT

# CONSOLIDATION & RESTRUCTURING

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

## NON-EXECUTIVE DIRECTOR

MOK Siu Wan, Anne

## INDEPENDENT NON-EXECUTIVE DIRECTORS

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

## 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

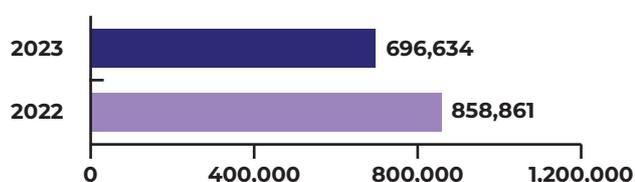
## LEGAL ADVISORS

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

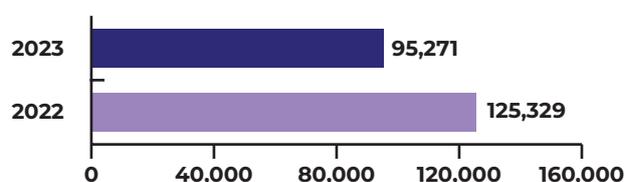
# KEY FINANCIAL HIGHLIGHTS

	2023	2022
	US\$000	US\$000
		(Restated)
<b>Revenue</b>	<b>696,634</b>	858,861
<b>Gross Profit</b>	<b>95,271</b>	125,329
<b>Gross Profit Margin</b>	<b>13.7%</b>	14.6%
<b>Operating Profit</b>	<b>6,332</b>	19,066
<b>(Loss)/Profit attributable to owners of the Company</b>	<b>(6,008)</b>	9,911
<b>Basic (Loss)/Earnings Per Share</b>	<b>US(0.6) cents</b>	US1.0 cents
<b>Total Assets</b>	<b>474,997</b>	519,084
<b>Capital and Reserves</b>		
Attributable to owners of the Company	<b>190,668</b>	201,244

Revenue (US\$000)



Gross Profit (US\$000)



# CHAIRMAN'S STATEMENT

## OVERVIEW

It is my pleasure to present my first annual report to shareholders as chairman of Luen Thai Holdings Limited ("Luen Thai" or the "Company", and together with its subsidiaries, the "Group"). I am honored to be appointed as the chairman of the Company to lead the board of directors of the Company (the "Board") forward in these severely difficult times.

Looking back in 2023, the health crisis of novel coronavirus (the "COVID-19") pandemic has been contained and considered as an endemic and the disrupted supply chain have bounced back. However, the economic and business landscape of the world were hit hard by the residual adverse impact of the COVID-19 pandemic, the worldwide economy remained under pressure with many countries facing high inflation, high unemployment rates and cost of living crisis. In order to tame inflation, the steepest series of interest rate increase in decades have been unleashed by certain countries in the past two years. In this environment, many industries were skewed to the downside, and our business was also affected.

Despite the abovementioned difficulties caused by the market and the international environment that are beyond our control, the foundation of mutual understanding with our strategic customers and suppliers has been further deepened over the past few rocky years. Our long-term strategy in diversifying manufacturing hubs in Southeast Asia countries, as well as the customized and flexible management approach adopted by our seasoned management team have aided us to ensure our business continuity during this unpredictable and challenging period.

The Group's revenue decreased by approximately US\$162,227,000 or approximately 18.9%, from approximately US\$858,861,000 for the year ended 31 December 2022 to approximately US\$696,634,000 for the year ended 31 December 2023. Gross profit amounted to approximately US\$95,271,000, representing a decrease of approximately US\$30,058,000. Due to the substantial decline in the revenue and gross profit the Group incurred a net loss attributable to owners of the Company ("Net Loss") of approximately US\$6,008,000 in spite of the Group's considerable efforts to improve profitability. Details of the results of the Company and the Group are set out in the "Management Discussion and Analysis" section of this Annual Report.

## CHAIRMAN'S STATEMENT

### PROSPECT AND CHALLENGES

According to the latest Global Economic Prospects report of World Bank, the worldwide economic growth is expected to defy recession but is projected to remain subdued for the third consecutive year in 2024. The global economic growth rate is forecasted to decrease from 2.6% in 2023 to 2.4% in 2024, this projection in conformity with the cautious outlook of the Group towards 2024. The global economy is still facing a series of challenges, arising particularly from military conflicts in the Middle East and the ongoing Russia-Ukraine War, which may pose a threat to the growth outlook of the world.

To navigate this difficult and unsettled period, the Group will remain competitive and resilient in the industry by continuously improving its automation level and enhancing its innovation capabilities. The Group will also consistently maintain a healthy financial position by adopting a stringent cost control policy. In general, we have confidence in the long-term development of the Group. Luen Thai will continue to make use of our diversified production bases to deliver a steady growth together with our brand customers and to generate a promising return for our shareholders in the long run.

#### **Diversification of production bases**

The upheavals posed by the COVID-19 pandemic, the 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. In view of the fear of supply chains disruptions, coupled with persisting trade tensions between the Peoples Republic of China (the "PRC") and the United States of America ("USA") in the past few years, 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.

## CHAIRMAN'S STATEMENT

With a long-term vision to ease customers' concern pertaining to risk exposures arising from procurement concentration, the Group has continuously streamlining and consolidating its production capacities in certain Southeast Asia countries. 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, in particular, during the raging period of the COVID-19 pandemic. The resilience and flexibility of the Group in dealing with the business crisis caused by the COVID-19 pandemic, has reaffirmed the necessity and significance of diversification of production bases.

Meanwhile, the "China for China" strategy (i.e. produced in the PRC for domestic sales) is becoming more popular among brand owners, as they are devoted to put more efforts to localize their products and to cater for the specific needs of Chinese customers, particularly for the young generation. 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, hoping to get new business from the mentioned brand owners.

### **Mutual growth with customers**

Luen Thai is aiming for a Win-Win relationship with our branded customers by providing high quality products. Luen Thai is firmly believed 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.

With 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.

## CHAIRMAN'S STATEMENT

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 the 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 employee, 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 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. As the Group continues to grow in size and complexity, it is vital for the Group to uphold the concept that employees are one of the essential ingredients to the success of our future.

## CHAIRMAN'S STATEMENT

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 Group and the interest of 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.

## CHAIRMAN'S STATEMENT

### APPRECIATION

On behalf of the Board, I would like to express my sincerest gratitude to my predecessor, Mr. Qu Zhiming for his foresight and invaluable leadership as our chairman of the Company since May 2020. I wish to express my sincere appreciation to our Board for their professional counsel and guidance. I am also thrilled to have Mr. Tan Cho Lung Raymond as the chief executive officer of the Company to take us forward during this toughest time of the post COVID-19 pandemic era.

I would like to take this opportunity to express my utmost gratitude to all our customers, suppliers and shareholders for their dedicated support and great confidence for 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, 27 March 2024



Message from our CEO  
**RAYMOND TAN**

# CONSOLIDATION & RESTRUCTURING

**Embracing Change and Charting a New Course**

The persistent economic instability, tight financial conditions, and ongoing geopolitical conflicts have significant ramifications for our business across all aspects. The company is at an inflection point where we must solidify our foundation to support company growth and best serve our customers. As we navigate the ever-changing business landscape, it is vital that we adapt and evolve to stay ahead of the curve.

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## MESSAGE FROM OUR CEO

In today's fast-paced business environment, adaptability and agility are key. Through the consolidation of our efforts, we will establish a leaner and more focused organization capable of swiftly responding to market demands, seizing emerging opportunities, and delivering exceptional value to our customers. This strategic move will ultimately strengthen our company, enabling us to become more self-sufficient and laser-focused in achieving our goals.

Consolidation and restructuring are necessary steps for our survival. While these decisions are undoubtedly difficult, they are essential to ensure the long-term viability and sustainability of our business. The initiative extends far beyond mere cost-cutting or reducing headcount; it is a deliberate and forward-thinking endeavor focused on shaping our future and harnessing our untapped potential. It is about nurturing a culture of innovation, collaboration, and continuous improvement that will propel us to new heights. Our objective is to maintain our position at the forefront of our industry, leading with pioneering solutions and delivering unparalleled customer experiences.

At Luen Thai, our foundation is built upon trust, a long-term mindset, and a commitment to embracing diverse perspectives. While some of the decisions we will face in the coming year may be challenging, we undertake them with unwavering confidence. We firmly believe that through these actions, we will emerge as a stronger and more efficient company, poised to forge a stable future while creating even greater value across our operations.



## MESSAGE FROM OUR CEO

**As we embark on this restructuring journey, we have outlined key objectives that will guide our efforts:**

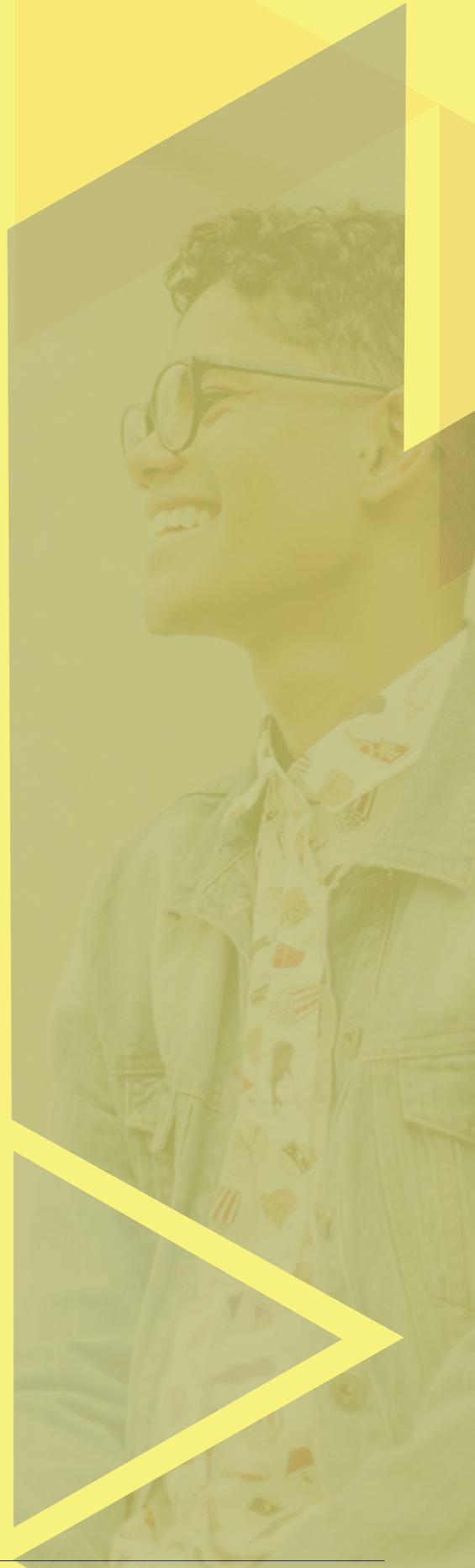
**1. Improve Organizational Efficiency:**

We recognize the importance of a streamlined organizational structure that eliminates duplication, enhances communication channels, and fosters a culture of collaboration and innovation. By redefining our structure, we will be able to respond more swiftly to market demands and better serve our customers.

**2. Focus on Core Competencies:**

In line with our strategic vision, we will concentrate our resources and efforts on our core competencies, specifically enhancing manufacturing efficiency for apparel and accessories production. This will be achieved through the optimization of processes, elimination of waste, and maximization of productivity. To accomplish this, we will implement the following strategies:

- Lean manufacturing principles such as just-in-time production, continuous flow, and waste reduction.



## MESSAGE FROM OUR CEO

- Conducting a thorough analysis of manufacturing processes to identify areas for improvement. Look for opportunities to streamline workflows, reduce setup and changeover times, and enhance equipment utilization.
- Evaluate opportunities for automation and the integration of technology in manufacturing processes. Identify tasks that can be automated to improve speed, accuracy, and consistency.

By focusing on our core competencies, we can enhance our competitive advantage and deliver superior products and services to our customers. This approach will enable us to excel in areas where we have the greatest expertise and drive sustainable growth.

### **3. Cost Optimization:**

We are committed to optimizing our cost structure while minimizing any negative impact on our valued workforce. This will involve a thorough evaluation of non-essential expenses, streamlining processes, and making strategic adjustments to our operations. Our goal is to achieve greater efficiency without compromising the quality of our offerings or the well-being of our employees.



## MESSAGE FROM OUR CEO

## 2023 RECAP

Globally, economies have faced increased uncertainty due to lingering negative effects of the coronavirus pandemic, and the implementation of tighter monetary policies to combat elevated inflation levels. The ramifications of these factors have directly impacted our business. During the pandemic, many brand owners increased their inventory levels out of fear of supply chain disruptions. Consequently, this led to inventory gluts in the post-COVID-19 era, which had a direct impact on our revenue. Additionally, high interest rates have escalated the finance costs for our Group. As a result, our fiscal 2023 revenue amounted to approximately USD697 million, accompanied by a loss of approximately USD6 million.

While the outcomes have fallen short of expectations, we are fully committed to addressing the underlying issues and taking decisive actions to mitigate operational risks, enhance operational efficiency, reduce costs, and tightly manage our cash flow. We maintain confidence in our ability to navigate these difficulties and emerge stronger, guided by a clear strategy and an unwavering focus on delivering value to our stakeholders.

In 2023, we made significant strides in reducing our operating costs. However, more work is required to right-size our operations and achieve greater efficiency. **Restoring profitability stands as our top priority for the Group in the coming year.** Leveraging our decentralized production capabilities and broad-based product offerings, we possess the flexibility necessary for effective restructuring. We are actively engaged with our customers to develop solutions that address their concerns and ensure successful progress with profitable operations.

Overall, we are dedicated to making strategic moves and implementing restructuring initiatives that will enable us to overcome challenges, restore profitability, and position ourselves for sustained success.



## MESSAGE FROM OUR CEO



## Driving Long-term Success: Sharpening our strategy and leveraging our strengths

The consistent values we aim to deliver for all our stakeholders are not developed overnight. It is a long-term endeavor, and we adopt a long-term approach.

Geopolitical tensions continue to disrupt the supply chain in our industry. The situation has undermined the productivity and efficiency that globalization once brought. To navigate these escalating risks, we have implemented our plan to reorganize the supply chain, supporting both nearshore and offshore sourcing strategies through our operations in China and internationally. Our “China-for-China” framework, prioritizing domestic manufacturing facilities

to support our clients’ regional operations, along with our non-China sustainable supply chain for factories outside of China serving the global market, have played a vital role in mitigating the adverse effects. Additionally, we have formed a partnership with NTX™ to strengthen our presence in the United States by establishing an innovation center, showcasing our capabilities, and maintaining close relationships with new and existing clients. Going forward, we will continue to refine our “China-for-China” strategy to better serve customers.

Countries around the world are taking steps towards decarbonization, not only in technology advancements but also in formulating international rules that align with their own industrial structures. Simultaneously, businesses are actively striving to enhance competitiveness by leveraging decarbonization technologies. At Luen Thai, we have been a firm believer and

## MESSAGE FROM OUR CEO



early advocate of such initiatives. We firmly believe that by utilizing our unique resources and expertise to address social issues, we can achieve sustainable growth while creating social and economic value. Our investment in NTX™ Cooltrans, an eco-friendly waterless textile coloration technology, represents a crucial long-term step in building a sustainable supply chain. With the endorsement and participation of top brands, we will establish an exceptionally powerful competitive edge, enabling us to leverage the potential of sustainable innovations and realize economies of scale.

The global fashion industry is grappling with a significant challenge concerning overproduction. The conventional supply-driven model, characterized by the ‘take, make, dispose’ approach, contributes to the daily accumulation of unused garments in landfills. The root cause of this issue lies in the difficulty brands face with inventory management, struggling to accurately predict consumer demand and resulting in either excessive production or stockouts. This problem not only leads to substantial revenue losses for brand owners but also represents a wastage of valuable resources. To address this challenge, we have invested in the on-demand manufacturing business model through SewSewYou in recent years. In 2023, we initiated a partnership with a renowned international brand to jointly tackle this issue by launching an Original Brand Manufacturing (OBM) program. By combining our supply chain capabilities with the brand’s resources, we aim to bridge the gap between

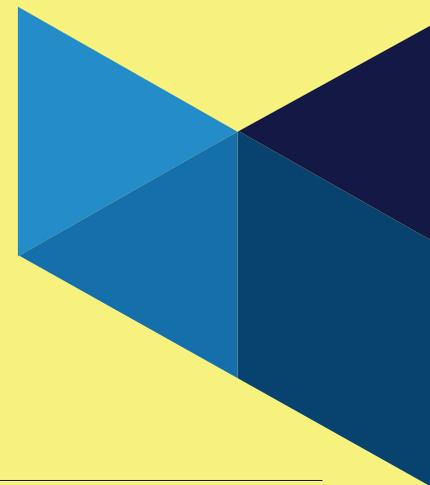
## MESSAGE FROM OUR CEO

customer demand and merchandise supply more effectively. The on-demand model will replace the traditional supply-driven approach, allowing us to respond to customer preferences with greater accuracy and efficiency.



The OBM program involves testing new products through small-scale launches, gathering real-time customer feedback, and swiftly replenishing in-demand products with a responsive supply chain, all within a timeframe of less than two weeks. This project has the potential to transform our business from a labour-intensive manufacturing mode to a highly cash-flow generative model, enabling us to establish closer connections with both brands and end consumers.

Our OEM business has faced unfavourable bargaining power dynamics in recent years. To deliver added value to our clients and stakeholders, we must take further steps. The strategies we implement have the potential to assist us in reclaiming bargaining power within the industry, resulting in increased profitability, reduced business risks, and higher margins.



## MESSAGE FROM OUR CEO

# WE SUPPORT



## Commitment in Sustainability

By aligning ourselves with the United Nations Global Compact (UNGC), we join a global community of like-minded businesses striving to make a positive impact. I am pleased to confirm that the company reaffirms its support of the Ten Principles of the UNGC in the areas of Human Rights, Labour, Environment, and Anti-Corruption. Our commitment to the Ten Principles is a testament to our belief that sustainable success is built on a strong foundation of integrity, inclusivity, and environmental stewardship.

Sustainability is a fundamental pillar of our business strategy and a responsibility we hold dear. It is a core value that guides our actions and decision-making processes. Upholding our value and vision of “Sustainable Shared Success Through Reinvention,” we acknowledge the significance of striking a balance between our sustainability initiatives and the traditional business values and success criteria that underpin our operations.

## MESSAGE FROM OUR CEO



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

In 2023, we have made significant progress through our charitable efforts, collaborating with various organizations and clubs such as the Chelsea Soccer School in Hong Kong, Tuloy Football Club, and XO United Football Club. Our primary aim is to support children across nations in their physical, mental, and emotional growth. I am delighted to share that seven players from XO United Football Club will be participating in the upcoming International Under-14 Football Youth Cup. This achievement demonstrates the progress we have made in nurturing talent and providing opportunities for young players to showcase their skills on an international stage. I take immense pride in the accomplishments we have achieved thus far and the potential for our charitable work to bring about meaningful change in people's lives. We remain committed to continuing our efforts to create a brighter future for children through the power of football.

## MESSAGE FROM OUR CEO



We are steadfast in our commitment to reducing the consumption of natural resources, including water, energy, and harmful chemical materials, without compromising economic growth. To achieve this, we continue to leverage advanced technologies such as NTX™ eco-friendly waterless textile and product coloration technologies. Furthermore, we are actively pursuing on-demand manufacturing and a build-to-order business model to minimize waste resulting from overproduction.

Sustainability is not a destination but a journey. By embracing sustainability as an integral part of our business, we can create long-term value for our stakeholders while making significant contributions to a more equitable and resilient world.

## CLOSING

I firmly believe that the strength of any company lies in the collective spirit and dedication of its employees. Together, we have achieved remarkable milestones, weathered storms, and celebrated triumphs. As we embark on this new chapter, I have no doubt that our united efforts will pave the way for a future that exceeds our wildest imagination.

I am grateful to each and every one of our employees, shareholders, and customers for their hard work, trust, commitment, and unwavering dedication. Their continued support has enabled us to pursue our mission and create value for all stakeholders.

The resilience and adaptability have been the bedrock of our success, and I am confident that, working together, we will conquer any challenge that comes our way.



# Management Discussion and Analysis

## RESULT REVIEW

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

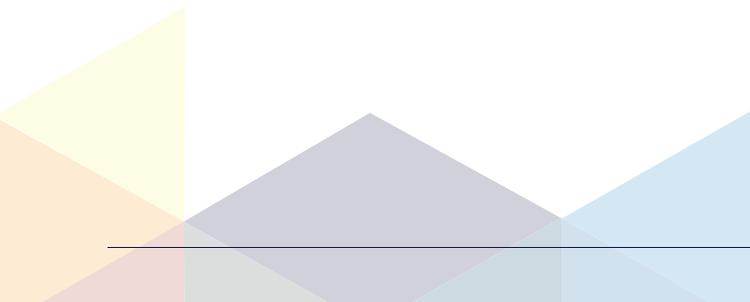
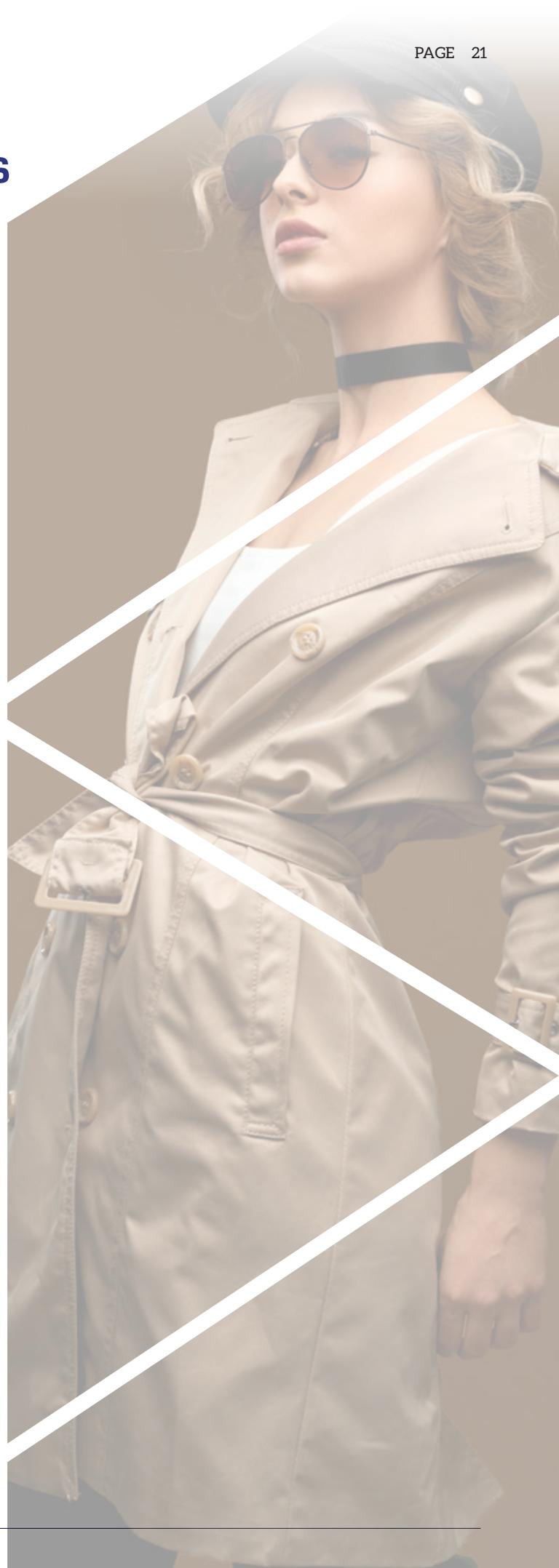
On the other hand, the economy of the People's Republic of China (the "PRC"), the world's second-largest economy, grew at 5.2% annual pace in 2023, which was slightly higher than the government's target. However, with the deepening property crisis, persistent high unemployment rates among young adults,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

# Management Discussion and Analysis

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

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

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



# Management Discussion and Analysis

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

## SEGMENTAL REVIEW

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

### Apparel

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

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

### Accessories

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

## MARKETS

Consistent with the Group's geographical market distribution for the year ended 31 December 2022, the US, Europe and Asia (mainly the PRC and Japan) remained as our top three markets for the year under review. The revenue derived from customers in the US, Europe and Asia market accounted for 45.9%, 16.1% and 20.4% respectively of the total revenue of the Group for the year ended 31 December 2023.

## FUTURE PLANS AND PROSPECT

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

# Management Discussion and Analysis



# Management Discussion and Analysis

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

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

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

By entering into the OBM Products Purchase Master Agreement, it would provide flexibility for the Connected Party to purchase OBM Products from the Group from time to time. Considering the potential bulk purchase volume of the Connected Party, such arrangement will be able to broaden the revenue stream of the Group. Besides, the Connected Party has granted rights to the Group to design, manufacture, sale and distribute various apparel products for brand(s) owned or licensed by the Connected Party in





the PRC through the Sales and Services Framework Agreement. This cooperation model will further strengthen the cooperative relationship between the Group and the Connected Party, which will also enable the Group to strengthen its business footprint beyond the manufacturing industry and potentially create a new growth driver for the Group.

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

## 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

# Management Discussion and Analysis



latest corporate developments. The Group regularly updates its corporate information on the Company's website ([www.luenthai.com](http://www.luenthai.com)) in both English and Chinese on a timely basis to all concerned parties.

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

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

## FUTURE PLAN FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

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

## CHARGE OF ASSETS

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

## CONTINGENT LIABILITIES

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

Among the abovementioned contingent liabilities, US\$5,504,000 was recognized upon business combination of Universal Elite Holdings Limited ("Universal") and its subsidiaries in October 2018. Pursuant to the agreement for sale and purchase of the shares in Universal, such taxation claim in relation to periods prior to October 2018 will be indemnified entirely by the sellers. Accordingly, the Group has recognized an indemnification asset of US\$5,504,000 as at the acquisition date. During the year ended 31 December 2022, one subsidiary of Universal has paid the IRD an amount of US\$22,000 to settle a tax case related to periods prior to the acquisition. The amount has been recovered from the previous owners in full. Accordingly, the amounts of contingent liability and indemnified assets have been reduced to US\$5,482,000 as at 31 December 2022. No payment was made in year ended 31 December 2023.

Also, a contingent liability of US\$11,461,000 was recognized upon business combination of Sachio Investments Limited ("Sachio") and its subsidiary in April 2020. Pursuant to the agreement for sale and purchase of the shares in Sachio, such taxation claim in relation to periods prior to April 2020 will be indemnified entirely by the sellers. Accordingly, the Group has recognized an indemnification asset of US\$11,461,000 as at the acquisition date. During the year ended 31 December 2022, the subsidiary of Sachio has paid the Cambodia tax authority a total amount of US\$220,000 on cases related to periods prior to the acquisition. The amount has been recovered from the previous owner in full. Accordingly, the amounts of contingent liability and indemnified assets have been reduced to US\$11,241,000. No payment was made in year ended 31 December 2023.

# Management Discussion and Analysis

## LIQUIDITY AND FINANCIAL RESOURCES

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

As at 31 December 2023, based on the scheduled repayments set out in the relevant loan agreements with banks, the maturity profile of the Group's bank borrowings spread over five years with approximately US\$140,988,000 repayable within one year, approximately US\$1,667,000 repayable in the second year.

Gearing ratio of the Company is defined as the net debt (represented by bank borrowings net of cash and bank balances) divided by shareholders' equity. As at 31 December 2023, the gearing ratio of the Group was approximately 35.1%.



# 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, Vietnam Dong, Cambodian Riel, Chinese Yuan, Burmese Kyat, and Philippine Peso. The Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures and to mitigate the impact on exchange rate fluctuations by entering into currency hedge arrangement if necessary. During the years ended 31 December 2023 and 2022, no forward foreign exchange or hedging contracts had been entered into by the Group.

## HUMAN RESOURCES AND CORPORATE SOCIAL RESPONSIBILITY

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

With approximately 31,300 employees around the world, Luen Thai continuously strives to foster open communications with its employees through various channels. Under its employee care initiatives, Luen Thai has provided safe and enjoyable work and living environments, equitable compensation and benefit schemes, and opportunities for career growth through a variety of formal and informal learning and development programmes; and a strong corporate culture where employees' contributions are recognized and rewarded.



# Management Discussion and Analysis



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

## MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix C3 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). After having made specific enquiry of all Directors of the Company, all the Directors are of the view that they have complied with the required standard set out in the Model Code and its code of conduct regarding securities transactions for the year ended 31 December 2023.

# MANAGEMENT EXECUTIVES

## EXECUTIVE DIRECTORS

**WANG Weimin**, aged 55, 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 93, 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 62, 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 34 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 Kick It Heart Limited and chairman of Tuloy Foundation in the Philippines. Mr. Tan graduated with a Bachelor’s degree in Business Administration from the University of Guam.

## MANAGEMENT EXECUTIVES

**ZHANG Min**, aged 51, 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. Since October 2022, Mr. Zhang has been serving as director of CEO's Office and starting from December 2022 he also acts as director of Overseas Enterprises Management Office of OIH at the same time.

**JIN Xin**, aged 45, 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.

**QU Zhiming**, aged 67, serves as the Honorary Vice Chairman of the Company, following his retirement as an executive Director of the Company and the Chairman of the Board since 25 May 2023. Mr. Qu is a senior economist who has been conferred an MBA degree by the Asia International Open University (Macau). In 1997, Mr. Qu began to serve as the general manager and board chairman at sizeable import and export trading companies and home textiles companies (such positions held until 2007), by way of which he familiarized himself with the operations across the entire industry chain of the textile industry. Mr. Qu became the assistant to the president of Shangtex Holding Co., Ltd. (a substantial shareholder and the controlling shareholder of the Company) upon joining the group in July 2007, and has been acting as its deputy chief economist from February 2014 to December 2018. Currently, Mr. Qu also serves as the vice chairman of The Hong Kong General Chamber of Textiles Limited, and the board chairman of Wiseknit Factory Limited, and is mainly responsible for the operations management of the group's foreign trade enterprises as well as the management of its overseas mergers and acquisitions projects. As an industry expert, Mr. Qu has penetrating market insight in the textile industry.

## MANAGEMENT EXECUTIVES

**HUANG Jie**, aged 58, was an executive Director of the Company from 15 February 2020 to 25 May 2023 and a non-executive Director of the Company from 15 February 2017 to 14 February 2020. Mr. Huang is an economist and international business expert who graduated from China Textile University with a Bachelor Degree of Engineering in the year of 1986 (upon completion of a four year fulltime programme), and obtained his MBA degree in the year of 1998 by attending an 1996 EMBA programme at China Europe International Business School as an on-the-job postgraduate student. Immediately upon graduating from the university, Mr. Huang joined Shangtex Holding Co., Ltd. (“Shangtex”) and its subsidiaries (collectively, the “Shangtex Group”) and has been serving at a number of Shangtex Group’s subsidiaries, including acting as the deputy general manager of Shanghai Shenda Co., Ltd. (上海申達股份有限公司) (an A-share listed company under the Shangtex Group) between 1995 and 2000 and as the vice president of Shanghai Dragon Corporation (上海龍頭(集團)股份有限公司) (another A-share listed company under the Shangtex Group) between 2001 and 2010, taking charge of import and export trading. Mr. Huang acted as the president of international business unit of Orient International (Holding) Co., Ltd. (東方國際(集團)有限公司) from March 2018 to November 2020. Mr. Huang had been the director and president of Shangtex (Hong Kong) Limited (上海紡織(香港)有限公司) and Orient International Holdings Hong Kong Company Limited (東方國際香港有限公司) between March 2018 to February 2023 and between May 2020 to February 2023 respectively, taking charge of the transformation and upgrading of the group’s foreign trade business as well as the business operations of its overseas companies. Mr. Huang has been serving as the head of board secretariat of Orient International Holding Co., Ltd (東方國際(集團)有限公司) since Feb 14, 2023. Mr. Huang also serves as the director of Wiseknit Factory Limited (慧聯織造廠有限公司), which is a subsidiary of Orient International (Holding) Co., Ltd. Mr. Huang has profound knowledge and understanding of the upstream and downstream operations of the textile industry, coupled with his rich experience in corporate governance and a remarkable capability of conducting domestic and foreign businesses.

## NON-EXECUTIVE DIRECTOR

**MOK Siu Wan, Anne**, aged 71, is an executive director of the Company from 3 June 2005 to 31 January 2020. Ms. Mok had been working as the President of the Company and Chief Merchandizing Officer of Luen Thai International Group Limited before she was re-designated as a non-executive director of the Company from 1 February 2020 and Ms. Mok is currently a member of the Audit Committee. Ms. Mok is an accomplished industry professional with years of experience in key executive and board member positions out of which over 20 years were spent holding various management positions within the Swire Pacific Group Companies. Ms. Mok also held senior management positions with other prominent organizations including Li & Fung Limited and the Pentland Group plc, a London based international group which develops and owns some leading brands in Sports and Fashion. Ms. Mok graduated with a Bachelor of Arts degree from the University of Hong Kong. She has also been sponsored to continue with her executive education by attending various management programmes and courses organized by Harvard University, Tsinghua University and INSEAD Euro-Asia Centre. Ms. Mok was a member of the Board of Governors for the American Chamber of Commerce in Hong Kong from 1998 to 2003 and the Chairman of the Textiles Committee for the American Chamber of Commerce in Hong Kong in 1996 and 1997. Ms. Mok joined the Group in 2003 and was appointed to the Luen Thai Holdings Board as an executive director in June 2005. In 2013, Ms. Mok was awarded “Outstanding Business Woman of the Year” by Capital Entrepreneur magazine. On behalf of GJM, one of Ms. Mok’s operating companies, she was also the proud recipient of the Leadership Award 2013 presented by Ann Inc, in recognition of GJM’s achievements in CSR initiatives and continuous commitment to improving women’s health and welfare in the workplace.

## MANAGEMENT EXECUTIVES

### INDEPENDENT NON-EXECUTIVE DIRECTORS

**CHAN Henry**, aged 58, is the Chairman of the Remuneration Committee, a member of the Audit Committee and the Nomination Committee. Mr. Chan has over 36 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 69, is a member of the Audit Committee, the Nomination Committee and the Remuneration Committee. Dr. Wang has over 31 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 (the "Stock Exchange") (stock code: 770). Dr. Wang also serves as independent non-executive director of Minth Group Limited (敏實集團有限公司) (stock code: 425) and China Shuifa Singyes Energy Holdings Ltd. (中國水發興業能源集團有限公司) (stock code: 750), which are both 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 joined the Group in April 2019.

**LEE Cheuk Yin, Dannis**, aged 53, is the Chairman of the Audit Committee, 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 21 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 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), 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.

**SEING Nea Yie**, aged 76, was an independent non-executive Director of the Company from 28 January 2005 to 25 May 2023. Mr. Seing is the sole proprietor of both accounting firms Messrs. Chan, Seing & Co. and Messrs. Chen Yih Kuen & Co. Certified Public Accountants (Practising). Mr. Seing has over 47 years of audit experience and is currently holding CPA (Practising) at Hong Kong Institute of Certified Public Accountants. Mr. Seing is an active contributor to the charity activities in the community. He was the director of Po Leung Kuk, an authorized charity organization in Hong Kong, from 1987 to 1990 and became the Vice Chairman in 1990 and 1991. Mr. Seing was also a member of audit committee of Po Leung Kuk from 1996 to 2000. Currently, Mr. Seing is the honorary president of The Fukienese Association Limited.

## MANAGEMENT EXECUTIVES

### SENIOR MANAGEMENT

**SAUCEDA Francisco**, aged 65, 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. Saucedo 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. Saucedo is also a member of the Hong Kong Chamber of Commerce and the Mexican Chamber of Commerce in Hong Kong.

**CHIU Chi Cheung**, aged 60, 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 31 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.

**FOK Sandy**, aged 57, is the Chief People Officer of the Group, 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 leads 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 organisational 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.

**SU Kelvin**, aged 42, is the President of YTIC and board member of LTS HK. He has over 20 years of management experience in various industries ranging from aerospace, retail, software development and textiles. He joined Luen Thai in 2014 and has managed business operations in Cambodia, China, and Philippines for the Group as Executive Vice President. He was appointed President in 2021 managing the Groups' emerging businesses with a primary focus in Cambodia. Mr. Su obtained his Bachelor of Science Degree in Management Sciences from The Pennsylvania State University.

**KORNBLUM Joerg**, aged 60, serves as a Senior Advisor of the Company, following his retirement as the Chief Financial Officer of the Group on 31 December 2023. Mr. Kornblum has a Master's degree in Business Administration and Mechanical Engineering from the University of Darmstadt in Germany. From 1991 to 2002, he has held various senior management positions at The Freudenberg Group, including the position of General Manager of Freudenberg & Vilene International Limited in Hong Kong from 1997 to 2001. Mr. Kornblum joined TMS Group, a Business Division of Luen Thai, in the capacity of CFO in 2002 before heading the TMS Group as Executive Vice President. In April 2017, he was appointed as the Chief Financial Officer of the Group and Chair of the Finance & Governance Committee. In January 2021, he was also appointed as President of Tien Hu Group, the Sweater Business Division of Luen Thai.

### COMPANY SECRETARY

**CHAN Hiu Leong**, aged 45, 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 2023.

## GROUP PROFIT

The consolidated statement of profit or loss is set out on page 73 and shows the Group’s loss for the year ended 31 December 2023. 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 20 to 29 of this annual report.

## DIVIDENDS

No interim dividend was paid for the six months ended 30 June 2023 and the Board does not recommend the payment of a final dividend for the year ended 31 December 2023.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The activities of the principal subsidiaries are set out in note 10 to the consolidated financial statements. An analysis of the Group’s performance for the year by operating segment is set out in note 6 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 2023 (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 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 of Hong Kong Limited (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 2023 are set out in notes 10 to 11 to the consolidated financial statements.

## REPORT OF THE DIRECTORS

### SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 17 to the consolidated financial statements.

### DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 December 2023, the Company's reserves available for distribution to the Shareholders of the Company amounted to US\$72,506,000. Details of the movements in the reserves of the Company are set out in note 33(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 164 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 7 to the consolidated financial statements.

### RETIREMENT SCHEMES

Details of the retirement schemes are set out in note 20 to the consolidated financial statements.

### DONATIONS

Charitable and other donations made by the Group during the year amounted to approximately US\$247,000.

### SHARE OPTIONS

A share option scheme of the Company was approved and adopted by way of an ordinary resolution in the annual general meeting of the Company held on 26 May 2014, pursuant to which options may be granted to eligible participants ("Eligible Participants") to subscribe for shares in the Company. The principal purposes of the share option schemes are to provide the Company with a flexible means of recognizing and acknowledging the contributions of the Eligible Participants and to attract and retain and appropriately remunerate the best possible quality of employees and other Eligible Participants.

The following persons shall be eligible for participation in the share option scheme:

- (i) any director ("Group Director") of any member company with the Group ("Group Company") and any full-time employee for the time being of any Group Company ("Employee") (and any proposed Group Directors and Employees);
- (ii) any customer, supplier or provider of services, landlord or tenant, agent, partner, consultant, or adviser of or a contractor to or person doing business with any Group Company;
- (iii) the trustee of any trust the principal beneficiary of which is, or any discretionary trust the discretionary objects of which include, any person referred to in (i) or (ii) above;
- (iv) a company controlled by any person referred to in (i) or (ii) above; and

## REPORT OF THE DIRECTORS

- (v) such other persons (or classes of persons) as the Board may in its absolute discretion determine should be Eligible Participants. In exercising such discretion, the Board shall have regard to factors such as any contributions which have been made, or may be made, by such persons to the Group and other factors as the Board may consider appropriate.

Pursuant to the share option scheme, no option may be granted to any person which, if exercised in full, would result in the total number of shares issued and to be issued upon exercise of the options already granted and to be granted to such person (including exercised, cancelled and outstanding options but excluding lapsed options) in the 12-month period up to and including the date of such new grant exceeding 1% of the shares of the Company in issue as at the date of such new grant.

The basis of determining the exercise price under the share option scheme shall not be less than the highest of:

- (i) the closing price of a share of the Company as stated in the daily quotations sheet of the Stock Exchange on the date of grant of the relevant option;
- (ii) an amount equivalent to the average closing price of a share of the Company as stated in the Stock Exchange's daily quotation sheets for the 5 business days immediately preceding the date of grant of the relevant Option; and
- (iii) the nominal value of a share of the Company.

The share option scheme will remain in force for ten years from 26 May 2014, 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. The Board may also provide restrictions on the exercise of an option during the period an option may be exercised.

Under the share option scheme, each grantee shall pay a consideration of HK\$10 upon acceptance of the offer of the option and the exercise price of the share options is subject to the adjustment in the event of any alteration in the capital structure of the Company.

During the year, no share option was granted or exercised, nor were cancelled or lapsed under the share option scheme and there is no share option outstanding as at 31 December 2023.

As at the date of this report, the total number of shares available for issue under the 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 2023.

## REPORT OF THE DIRECTORS

### DIRECTORS

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

#### Executive Directors

WANG Weimin (*appointed on 25 May 2023*)

TAN Siu Lin

TAN Cho Lung, Raymond

ZHANG Min

JIN Xin (*appointed on 25 May 2023*)

QU Zhiming (*retired on 25 May 2023*)

HUANG Jie (*retired on 25 May 2023*)

#### Non-executive Director

MOK Siu Wan, Anne

#### Independent non-executive Directors

CHAN Henry

WANG Ching

LEE Cheuk Yin, Dannis (*appointed on 25 May 2023*)

SEING Nea Yie (*retired on 25 May 2023*)

Pursuant to Article 88 of the Articles of Association of the Company ("Articles"), Dr. TAN Siu Lin, Mr. TAN Cho Lung, Raymond and Mr. Chan Henry 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.

### APPOINTMENTS, RE-ELECTION AND REMOVAL OF DIRECTORS

Except for Mr. Tan Cho Lung, Raymond and Ms. Mok Siu Wan, Anne, 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.

## REPORT OF THE DIRECTORS

### **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 2023 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 scheme 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 30 to 34 of this annual report.

### **EQUITY-LINKED AGREEMENTS**

Other than the share option scheme 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.

## REPORT OF THE DIRECTORS

### DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 31 December 2023, 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%
MOK Siu Wan, Anne	Beneficial Owner (note d)	2,000,000	0.19%

Notes:

- 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 2023.
- 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.
- 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.
- Ms. Mok Siu Wan, Anne owns 2,000,000 Shares through the exercise of share options granted by the Company on 21 April 2008 and none of the 2,000,000 shares was disposed of up to the date of this report.

### CONNECTED TRANSACTIONS AND DIRECTORS' INTERESTS IN CONTRACTS

The related party transactions of the Company for the year ended 31 December 2023 are set out in note 32 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.

## REPORT OF THE DIRECTORS

### 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 2023. Details of these connected transactions are set out below in accordance with the Listing Rules.

Connected Party	Category	Approximate	Annual Cap for the
		aggregate value for the year ended 31 December 2023 US\$'000	year ended 31 December 2023 US\$'000
IST BVI	Provision of technological support services (note a)	1,960	2,400
LTG	Lease agreements – Group as tenants of QZ LT Estate and LTID (note b) – Group as tenants of DGLT (note c)	847 1,472	1,000 1,700
CTSI	Logistics services to the Group (note d)	1,482	1,600
LTE	Provision of services (note e)	71,020	200,000

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 "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 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.

## REPORT OF THE DIRECTORS

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.

- (b) On 21 October 2022, 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 2023 to 31 December 2023 (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 2023 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 20 October 2023. Pursuant to the Office Lease Master Agreement, the maximum aggregate fee to be paid by the Group for the year ending on 31 December 2024 will not exceed US\$1,000,000.

- (c) On 21 December 2022, 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 2023 to 31 December 2023 (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 2023 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 8 December 2023. 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 2024 will not exceed US\$1,800,000.

## REPORT OF THE DIRECTORS

- (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 29 October 2020, LTO entered into the services master agreement (the "old 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 old OEM Services Master Agreement was subsequently approved, confirmed and ratified by the independent shareholders on 18 December 2020. Pursuant to the old OEM Services Master Agreement, the maximum aggregate fee to be received by the Group for each of the three years ending on 31 December 2023 will amount to US\$115,000,000, US\$160,000,000 and US\$200,000,000, respectively.

The Directors believe that the transactions contemplated under the old OEM Services Master Agreement will enhance the 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 transactions with the LTE Group under the old OEM Services Master Agreement would be a less risky option for the Group to take part in the retail business, as the Group may otherwise need to incur additional time and cost in due diligence exercise.

The determination of the above proposed annual caps in respect of the Services under the old OEM Services Master Agreement is based on: (i) the expected delivery schedules for products to be supplied for each of the years ending 31 December 2021, 2022 and 2023, which was projected and provided by the LTE Group to the LTO Group; (ii) a buffer has been included for the potential transactions under the old OEM Service Master Agreement which provide flexibility for the LTO Group to accommodate any further growth in the provision of Services in the next three years; (iii) the historical growth and recent trend of the business with the LTE Group; (iv) the payment and credit terms for the potential transactions under the old OEM Services Master Agreement; (v) production capacity of the Group in the PRC; and (vi) future market trends.

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.

The old OEM Services Master Agreement has expired on 31 December 2023 and the Company expects to continue this continuing connected transaction thereafter. In this connection, LTO entered into a new OEM services master agreement with LTE in relation to the provision of OEM apparel manufacturing services by the LTO Group to the LTE Group from time to time (the "OEM Services Master Agreement") on 8 December 2023. Pursuant to the OEM Services Master Agreement, the maximum aggregate fees to be paid 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.

On 8 December 2023, LTO has also 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 proposed annual caps for the aggregate amount of consideration to be paid by the LTE Group to the LTO Group under the OBM Products Purchase Master Agreement 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.

On 8 December 2023, LTO has also 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 proposed annual caps for the aggregate service fees to be paid by the LTO Group to the LTE Group under the Sales and Services Framework Agreement 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.

## REPORT OF THE DIRECTORS

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 41 to 43 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 2023, 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%

## REPORT OF THE DIRECTORS

Name of shareholder	Note	Capacity	Number of ordinary shares beneficially held	Approximate percentage of interests in the Company (Note a)
Shanghai Guosheng Group Co., Ltd.	(b)	Interest of controlled corporation	730,461,936	70.64%
Double Joy Investments Limited	(c)	Beneficial owner	71,975,726	6.96%
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 2023.
- (b) Based on the information recorded in the register required to be kept under section 336 of the SFO, Shangtex (Hong Kong) Limited ("Shangtex HK") directly holds 730,461,936 shares 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 by Dr. Tan Henry. Dr. Tan Henry is deemed to be interested in the 17,203,999 Shares held by LTCL.
- (e) Both Dr. Tan Henry and Ms. Tan Chiu Joise are deemed to be interested in the 71,975,726 Shares held by Double Joy as mentioned in note (c) above; and

Dr. Tan Henry wholly owns LTCL, which directly owns 17,203,999 Shares. Ms. Tan Chiu Joise is the wife of Dr. Tan Henry and is deemed to be interested in the shares which are interested by Dr. Tan Henry under Part XV of the SFO.

Save as disclosed above, 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.

## REPORT OF THE DIRECTORS

### **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the year ended 31 December 2023.

### **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 60.5% (2022: 66.6%) of the total sales. Purchases from the Group's five largest suppliers accounted for less than 30% of the total purchases for the year. In addition, the Group's largest customer accounted for approximately 19.2% (2022: 21.7%) 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 47 to 64 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*

27 March 2024

# 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 2023, the Company has complied with the applicable code provisions of the Corporate Governance Code (the “CG Code”) as set out in the Appendix C1 of the Listing Rules, except the following deviations:

- (i) the code provision C.1.6 of the CG Code stipulates that the independent non-executive directors and other non-executive directors, as equal board members, should attend general meetings and develop a balanced understanding of the views of shareholders. Mr. Seing Nea Yie, an independent non-executive Director, was unable to attend the annual general meeting of the Company held on 25 May 2023 (the “AGM”) due to his personal health reason. All other Directors, including two independent non-executive Directors and a non-executive Director, attended the AGM.
- (ii) the code provision F.2.2 of the CG Code stipulates that the chairman of the board should attend the annual general meeting. The chairman of the board should also invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend. In their absence, the chairman should invite another member of the committee or failing this their duly appointed delegate, to attend. These persons should be available to answer questions at the annual general meeting. Mr. Seing Nea Yie, the chairman of both the Audit Committee and Remuneration Committee, was unable to attend the AGM due to his personal health reason. All other members of the Audit Committee and Remuneration Committee who attended the AGM were of sufficient calibre for answering questions at the AGM.

## 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 of the Company, all the Directors are of the view that they have complied with the required standard set out in the Model Code and its code of conduct regarding securities transactions for the year ended 31 December 2023.

CORPORATE  
GOVERNANCE REPORT

## 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 2023, six Board meetings were held with satisfactory attendance, details of which are presented below.

Board Members	Meetings Attended/Held	Average Attendance Rate
<b>Executive Directors</b>		90%
WANG Weimin ( <i>appointed on 25 May 2023</i> )	5/5	100%
TAN Siu Lin	4/6	66.7%
TAN Cho Lung, Raymond	6/6	100%
ZHANG Min	6/6	100%
JIN Xin ( <i>appointed on 25 May 2023</i> )	4/5	80%
QU Zhiming ( <i>retired on 25 May 2023</i> )	1/1	100%
HUANG Jie ( <i>retired on 25 May 2023</i> )	1/1	100%
<b>Non-executive Director</b>		100%
MOK Siu Wan, Anne	6/6	100%
<b>Independent non-executive Directors</b>		94.4%
CHAN Henry	6/6	100%
WANG Ching	5/6	83.3%
LEE Cheuk Yin, Dannis ( <i>appointed on 25 May 2023</i> )	5/5	100%
SEING Nea Yie ( <i>retired on 25 May 2023</i> )	1/1	100%

## CORPORATE GOVERNANCE REPORT

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 REPORT

### 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. Mr. WANG Weimin was appointed as the Chairman of the Company on 25 May 2023 in place of Mr. Qu Zhiming. During the year 2023 and as of the date of this report, 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 2023, 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 30 to 33 of this annual report. Dr. Tan Siu Lin, the Honorary Life Chairman, is the father of Mr. Tan Cho Lung, Raymond, the Chief Executive Director 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.

## CORPORATE GOVERNANCE REPORT

### 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 58 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 2023, 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. The Company has also received a written annual confirmation from each of the Independent Non-executive Directors in respect of their independence writing of independence with reference to the independence guidelines as 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.

## CORPORATE GOVERNANCE REPORT

### 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 2023.

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 2023 is summarized below:

Board Members	Type of training
<b>Executive Directors</b>	
WANG Weimin ( <i>appointed on 25 May 2023</i> )	A
TAN Siu Lin	A
TAN Cho Lung, Raymond	A
ZHANG Min	A
JIN Xin ( <i>appointed on 25 May 2023</i> )	A
QU Zhiming ( <i>retired on 25 May 2023</i> )	B
HUANG Jie ( <i>retired on 25 May 2023</i> )	B
<b>Non-executive Director</b>	
MOK Siu Wan, Anne	A
<b>Independent non-executive Directors</b>	
CHAN Henry	A
WANG Ching	A
LEE Cheuk Yin, Dannis ( <i>appointed on 25 May 2023</i> )	A
SEING Nea Yie ( <i>retired on 25 May 2023</i> )	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 2023, Mr. Chiu Chi Cheung, the former Company Secretary, has undertaken no less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules.

## CORPORATE GOVERNANCE REPORT

### 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 AGM of the Company, Messrs. PricewaterhouseCoopers be re-appointed as the external auditor of the Group for 2024.

## CORPORATE GOVERNANCE REPORT

In 2023, four Audit Committee meetings were held and the attendance is presented below:

Audit Committee Members	Meeting Attended/Held
<b>Independent non-executive Directors</b>	
LEE Cheuk Yin, Dannis ( <i>appointed on 25 May 2023</i> )	3/3
CHAN Henry	2/4
WANG Ching	4/4
SEING Nea Yie ( <i>retired on 25 May 2023</i> )	1/1
<b>Non-executive Director</b>	
Mok Siu Wan Anne	4/4

The consolidated financial statements for the year have been audited by PricewaterhouseCoopers. During the year, remuneration of approximately US\$615,000 was payable to PricewaterhouseCoopers for the provision of audit services. In addition, approximately US\$202,000 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.

## CORPORATE GOVERNANCE REPORT

The attendance record for the Remuneration Committee's meeting during the year ended 31 December 2023 is as follows:

Remuneration Committee Members	Meeting Attended/Held
<b>Independent non-executive Directors</b>	
CHAN Henry	1/1
WANG Ching	1/1
LEE Cheuk Yin, Dannis ( <i>appointed on 25 May 2023</i> )	0/0
SEING Nea Yie ( <i>retired on 25 May 2023</i> )	1/1
<b>Executive Director</b>	
ZHANG Min ( <i>appointed on 25 May 2023</i> )	0/0
HUANG Jie ( <i>retired on 25 May 2023</i> )	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 2023.

Pursuant to code provision E.1.5 of the CG Code, the emolument of the members of the senior management (other than the emoluments of Directors and five highest paid individuals disclosed in notes 25(b) and 34(a) pursuant to Appendix D2 to the Listing Rules) paid by the Group by band for the year ended 31 December 2023 is set out below:

Emolument band	Number of individuals
US\$192,308 to US\$256,409 (equivalent to HK\$1,500,001 to HK\$2,000,000)	1
US\$256,410 to US\$320,512 (equivalent to HK\$2,000,001 to HK\$2,500,000)	1

In 2023, total Directors' remuneration amounted to approximately US\$787,000 (2022: US\$2,550,000). 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 34(a) of the consolidated financial statements.

## CORPORATE GOVERNANCE REPORT

### 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 2023, one Nomination Committee meeting was held. During the year ended 31 December 2023, 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 2023 is as follows:

Nomination Committee Members	Meeting Attended/Held
<b>Executive Director</b>	
WANG Weimin ( <i>appointed on 25 May 2023</i> )	0/0
QU Zhiming ( <i>retired on 25 May 2023</i> )	1/1
<b>Independent non-executive Directors</b>	
CHAN Henry	1/1
WANG Ching	1/1
LEE Cheuk Yin, Dannis ( <i>appointed on 25 May 2023</i> )	0/0
SEING Nea Yie ( <i>retired on 25 May 2023</i> )	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 2023 and considered it to be effective.

## CORPORATE GOVERNANCE REPORT

### *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.

## CORPORATE GOVERNANCE REPORT

### 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.

## CORPORATE GOVERNANCE REPORT

### 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 2023, 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 8, pages 9 to 19 and pages 20 to 29 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.

## CORPORATE GOVERNANCE REPORT

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 4 to the consolidated financial statements on pages 86 to 93.

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. For 2023, the Audit Committee has commissioned an independent investigation led by the IA Team on certain unreconciled inventory items in relation to one of the business units of the apparel segment located in the Philippines. Based on the results of the investigation, the Audit Committee identified certain areas of improvement and appropriate remedial actions to effectively enhance the Group's risk management and internal control system (details of which are set out in the Management Discussion and Analysis in the Company's 2023 Interim Report).

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 2023, 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 2023.

## CORPORATE GOVERNANCE REPORT

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 2023:

- (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.

## CORPORATE GOVERNANCE REPORT

### 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 2023 annual general meeting ("2023 AGM") was held on 25 May 2023. The attendance record of the Directors at the 2023 AGM is set out below:

	AGM Attended/Held
<b>Executive Directors</b>	
WANG Weimin ( <i>appointed on 25 May 2023</i> )	N/A
TAN Siu Lin	1/1
TAN Cho Lung, Raymond	1/1
ZHANG Min	1/1
JIN Xin ( <i>appointed on 25 May 2023</i> )	N/A
QU Zhiming ( <i>retired on 25 May 2023</i> )	1/1
HUANG Jie ( <i>retired on 25 May 2023</i> )	1/1
<b>Non-executive Director</b>	
MOK Siu Wan Anne	1/1
<b>Independent non-executive Directors</b>	
CHAN Henry	1/1
WANG Ching	1/1
LEE Cheuk Yin, Dannis ( <i>appointed on 25 May 2023</i> )	N/A
SEING Nea Yie ( <i>retired on 25 May 2023</i> )	0/1

The Company's independent external auditor also attended the 2023 AGM.

## CORPORATE GOVERNANCE REPORT

### 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 2023.

## 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.

## CORPORATE GOVERNANCE REPORT

### **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 AGM, please refer to the notice of the AGM 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 2023 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 71 to 163, comprise:

- the consolidated statement of financial position as at 31 December 2023;
- 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 2023, 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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*PricewaterhouseCoopers, 22/F Prince’s Building, Central, Hong Kong  
T: +852 2289 8888, F: +852 2810 9888, [www.pwchk.com](http://www.pwchk.com)*

INDEPENDENT  
AUDITOR'S REPORT



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
<p><b>Risk of impairment of non-financial assets relating to the cash-generating units of Apparel and Accessories</b></p> <p><i>Refer to Notes 5, 7, 8 and 9 to the consolidated financial statements</i></p> <p>As at 31 December 2023, the Group had a total of non-financial assets related to Apparel and Accessories segments of US\$100,030,000 and US\$74,443,000, respectively.</p> <p>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.</p>	<p>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:</p> <ul style="list-style-type: none"> <li>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;</li> <li>o Involved our internal valuation experts to assess the appropriateness of the methodologies used in determining the recoverable amounts;</li> </ul>

INDEPENDENT  
AUDITOR'S REPORT

羅兵咸永道

## KEY AUDIT MATTER (CONTINUED)

Key Audit Matter	How our audit addressed the Key Audit Matter
<p><b>Risk of impairment of non-financial assets relating to the cash-generating units of Apparel and Accessories (Continued)</b></p> <p>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:</p> <ul style="list-style-type: none"> <li>• Average revenue growth;</li> <li>• Average gross profit margin;</li> <li>• Terminal growth rate; and</li> <li>• Discount rate.</li> </ul>	<ul style="list-style-type: none"> <li>o Tested the underlying calculations and compared the data used in the discounted cash flow to the latest budgets prepared by management;</li> <li>o Assessed the reasonableness of the key assumptions used as follows: <ul style="list-style-type: none"> <li>• 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</li> <li>• benchmarked the discount rates used in determining the recoverable amount against certain market data and industry research;</li> </ul> </li> <li>o Review 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</li> <li>o Reviewed the inclusion of all appropriate assets and liabilities in the cash-generating units.</li> </ul>

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.

**INDEPENDENT  
AUDITOR'S REPORT**

羅兵咸永道

**OTHER INFORMATION**

The directors of the Company are responsible for the other information. The other information comprises the 2023 Environmental, Social and Governance Report and 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 and will 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 identified above 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 on the other information that we obtained prior to the date of this auditor's report, 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 THOSE CHARGED WITH GOVERNANCE  
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 disclosure requirements of 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.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

**INDEPENDENT  
AUDITOR'S REPORT**

羅兵咸永道

**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 HKSA's 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 HKSA's, we exercise professional judgment and maintain professional skepticism 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.

**INDEPENDENT  
AUDITOR'S REPORT****羅兵咸永道**

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance 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 those charged with governance 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 those charged with governance, 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, 27 March 2024

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Note	31 December 2023 US\$'000	31 December 2022 US\$'000 (Restated)	1 January 2022 US\$'000 (Restated)
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	7	105,203	117,726	126,157
Right-of-use assets	8	25,039	30,444	34,297
Intangible assets	9	44,231	44,899	45,567
Interests in joint ventures and associates	11	5,893	6,231	2,135
Deferred income tax assets	12	3,455	2,339	2,426
Deposits, prepayments and other receivables	15	4,604	4,993	3,330
<b>Total non-current assets</b>		<b>188,425</b>	206,632	213,912
<b>Current assets</b>				
Inventories	13	65,292	83,328	77,706
Trade and other receivables	15	141,170	130,890	165,058
Prepaid income tax		4,330	4,253	4,250
Derivative financial instruments	22	—	—	1
Restricted cash	16	—	29	16
Cash and bank balances	16	75,780	93,952	99,149
<b>Total current assets</b>		<b>286,572</b>	312,452	346,180
<b>Total assets</b>		<b>474,997</b>	519,084	560,092
<b>EQUITY</b>				
<b>Equity attributable to owners of the Company</b>				
Share capital	17	10,341	10,341	10,341
Other reserves	18	(2,680)	(883)	1,610
Retained earnings		183,007	191,786	187,511
<b>Total equity</b>		<b>190,668</b>	201,244	199,462
<b>Non-controlling interests</b>		<b>1,018</b>	1,177	2,407
<b>Total equity</b>		<b>191,686</b>	202,421	201,869

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Note	31 December 2023 US\$'000	31 December 2022 US\$'000 (Restated)	1 January 2022 US\$'000 (Restated)
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Borrowings	19	556	2,778	5,000
Lease liabilities	8	19,930	22,822	26,581
Retirement benefit obligations	20	7,730	8,202	11,175
Deferred income tax liabilities	12	2,438	2,861	3,100
<b>Total non-current liabilities</b>		<b>30,654</b>	36,663	45,856
<b>Current liabilities</b>				
Trade and other payables	21	99,801	121,921	154,486
Borrowings	19	142,099	145,723	144,769
Lease liabilities	8	3,414	5,370	4,833
Derivative financial instruments	22	52	106	–
Current income tax liabilities		7,291	6,880	8,279
<b>Total current liabilities</b>		<b>252,657</b>	280,000	312,367
<b>Total liabilities</b>		<b>283,311</b>	316,663	358,223
<b>Total equity and liabilities</b>		<b>474,997</b>	519,084	560,092

The consolidated financial statements on pages 71 to 163 were approved by the Board of Directors on 27 March 2024 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 2023

	Note	2023 US\$'000	2022 US\$'000 (Restated)
Revenue	6	696,634	858,861
Cost of sales	24	(601,363)	(733,532)
<b>Gross profit</b>		<b>95,271</b>	125,329
Other income and other gains – net	23	945	1,747
Provision for provision for impairment of trade receivables		(230)	(233)
Selling and distribution expenses	24	(1,419)	(1,637)
General and administrative expenses	24	(88,235)	(106,140)
<b>Operating profit</b>		<b>6,332</b>	19,066
Finance income	26	1,508	825
Finance costs	26	(13,940)	(8,977)
Finance costs – net	26	(12,432)	(8,152)
Share of profit/(losses) of joint ventures and associates – net	11	545	(601)
<b>(Loss)/profit before income tax</b>		<b>(5,555)</b>	10,313
Income tax expenses	27	(363)	(1,183)
<b>(Loss)/profit for the year</b>		<b>(5,918)</b>	9,130
(Loss)/profit attributable to:			
Owners of the Company		(6,008)	9,911
Non-controlling interests		90	(781)
		(5,918)	9,130
(Loss)/earnings per share attributable to owners of the Company for the year (expressed in US cents per share)			
Basic and diluted	28	(0.6)	1.0

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 2023

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

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 2023

	Attributable to owners of the Company				
	Share Capital	Other reserves	Retained earnings	Non-controlling interests	Total equity
	(Note 17) US\$'000	(Note 18) US\$'000	US\$'000	US\$'000	US\$'000
<b>Balance at 1 January 2022</b>	10,341	1,610	189,513	2,407	203,871
Restatements (net of tax) (Note 3)	–	–	(2,002)	–	(2,002)
<b>Balance at 1 January 2022 (restated)</b>	10,341	1,610	187,511	2,407	201,869
<b>Profit for the year (restated)</b>	–	–	9,911	(781)	9,130
<b>Other comprehensive income:</b>					
Currency translation differences	–	(5,128)	–	–	(5,128)
Actuarial gains on retirement benefit obligations	–	2,635	–	–	2,635
<b>Total comprehensive income (restated)</b>	–	(2,493)	9,911	(781)	6,637
<b>Total contributions by and distributions to owners of the Company, recognized directly in equity</b>					
Dividend declared and paid to shareholders	–	–	(5,636)	–	(5,636)
Dividend declared to non-controlling interests	–	–	–	(599)	(599)
Issuance of shares to non-controlling interests	–	–	–	150	150
<b>Total transactions with owners, recognized directly in equity</b>	–	–	(5,636)	(449)	(6,085)
<b>Balance at 31 December 2022 (restated)</b>	10,341	(883)	191,786	1,177	202,421
<b>Balance at 1 January 2023 as originally presented</b>	10,341	(883)	197,015	1,177	207,650
Restatements (net of tax) (Note 3)	–	–	(5,229)	–	(5,229)
<b>Balance at 1 January 2023 (restated)</b>	10,341	(883)	191,786	1,177	202,421
<b>(Loss)/profit for the year</b>	–	–	(6,008)	90	(5,918)
<b>Other comprehensive income:</b>					
Currency translation differences	–	(687)	–	–	(687)
Actuarial losses on retirement benefit obligations	–	(1,110)	–	–	(1,110)
<b>Total comprehensive (loss)/income</b>	–	(1,797)	(6,008)	90	(7,715)
<b>Total contributions by and distributions to owners of the Company, recognised directly in equity</b>					
Dividend declared and paid to shareholders	–	–	(2,771)	–	(2,771)
Dividend declared to non-controlling interests	–	–	–	(249)	(249)
<b>Total transactions with owners, recognized directly in equity</b>	–	–	(2,771)	(249)	(3,020)
<b>Balance at 31 December 2023</b>	10,341	(2,680)	183,007	1,018	191,686

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 2023

	Note	2023 US\$'000	2022 US\$'000
<b>Cash flows from operating activities</b>			
Cash generated from operations	30(a)	12,554	32,302
Interest paid	30(b)	(12,281)	(7,265)
Income tax paid		(1,568)	(3,067)
Net cash (used in)/generated from operating activities		(1,295)	21,970
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment	7	(3,720)	(11,450)
Decrease in bank deposits with a maturity period of over 3 months		—	1
Proceeds from disposals of property, plant and equipment	30(a)	421	516
Interest received		1,508	825
Dividends received from a joint venture	11(a)	649	—
Investment in an associate and a joint venture	11(a)	234	(120)
Net cash used in investing activities		(908)	(10,228)
<b>Cash flows from financing activities</b>			
Net (decrease)/increase in bank borrowings of trade finances arising from transferred receivables	30(b)	(607)	5,128
Net (decrease)/increase in bank borrowings of other trade finances	30(b)	(3,088)	4,906
Proceeds from bank borrowings of term loans	30(b)	285,333	39,518
Repayments of bank borrowings of term loans	30(b)	(287,484)	(50,820)
Repayments of principal element of lease payments	30(b)	(5,123)	(5,555)
Repayments of interest element of lease payments	30(b)	(1,659)	(1,712)
Dividends paid to shareholders		(2,771)	(5,636)
Dividends paid to non-controlling interests		(249)	(599)
Proceeds from capital injection from non-controlling interest		—	150
Net cash used in financing activities		(15,648)	(14,620)
Net decrease in cash and cash equivalents		(17,851)	(2,878)
Cash and cash equivalents at beginning of the year		93,952	99,149
Exchange losses on cash and bank balances		(321)	(2,319)
Cash and cash equivalents at end of the year		75,780	93,952

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 5.

### (a) New and Amended standards adopted by the Group

The Group has applied the following new and amended standards for the first time for their annual reporting period commencing on or after 1 January 2023:

HKFRS 17	Insurance Contracts and the related Amendments
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax Related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules (amendments)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2 BASIS OF PREPARATION (CONTINUED)

#### (a) New and Amended standards adopted by the Group (Continued)

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

#### (b) Amended standards and interpretation not yet adopted by the Group

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

		Effective for annual reporting periods beginning on or after
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants	1 January 2024
Hong Kong Interpretation 5 (Revised)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements	1 January 2024
Amendments to HKAS 21	Lack of Exchangeability	1 January 2025
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

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

The amendments to existing standards and interpretation are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

#### (c) Change in accounting policy on offsetting arrangement in long service payment in Hong Kong

In June 2022, the Hong Kong Government enacted the Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the “Amendment Ordinance”) which will be effective from 1 May 2025 (the “Transition Date”). Under the Amendment Ordinance, any accrued benefits attributable to the employer’s mandatory contributions under mandatory provident fund scheme (“MPF Benefits”) of an entity would no longer be eligible to offset against its obligations on long service payment (“LSP”) for the portion of the LSP accrued on or after the Transition Date. There is also a change in the calculation basis of last monthly wages for the portion of the LSP accrued before the Transition Date.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2 BASIS OF PREPARATION (CONTINUED)

#### (c) Change in accounting policy on offsetting arrangement in long service payment in Hong Kong (Continued)

Prior to 1 January 2023, the Group applied practical expedient in HKAS 19 paragraph 93(b) (the “practical expedient”) to account for the offsettable MPF Benefits as deemed employee contributions to reduce the current service costs in the period in which the related services were rendered.

In July 2023, the HKICPA published “Accounting implications of the abolition of the MPF-LSP Offsetting mechanism in Hong Kong” (the “Guidance”) which provides clarified and detailed guidance on the accounting considerations relating to the abolition of the offsetting mechanism. The Guidance clarified that following the enactment of the Amendment Ordinance, LSP is no longer a ‘simple type of contributory plans’ to which the practical expedient had been intended to apply.

By following the Guidance, the Group has therefore changed its accounting policy and ceased to apply the practical expedient and reattribute the deemed employee contributions on a straight-line basis from the date when services by employees first lead to their benefits in terms of the LSP legislation in accordance with HKAS 19 paragraph 93(a).

This change in accounting policy upon the cessation in applying the practical expedient has resulted in a catch-up adjustment for past service costs and a corresponding change in the Group’s LSP obligations in the year ended 31 December 2023.

The abovementioned change in accounting policy does not have any material impact to these consolidated financial statements.

### 3 RESTATEMENTS

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

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

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

As a result of the Investigation, the board of directors has also concluded that the Unreconciled Items represented material errors in the consolidated financial statements of prior years and consequently prior year adjustments were recorded to correct these errors and to reclass certain balance sheet items, as at 31 December 2022 and 1 January 2022 and for the year ended 31 December 2022 presented herein. Other than disclosed below, there are no impact to other primary statements.

NOTES TO THE CONSOLIDATED  
FINANCIAL STATEMENTS

### 3 RESTATEMENTS (CONTINUED)

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

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

NOTES TO THE CONSOLIDATED  
FINANCIAL STATEMENTS

### 3 RESTATEMENTS (CONTINUED)

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

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

NOTES TO THE CONSOLIDATED  
FINANCIAL STATEMENTS

### 3 RESTATEMENTS (CONTINUED)

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

	US\$'000 (As previously reported)	US\$'000 Restatements	US\$'000 Restated
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	117,726	—	117,726
Right-of-use assets	30,444	—	30,444
Intangible assets	44,899	—	44,899
Interests in joint ventures and associates	6,231	—	6,231
Deferred income tax assets	2,339	—	2,339
Deposits, prepayments and other receivables	4,993	—	4,993
<b>Total non-current assets</b>	<b>206,632</b>	<b>—</b>	<b>206,632</b>
<b>Current assets</b>			
Inventories	77,506	5,822	83,328
Trade and other receivables	140,989	(10,099)	130,890
Prepaid income tax	4,253	—	4,253
Derivative financial instruments	—	—	—
Restricted cash	29	—	29
Cash and bank balances	93,952	—	93,952
<b>Total current assets</b>	<b>316,729</b>	<b>(4,277)</b>	<b>312,452</b>
<b>Total assets</b>	<b>523,361</b>	<b>(4,277)</b>	<b>519,084</b>
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	10,341	—	10,341
Other reserves	(883)	—	(883)
Retained earnings	197,015	(5,229)	191,786
	206,473	(5,229)	201,244
<b>Non-controlling interests</b>	<b>1,177</b>	<b>—</b>	<b>1,177</b>
	207,650	(5,229)	202,421

NOTES TO THE CONSOLIDATED  
FINANCIAL STATEMENTS

### 3 RESTATEMENTS (CONTINUED)

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

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

NOTES TO THE CONSOLIDATED  
FINANCIAL STATEMENTS

### 3 RESTATEMENTS (CONTINUED)

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

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

NOTES TO THE CONSOLIDATED  
FINANCIAL STATEMENTS

### 3 RESTATEMENTS (CONTINUED)

Impact on the condensed consolidated statement of financial position as at 1 January 2022  
(Continued)

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 4 FINANCIAL RISK MANAGEMENT

#### 4.1 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.

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"), the Chinese Renminbi ("RMB") and Burmese Kyat ("Kyat"). 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 2023, if the US\$ had weakened/strengthened by 5% (2022: 5%) against the Euro with all other variables held constant, the post-tax loss (2022: post-tax profit) for the year would have been US\$94,000 lower/higher (2022: US\$81,000 higher/lower), 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 2023, if the US\$ had weakened/strengthened by 5% (2022: 5%) against the RMB with all other variables held constant, the post-tax loss (2022: post-tax profit) for the year would have been US\$127,000 higher/lower (2022: US\$57,000 lower/higher), 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 2023, if the US\$ had weakened/strengthened by 5% (2022: 5%) against the Peso with all other variables held constant, the post-tax loss (2022: post-tax profit) for the year would have been US\$143,000 lower/higher (2022: US\$64,000 higher/lower), mainly as a result of foreign exchange gains/losses on translation of Peso-denominated other receivables, trade and other payables and cash and bank balances.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 4 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 4.1 Financial risk factors (Continued)

##### (a) Market risk (Continued)

##### (ii) Cash flow 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 2023, if interest rates on borrowings had been 50 basis points (2022: 50 basis points) higher/lower with all other variables held constant, post-tax loss (2022: post-tax profit) for the year would have been US\$788,000 higher/lower (2022: US\$865,000 lower/higher), 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 4 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 4.1 Financial risk factors (Continued)

##### (b) Credit risk (Continued)

##### (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 other receivables

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

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 2023, the balance of such customers is US\$4,101,000 (2022:US\$4,101,000) and the corresponding loss allowance in this regard is US\$4,101,000 (2022: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 expected credit loss rates are based on corresponding historical credit losses experienced up to 1 year and are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

The Group uses two categories 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 2023, the balances of such individually assessed trade receivables is US\$60,075,000 (2022: US\$54,234,000) and the corresponding loss allowance is US\$232,000 (2022: US\$248,000).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 4 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 4.1 Financial risk factors (Continued)

##### (b) Credit risk (Continued)

##### (ii) Impairment of financial assets (Continued)

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.

The following tables present the balances of gross carrying amounts and loss allowance in respect of the collectively assessed trade receivables as at 31 December 2023:

31 December 2023	Not yet past due US\$'000	1 to 30 days US\$'000	31 to 60 days US\$'000	Past due			Over 120 days US\$'000	Total US\$'000
				61 to 90 days US\$'000	91 to 120 days US\$'000			
Trade receivables	16,940	2,013	102	134	183	264	19,636	
Expected loss rate	0.07%	1.74%	1.96%	6.72%	31.69%	36.36%	1.08%	
Loss allowance	12	35	2	9	58	96	212	

31 December 2022	Not yet past due US\$'000	1 to 30 days US\$'000	31 to 60 days US\$'000	Past due			Over 120 days US\$'000	Total US\$'000
				61 to 90 days US\$'000	91 to 120 days US\$'000			
Trade receivables	8,947	1,716	119	24	2	13	10,821	
Expected loss rate	0.01%	0.17%	7.56%	25.00%	50.00%	46.15%	0.24%	
Loss allowance	1	3	9	6	1	6	26	

As at 31 December 2023, the Group had a concentration of credit risk given that the top 5 customers account for 59% (2022: 69%) 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 profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

NOTES TO THE CONSOLIDATED  
FINANCIAL STATEMENTS

## 4 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 4.1 Financial risk factors (Continued)

#### (b) Credit risk (Continued)

##### (ii) Impairment of financial assets (Continued)

Other financial assets at amortized cost include certain deposits and other receivable. The Group has assessed that the expected credit losses for these under 12 months expected losses method. Except for amounts due from related parties of US\$20,620,000 (2022: US\$17,305,000) with a corresponding loss allowance of US\$119,000 (2022: US\$59,000), 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 shareholders loan receivables as at 31 December 2023 and 2022 reconcile to the opening loss allowances as follows:

	2023 US\$'000	2022 US\$'000
At 1 January	4,434	4,201
Increase in loss allowances recognized in profit or loss during the year	230	233
At 31 December	4,664	4,434

#### (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 19) 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 4 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 4.1 Financial risk factors (Continued)

##### (c) Liquidity risk (Continued)

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.

Group	On demand	Within 3 months	More than 3 months but less than 1 year	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total undiscounted cash outflows	Carrying Amount
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>At 31 December 2023</b>								
Bank borrowings	138,462	563	10,100	599	–	–	149,724	142,655
Trade and other payables	–	56,269	1,311	–	–	–	57,580	57,580
Lease liabilities with interest payment	–	1,536	3,598	3,021	6,041	23,979	38,175	23,344
	<b>138,462</b>	<b>58,368</b>	<b>15,009</b>	<b>3,620</b>	<b>6,041</b>	<b>23,979</b>	<b>245,479</b>	<b>223,579</b>
<b>At 31 December 2022 (restated)</b>								
Bank borrowings	133,405	10,701	1,720	2,401	619	–	148,846	148,501
Trade and other payables	–	65,217	1,268	–	–	–	66,485	66,485
Lease liabilities with interest payment	–	1,683	4,882	4,757	5,921	26,458	43,701	28,192
	<b>133,405</b>	<b>77,601</b>	<b>7,870</b>	<b>7,158</b>	<b>6,540</b>	<b>26,458</b>	<b>259,032</b>	<b>243,178</b>
<b>At 1 January 2022 (restated)</b>								
Bank borrowings	125,947	7,072	11,901	2,274	2,894	–	150,088	149,769
Trade and other payables	–	102,608	1,487	–	–	–	104,095	104,095
Lease liabilities with interest payment	–	1,837	5,080	6,128	8,338	28,475	49,858	31,414
	<b>125,947</b>	<b>111,517</b>	<b>18,468</b>	<b>8,402</b>	<b>11,232</b>	<b>28,475</b>	<b>304,041</b>	<b>284,326</b>

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.

NOTES TO THE CONSOLIDATED  
FINANCIAL STATEMENTS

## 4 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 4.1 Financial risk factors (Continued)

#### (c) Liquidity risk (Continued)

	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
<b>At 31 December 2023</b>	<b>138,950</b>	<b>1,180</b>	<b>–</b>	<b>140,130</b>
At 31 December 2022	131,956	4,882	1,186	138,024

### 4.2 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.

### 4.3 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)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 4 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 4.3 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
<b>At 31 December 2023</b>				
Liabilities				
– Derivative financial instruments (Note i)	–	52	–	52
<b>At 31 December 2022</b>				
Liabilities				
– Derivative financial instruments (Note i)	–	106	–	106

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.

#### 4.4 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 2023 (2022: same).

### 5 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.

**NOTES TO THE CONSOLIDATED  
FINANCIAL STATEMENTS****5 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 (other than goodwill)**

Property, plant and equipment, right-of-use assets and intangible assets (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 growth rates 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 2023 (2022: same) (Note 9).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 5 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 20.

#### (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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 6 SEGMENT INFORMATION

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

The executive directors assess the performance of each segment based on a measure of segment profit primarily. Assets and liabilities of the Group are regularly reviewed on a consolidated basis. The segment information provided to the executive directors for the reportable segments for the years ended 31 December 2023 and 2022 is as follows:

	Apparel US\$'000	Accessories US\$'000	Total US\$'000
<b>For the year ended 31 December 2023</b>			
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
<b>Segment profit/(loss) for the year</b>	<b>(14,840)</b>	<b>19,763</b>	<b>4,923</b>
(Loss)/profit for the year includes:			
Depreciation and amortization	(11,762)	(8,799)	(20,561)
Provision for loss allowances of trade receivables	(230)	–	(230)
Reversal/(provision) for obsolete inventories, net	(2,145)	3,930	1,785
Share of profits of joint ventures and associates, net	545	–	545
Finance income	1,093	415	1,508
Finance costs	(8,686)	(5,254)	(13,940)
Income tax (expense)/credit	(989)	626	(363)

NOTES TO THE CONSOLIDATED  
FINANCIAL STATEMENTS

## 6 SEGMENT INFORMATION (CONTINUED)

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

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

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

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

Note:

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

NOTES TO THE CONSOLIDATED  
FINANCIAL STATEMENTS

## 6 SEGMENT INFORMATION (CONTINUED)

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

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

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

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

For the year ended 31 December 2023, revenue of approximately US\$133,647,000 (2022: US\$186,608,000), US\$93,992,000 (2022: US\$166,660,000) and US\$75,700,000 (2022: US\$102,427,000) are derived from three (2022: same) single external customers whose sales account for more than 10% of the total revenue. These revenues are attributable to the segments of apparel and accessories.

As a practical expedient, no disclosure was made for the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) as at 31 December 2023 (2022: same), because such performance obligations are part of contracts having an original expected duration of one year or less.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 6 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 35.15.

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:

	2023 US\$'000	2022 US\$'000
<b>Analysis of non-current assets by geographical location</b>		
PRC (including Hong Kong and Macao)	71,479	76,240
Cambodia	56,740	63,286
Philippines	31,534	35,925
Myanmar	17,083	19,876
Vietnam	1,970	2,174
Others	4,019	4,540
	<b>182,825</b>	202,041

NOTES TO THE CONSOLIDATED  
FINANCIAL STATEMENTS

## 7 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
<b>Year ended 31 December 2023</b>							
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
Disposals/write-off	(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
<b>At 31 December 2023</b>							
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
<b>Year ended 31 December 2022</b>							
Opening net book amount	73,393	9,297	37,532	3,930	782	1,223	126,157
Additions	36	1,154	2,011	1,562	110	6,577	11,450
Disposals/write-off	–	(154)	(378)	(7)	(8)	–	(547)
Reversal of impairment (Note 24)	–	–	244	–	–	–	244
Transfer	352	745	3,809	610	160	(5,676)	–
Depreciation (Note 24)	(4,679)	(1,123)	(9,103)	(2,237)	(402)	–	(17,544)
Exchange differences	(328)	(460)	(1,120)	(119)	(7)	–	(2,034)
Closing net book amount	68,774	9,459	32,995	3,739	635	2,124	117,726
<b>At 31 December 2022</b>							
Cost	106,206	28,000	133,535	23,661	3,140	2,124	296,666
Accumulated depreciation and impairment	(37,432)	(18,541)	(100,540)	(19,922)	(2,505)	–	(178,940)
Net book amount	68,774	9,459	32,995	3,739	635	2,124	117,726

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 7 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Note:

- (i) Depreciation expense of US\$11,328,000 (2022: US\$12,339,000) had been charged to the cost of sales and US\$4,393,000 (2022: US\$5,205,000) has been charged to general and administrative expenses. Reversal of impairment of US\$45,000 (2022: US\$244,000) had been credited to the cost of sales with regards to the reassessment on the damage to property, plant and equipment caused by Typhoon incident.

#### 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:

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 9.

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 "general and administrative expenses" in the consolidated statement of profit or loss.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 8 LEASES

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

	Land and properties US\$'000	Land use rights US\$'000	Total US\$'000
<b>Right-of-use assets</b>			
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
As at 1 January 2022	28,782	5,515	34,297
Additions	3,594	–	3,594
Disposals	(462)	–	(462)
Depreciation (Note 24)	(5,979)	(253)	(6,232)
Exchange differences	(729)	(24)	(753)
As at 31 December 2022	25,206	5,238	30,444

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

	2023 US\$'000	2022 US\$'000
<b>Lease liabilities</b>		
Current	3,414	5,370
Non-current	19,930	22,822
	23,344	28,192

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 8 LEASES (CONTINUED)

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

	2023 US\$'000	2022 US\$'000
Interest expense (included in finance costs) (Note 26)	1,659	1,712
Expense relating to short-term leases (included in cost of sales and general administrative expenses) (Note 24)	606	864
Depreciation expenses of right-of-use assets (Note 24)	5,515	6,232

The total cash outflow for leases for the year ended 31 December 2023 was US\$7,388,000 (2022: US\$8,131,000).

#### *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.

NOTES TO THE CONSOLIDATED  
FINANCIAL STATEMENTS

## 8 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.

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## 9 INTANGIBLE ASSETS

	Goodwill US\$'000	Customer relationships US\$'000	Total US\$'000
<b>Year ended 31 December 2023</b>			
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
<b>At 31 December 2023</b>			
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
<b>Year ended 31 December 2022</b>			
Opening net book amount	42,320	3,247	45,567
Amortization (Note 24)	—	(668)	(668)
Closing net book amount	42,320	2,579	44,899
<b>At 31 December 2022</b>			
Cost	63,498	53,192	116,690
Accumulated amortization, write-off and provision for impairment loss	(21,178)	(50,613)	(71,791)
Net book value	42,320	2,579	44,899

For the year ended 31 December 2023, amortization of customer relationships of US\$668,000 (2022: same) is included in general and administrative expenses.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 9 INTANGIBLE ASSETS (CONTINUED)

#### 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 6. The following is a summary of goodwill allocation for each operating segment.

	US\$'000
<b>At 31 December 2023 and 2022</b>	
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:

	2023		2022	
	Accessories	Apparel	Accessories	Apparel
Average revenue growth (Note i)	9.20%	7.84%	6.22%	6.64%
Average gross profit margin	19.8%	14.5%	19.8%	15.1%
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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 9 INTANGIBLE ASSETS (CONTINUED)

#### Impairment tests for goodwill (Continued)

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.

In the Apparel CGU, the recoverable amount calculated based on value in use exceeded the carrying amount by US\$2,610,000 (2022: US\$10,931,000). A fall in average revenue growth rate to 7.82% (2022: 4.30%), a fall in gross profit margin to 14.4% (2022: 15.0%), a fall in long-term growth rate to 1.6% (2022: 0.0%) or rise in discount rate to 17.5% (2022: 18.0%), 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\$9,134,000 (2022: US\$10,775,000). A fall in average revenue growth rate to 9.08% (2022: 3.10%), a fall in gross profit margin to 19.4% (2022: 19.5%), a fall in long-term growth rate to 0.3% (2022: 0.6%) or rise in discount rate to 18.0% (2022: 17.1%), 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. As a result of the minimal headroom, any material adverse shift in a key assumption without any favorable valuation movement is likely to result in a potential impairment. 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

### 10 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 2023 and 2022 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 (%)	
				2023	2022	2023	2022
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%

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 10 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 (%)	
				2023	2022	2023	2022
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 2023 is US\$1,018,000 (2022: US\$1,177,000), mainly comprised the Group's investments in 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.

NOTES TO THE CONSOLIDATED  
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## 11 INTERESTS IN JOINT VENTURES AND ASSOCIATES

	2023 US\$'000	2022 US\$'000
Interests in joint ventures (Note (a))	5,803	6,231
Interests in associates (Note (b))	90	—
	<b>5,893</b>	<b>6,231</b>

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

	2023 US\$'000	2022 US\$'000
Beginning of the year	6,231	1,975
Transfer from amounts due from joint ventures	—	4,577
Share of post-tax profits/(losses), net	455	(321)
Disposal of a joint venture	(234)	—
Dividend received	(649)	—
End of the year	<b>5,803</b>	<b>6,231</b>

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

	2023 US\$'000	2022 US\$'000
Beginning of the year	—	160
Addition	—	120
Share of post-tax profits/(losses), net	90	(393)
Realization of previously eliminated profit from trademark licensing income to an associate	—	113
End of the year	<b>90</b>	<b>—</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 11 INTERESTS IN JOINT VENTURES AND ASSOCIATES (CONTINUED)

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

Notes:

- (i) As at 31 December 2023 and 2022, none of the joint ventures or associates are material to the Group.

Information for unrecognized share of losses of a joint ventures:

	2023 US\$'000	2022 US\$'000
The unrecognized share of losses of a joint ventures for the year	(6,916)	(2,281)
Cumulative unrecognized share of losses of a joint ventures	(9,197)	(2,281)

- (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.

### 12 DEFERRED INCOME TAX

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax recoverable against current income tax liabilities and when the deferred income tax assets and liabilities relate to income tax levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balance on a net basis.

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

	2023 US\$'000	2022 US\$'000
Deferred income tax assets	3,455	2,339
Deferred income tax liabilities	(2,438)	(2,861)
	1,017	(522)

NOTES TO THE CONSOLIDATED  
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## 12 DEFERRED INCOME TAX (CONTINUED)

The net movement on the deferred income tax assets/(liabilities) is as follows:

	2023 US\$'000	2022 US\$'000
At 1 January	(522)	(674)
Credited to consolidated statement of profit or loss (Note 27)	1,407	482
Charged to consolidated statement of comprehensive income (Note 27)	132	(330)
At 31 December	1,017	(522)

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 2022	1,984	531	596	3,111
Credited to consolidated statement of profit or loss	(989)	(133)	100	(1,022)
Charged to consolidated statement of comprehensive income (Note 27)	—	—	330	330
At 31 December 2022	995	398	1,026	2,419
(Credited)/charged to consolidated statement of profit or loss	(411)	(275)	229	(457)
Credited to consolidated statement of comprehensive income (Note 27)	—	—	(132)	(132)
At 31 December 2023	584	123	1,123	1,830

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## 12 DEFERRED INCOME TAX (CONTINUED)

Deferred income tax assets	Tax losses US\$'000	Provisions US\$'000	Others US\$'000	Total US\$'000
At 1 January 2022	(683)	(1,404)	(350)	(2,437)
Charged to consolidated statement of profit or loss	316	286	(62)	540
At 31 December 2022	(367)	(1,118)	(412)	(1,897)
Credited to consolidated statement of profit or loss	(846)	—	(104)	(950)
At 31 December 2023	<b>(1,213)</b>	<b>(1,118)</b>	<b>(516)</b>	<b>(2,847)</b>

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\$4,837,000 (2022: US\$3,238,000) in respect of losses amounting to US\$24,185,000 (2022: US\$16,190,000) that can be carried forward against future taxable income. Among the tax losses, US\$8,342,000 (2022: US\$11,871,000) have expiry dates from 2024 to 2029 (2022: 2023 to 2028). The remaining tax losses have no expiry date.

Deferred income tax liabilities of US\$6,559,000 (2022: US\$6,126,000) 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\$31,581,000 (2022: US\$28,112,000) at 31 December 2023.

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

NOTES TO THE CONSOLIDATED  
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### 13 INVENTORIES

	<b>31 December 2023 US\$'000</b>	31 December 2022 US\$'000 (Restated)	1 January 2022 US\$'000 (Restated)
Raw materials	33,670	45,484	34,630
Work in progress	27,158	26,704	37,465
Finished goods	4,464	11,140	5,611
	<b>65,292</b>	83,328	77,706

The cost of inventories recognized as expense and included in cost of sales amounted to US\$441,191,000 (2022: US\$539,451,000).

As at 31 December 2023, 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 reversal of US\$1,785,000 (2022: provision for obsolete inventories US\$1,579,000) of a previous inventory write-down. The amount reversed 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.

NOTES TO THE CONSOLIDATED  
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## 14 FINANCIAL INSTRUMENTS BY CATEGORY

	Assets at fair value through profit or loss 2023 US\$'000	Assets at amortized cost 2023 US\$'000	Total 2023 US\$'000
<b>31 December 2023</b>			
<b>Financial assets as per consolidated statement of financial position</b>			
Trade and other receivables excluding non- financial assets	—	115,747	115,747
Cash and bank balances	—	75,780	75,780
<b>Total</b>	<b>—</b>	<b>191,527</b>	<b>191,527</b>
<b>31 December 2022</b>			
<b>Financial assets as per consolidated statement of financial position (restated)</b>			
Trade and other receivables excluding non- financial assets	—	111,532	111,532
Cash and bank balances	—	93,952	93,952
Restricted cash	—	29	29
<b>Total</b>	<b>—</b>	<b>205,513</b>	<b>205,513</b>
<b>1 January 2022</b>			
<b>Financial assets as per consolidated statement of financial position (restated)</b>			
Trade and other receivables excluding non- financial assets	—	134,649	134,649
Cash and bank balances	—	99,149	99,149
Restricted cash	—	16	16
Derivative financial instruments	1	—	1
<b>Total</b>	<b>1</b>	<b>233,814</b>	<b>233,815</b>

NOTES TO THE CONSOLIDATED  
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## 14 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
<b>31 December 2023</b>			
<b>Financial liabilities as per consolidated statement of financial position</b>			
Borrowings	—	142,655	142,655
Trade and other payables excluding non-financial liabilities	—	57,580	57,580
Lease liabilities	—	23,344	23,344
Derivative financial instruments	52	—	52
<b>Total</b>	<b>52</b>	<b>223,579</b>	<b>223,631</b>
<b>31 December 2022</b>			
<b>Financial liabilities as per consolidated statement of financial position (restated)</b>			
Borrowings	—	148,501	148,501
Trade and other payables excluding non-financial liabilities	—	66,485	66,485
Lease liabilities	—	28,192	28,192
Derivative financial instruments	106	—	106
<b>Total</b>	<b>106</b>	<b>243,178</b>	<b>243,284</b>
<b>1 January 2022</b>			
<b>Financial liabilities as per consolidated statement of financial position (restated)</b>			
Borrowings	—	149,769	149,769
Trade and other payables excluding non-financial liabilities	—	104,095	104,095
Lease liabilities	—	31,414	31,414
<b>Total</b>	<b>—</b>	<b>285,278</b>	<b>285,278</b>

NOTES TO THE CONSOLIDATED  
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## 15 TRADE AND OTHER RECEIVABLES

	31 December 2023 US\$'000	31 December 2022 US\$'000 (Restated)	1 January 2022 US\$'000 (Restated)
<b>Current portion</b>			
Trade receivables	83,812	69,156	94,538
Less: loss allowances	(4,545)	(4,375)	(4,201)
Trade receivables – net	79,267	64,781	90,337
Amounts due from related parties (Note 32 (b))	20,620	17,305	23,621
Less: loss allowances	(119)	(59)	–
Amounts due from related parties – net	20,501	17,246	23,621
Deposits, prepayments and other receivables	24,679	32,140	34,135
Indemnified assets (Note 21(i))	16,723	16,723	16,965
	<b>141,170</b>	130,890	165,058
<b>Non-current portion</b>			
Deposits	2,145	2,252	2,213
Others	2,459	2,741	1,117
	<b>4,604</b>	4,993	3,330

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

The Group does not hold any collateral as security.

NOTES TO THE CONSOLIDATED  
FINANCIAL STATEMENTS

## 15 TRADE AND OTHER RECEIVABLES (CONTINUED)

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

	<b>31 December 2023 US\$'000</b>	31 December 2022 US\$'000 (Restated)	1 January 2022 US\$'000 (Restated)
US\$	77,001	64,115	86,625
RMB	1,134	244	1,961
Euro	970	413	1,201
Other currencies	158	8	550
	<b>79,263</b>	64,780	90,337

### (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:

	<b>31 December 2023 US\$'000</b>	31 December 2022 US\$'000 (Restated)	1 January 2022 US\$'000 (Restated)
Transferred receivables	6,484	7,937	2,809
Associated secured factoring loan	5,187	5,794	2,247

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 15 TRADE AND OTHER RECEIVABLES (CONTINUED)

#### (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.

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 35.5.

### 16 CASH AND BANK BALANCES

#### (a) Cash and cash equivalents

	2023 US\$'000	2022 US\$'000
Cash at bank and on hand	46,760	59,952
Short-term bank deposits	29,020	34,000
Cash and cash equivalents in the consolidated statement of cash flows	<b>75,780</b>	93,952

The effective interest rate on short-term bank deposits was 5.12% (2022: 4.30%) per annum. These deposits have an average maturity period of 14 days (2022: 22 days).

#### *Significant restrictions*

At 31 December 2023, the Group's cash and cash equivalents and short-term bank deposits included balances of US\$16,260,963 (2022: US\$17,584,365), 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 16 CASH AND BANK BALANCES (CONTINUED)

#### (b) Restricted cash

At 31 December 2022, US\$29,000 are restricted deposits held at bank as reserves for settling custom duties. There was no restricted deposits held at bank as at 31 December 2023.

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

	2023 US\$'000	2022 US\$'000
US\$	53,720	69,800
RMB	16,042	17,752
Peso	1,456	1,843
Euro	1,374	1,683
HK\$	1,986	883
Other currencies	1,202	2,020
	<b>75,780</b>	<b>93,981</b>

### 17 SHARE CAPITAL

	Number of Shares	Nominal value US\$'000
Authorized – ordinary shares of US\$0.01 each At 31 December 2022 and 2023	1,500,000,000	15,000
Issued and fully paid – ordinary shares of US\$0.01 each At 1 January 2022, 31 December 2022 and 31 December 2023	1,034,112,666	10,341

#### Share option

On 26 May 2014, a share option scheme (the "Option Scheme") of the Company was approved and adopted pursuant to an ordinary resolution. The terms of the Option Scheme is effective for a period of 10 years and will expire on 25 May 2024.

Under the Option Scheme, the Company may grant options to selected full-time employees and directors of the Company and subsidiaries to subscribe for shares in the Company. Additionally, the Company may, from time to time, grant share options to eligible advisors and consultants to the Company and its subsidiaries at the discretion of the Board of Directors.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 17 SHARE CAPITAL (CONTINUED)

#### Share option (Continued)

The total number of shares in respect of which options may be granted under the Option Scheme is not permitted to exceed 10% of the shares of the Company in issue as at the date of the listing of the shares without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at the date of such grant, without prior approval from the Company's shareholders.

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 2023 and 2022, there is no outstanding share option under the Option Schemes. No share options have been granted or vested during the year ended 31 December 2023 (2022: Nil).

### 18 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 2023	7,891	(2,795)	5,840	(11,819)	(883)
Currency translation differences	—	—	(128)	(559)	(687)
Actuarial losses on retirement benefit obligations	—	—	(1,110)	—	(1,110)
At 31 December 2023	7,891	(2,795)	4,602	(12,378)	(2,680)
At 1 January 2022	7,891	(2,795)	3,394	(6,880)	1,610
Currency translation differences	—	—	(189)	(4,939)	(5,128)
Actuarial gains on retirement benefit obligations	—	—	2,635	—	2,635
At 31 December 2022	7,891	(2,795)	5,840	(11,819)	(883)

#### 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.

NOTES TO THE CONSOLIDATED  
FINANCIAL STATEMENTS

## 19 BORROWINGS

	2023 US\$'000	2022 US\$'000
<b>Non-current</b>		
Bank borrowings		
– Term loans	556	2,778
<b>Current</b>		
Bank borrowings		
– Term loans	111,157	111,365
– Trade finances	30,942	34,358
	<b>142,099</b>	145,723
<b>Total borrowings</b>	<b>142,655</b>	148,501
<b>Non-current borrowings</b>		
– Unsecured	556	2,778
<b>Current borrowings</b>		
– Secured	5,188	8,683
– Unsecured	136,911	137,040
	<b>142,655</b>	148,501

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.

One of the banking facilities of the Group has a restrictive covenant on the maintenance of a minimum DEBT-to-EBITDA ratio, which was not met by the Group as at 31 December 2023. Management has obtained a waiver letter from bank in regard of this covenant prior to the year end.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 19 BORROWINGS (CONTINUED)

As at 31 December 2023 and 2022, 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	
	2023 US\$'000	2022 US\$'000	2023 US\$'000	2022 US\$'000	2023 US\$'000	2022 US\$'000
Within 1 year	30,942	34,358	111,157	111,365	142,099	145,723
Bank borrowings due for repayment after 1 year:						
After 1 year but within 2 years	—	—	556	2,222	556	2,222
After 2 years but within 5 years	—	—	—	556	—	556
	—	—	556	2,778	556	2,778
	30,942	34,358	111,713	114,143	142,655	148,501
Representing:						
Maturity within 5 years	30,942	34,358	111,713	114,143	142,655	148,501

As at 31 December 2023 and 2022, the carrying amounts of the borrowings are denominated in the following currencies:

	2023 US\$'000	2022 US\$'000
US\$	126,386	137,920
HK\$	16,269	10,581
	142,655	148,501

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 19 BORROWINGS (CONTINUED)

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

	2023	2022
Term loans	6.24%	3.03%
Trade finances	6.10%	3.38%

As at 31 December 2023, the Group had aggregate banking facilities of approximately US\$516,023,000 (2022: US\$428,195,000) for overdrafts, loans, trade financing and bank guarantees. Unused facilities as at the same date amounted to approximately US\$389,736,000 (2022: US\$276,694,000).

Of the trade finances, US\$5,187,000 (2022: US\$5,794,000) relate to transferred receivables (Note 15). The remaining facilities are either secured by inventories or guaranteed by a corporate guarantee provided by the Company (Note 32):

During 31 December 2022, the floating charges over the Group's inventories amounting to US\$2,889,000 held under trust receipt bank loans arrangements. No such item have been identified in 2023.

### 20 RETIREMENT BENEFIT OBLIGATIONS

	2023 US\$'000	2022 US\$'000
Consolidated statement of financial position obligations for:		
– Defined benefit plans (Note b)	7,538	7,807
– Provision for long service payments (Note c)	192	395
	<b>7,730</b>	8,202
Included in consolidated statement of profit or loss were charges/ (gains) included in operating profit for (Note 25(a)):		
– Defined contribution plans (Note a)	2,242	4,056
– Defined benefit plans (Note b)	(730)	1,314
– Provision for long service payment (Note c)	31	(267)
	<b>1,543</b>	5,103
Included in consolidated statement of comprehensive income:		
– Defined benefit plans (Note b)	1,231	(2,964)
– Provision for long service payments (Note c)	11	(1)
	<b>1,242</b>	(2,965)

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

NOTES TO THE CONSOLIDATED  
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## 20 RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

### (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\$2,242,000 (2022: US\$4,056,000) for the year ended 31 December 2023 (Note 25(a)).

### (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:

	2023 US\$'000	2022 US\$'000
Present value of unfunded obligations	3,744	3,649
Present value of funded obligations	4,050	4,425
Fair value of plan assets	(256)	(267)
Liabilities in the consolidated statement of financial position	7,538	7,807

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

	2023 US\$'000	2022 US\$'000
At 1 January	8,074	10,650
Current service cost	629	827
Interest cost	452	498
Curtailment/Settlement loss	(1,806)	—
Total – included in employee benefit expenses in the year	(725)	1,325
Remeasurements:		
– Loss/(gain) from change in financial assumptions	1,257	(3,198)
– Experience (gain)/loss	(26)	233
	1,231	(2,965)
Contributions paid	(542)	(53)
Exchange differences	(244)	(883)
At 31 December	7,794	8,074

NOTES TO THE CONSOLIDATED  
FINANCIAL STATEMENTS

## 20 RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

### (b) Defined benefit plans (Continued)

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

	2023 US\$'000	2022 US\$'000
At 1 January	(267)	(261)
Interest income – included in employee benefit expenses	(5)	(11)
Remeasurements:		
– Loss on plan assets, excluding amounts included in interest income	–	1
Exchange differences	16	4
At 31 December	(256)	(267)

The principal actuarial assumptions used are as follows:

	2023	2022
Discount rate	5.12%–7.80%	4.91%–7.50%
Future salary increase rate	3.50%–4.50%	3.00%–4.00%

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

	Impact on defined benefit plan					
	Change in assumption	2023 Increase in assumption	Decrease in assumption	Change in assumption	2022 Increase in assumption	Decrease in assumption
Discount rate	1.0%	Decrease by US\$532,000	Increase by US\$956,000	1.0%	Decrease by US\$616,000	Increase by US\$842,000
Future salary increase rate	1.0%	Increase by US\$1,421,000	Decrease by US\$1,521,000	1.0%	Increase by US\$1,228,000	Decrease by US\$1,031,000

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.

NOTES TO THE CONSOLIDATED  
FINANCIAL STATEMENTS

## 20 RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

### (c) Long service payments

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

	2023 US\$'000	2022 US\$'000
Present value of unfunded obligations	192	395

As at 31 December 2023 and 2022, there are no funded obligations and plan assets.

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

	2023 US\$'000	2022 US\$'000
At 1 January	395	786
Current service cost	31	1
Curtailement/Settlement loss	–	(268)
Total – included in employee benefit expenses (Note 25(a))	31	(267)
Re-measurements:		
– Loss/(gain) from change in financial assumptions	11	(1)
Mandatory Provident Fund payment	(245)	(123)
At 31 December	192	395

The principal actuarial assumptions used are as follows:

	2023	2022
Discount rate	3.50%	3.75%
Future salary increase rate	3.00%	3.50%

NOTES TO THE CONSOLIDATED  
FINANCIAL STATEMENTS

## 20 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					
	Change in assumption	2023 Increase in assumption	Decrease in assumption	Change in assumption	2022 Increase in assumption	Decrease in assumption
Discount rate	1.0%	Decrease by US\$1,000	Increase by US\$1,000	1.0%	Decrease by US\$2,000	Increase by US\$2,000
Future salary increase rate	1.0%	Increase by US\$1,000	Decrease by US\$1,000	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 2023 are US\$2,221,000.

The weighted average duration of the defined benefit obligations is 18.23 years (2022: 18.75 years).

An expected maturity analysis of undiscounted pension is as follows:

	2023 US\$'000	2022 US\$'000
Retirement benefits		
– No later than 1 year	207	278
– Later than 1 year and no later than 5 years	1,651	2,184
– Later than 5 years	71,099	91,669
	<b>72,957</b>	94,131

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 20 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.

NOTES TO THE CONSOLIDATED  
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## 20 RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

### Accounting policies for retirement benefit obligations (Continued)

#### (b) *Defined benefit plans (Continued)*

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.

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.

## 21 TRADE AND OTHER PAYABLES

	<b>31 December 2023 US\$'000</b>	31 December 2022 US\$'000 (Restated)	1 January 2022 US\$'000 (Restated)
Trade payables (Note a)	44,485	51,386	81,234
Contract liabilities (Note b)	106	478	45
Other tax payables	9,038	11,340	10,345
Accrued wages and salaries	16,023	25,943	23,889
Contingent liabilities (Note i)	16,723	16,723	16,965
Others	12,746	14,315	20,349
Amounts due to related parties (Note 32(b))	680	1,736	1,659
	<b>99,801</b>	121,921	154,486

NOTES TO THE CONSOLIDATED  
FINANCIAL STATEMENTS

## 21 TRADE AND OTHER PAYABLES (CONTINUED)

### (a) Trade payables

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

	31 December 2023 US\$'000	31 December 2022 US\$'000 (Restated)	1 January 2022 US\$'000 (Restated)
0 to 30 days	35,617	40,170	66,577
31 to 60 days	3,527	4,249	3,376
61 to 90 days	2,023	3,041	6,326
Over 90 days	3,318	3,926	4,955
	<b>44,485</b>	51,386	81,234

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

	31 December 2023 US\$'000	31 December 2022 US\$'000 (Restated)	1 January 2022 US\$'000 (Restated)
US\$	21,740	33,241	59,298
HK\$	7,390	5,832	8,374
RMB	14,185	10,319	11,900
Peso	782	1,595	1,238
Other currencies	388	399	424
	<b>44,485</b>	51,386	81,234

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.

	2023 US\$'000	2022 US\$'000
Revenue recognized that was included in the contract liability balance at the beginning of the year	478	45

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 21 TRADE AND OTHER PAYABLES (CONTINUED)

#### (b) Contract liability (Continued)

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.

*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\$21,112,000 as at 31 December 2023 (31 December 2022: US\$21,112,000).

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

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

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

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

### 22 DERIVATIVE FINANCIAL INSTRUMENTS

	2023 US\$'000	2022 US\$'000
Liabilities:		
Forward foreign exchange contracts (Note i)	52	106

*Note:*

- (i) The notional principal amounts of the outstanding forward foreign exchange contracts as at 31 December 2023 were approximately US\$7,487,720 (2022: US\$6,184,000).

NOTES TO THE CONSOLIDATED  
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## 23 OTHER INCOME AND OTHER GAINS – NET

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

## 24 EXPENSES BY NATURE

	2023 US\$'000	2022 US\$'000 (Restated)
Raw materials and consumables used	431,266	529,690
Changes in inventories of finished goods and work in progress	11,710	8,182
Employee benefit expenses (Note 25(a))	167,543	216,720
Losses on disposals of property, plant and equipment – net (Note 30(a))	65	31
Auditors' remuneration		
– Audit services	615	649
– Non-audit services	202	430
Loss on lease termination	3	–
Depreciation of property, plant and equipment (Note 7)	15,721	17,544
Depreciation of right-of-use assets (Note 8)	5,515	6,232
Amortization of intangible assets (Note 9)	668	668
Reversal of impairment of property, plant and equipment (Note 7)	(45)	(244)
(Reversal of)/provision for obsolete inventories (Note 13)	(1,785)	1,579
Short-term leases		
– Office premises and warehouses	480	654
– Plant and machinery	126	210
Transportation expenses	3,530	4,580
Communication, supplies and utilities	17,575	22,525
Other expenses	37,828	31,859
	691,017	841,309

NOTES TO THE CONSOLIDATED  
FINANCIAL STATEMENTS

## 24 EXPENSES BY NATURE (CONTINUED)

	2023 US\$'000	2022 US\$'000 (Restated)
Cost of sales	601,363	733,532
Selling and distribution expenses	1,419	1,637
General and administrative expenses	88,235	106,140
	<b>691,017</b>	841,309

## 25 EMPLOYEE BENEFIT EXPENSES

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

	2023 US\$'000	2022 US\$'000
Wages, salaries and allowances	164,697	208,311
Termination benefits	1,303	3,306
Pension costs		
– Defined contribution plans (Note 20)	2,242	4,056
– Defined benefit plans (Note 20)	(730)	1,314
Long service payments (Note 20)	31	(267)
	<b>167,543</b>	216,720

(b) **Five highest paid individuals**

There are two directors included in the top five highest paid individual in the Group in 2022, reflected in the analysis presented in Note 34. No directors are within the top five in current year. The emoluments payable to the remaining five (2022: three) individuals during the year are as follows:

	2023 US\$'000	2022 US\$'000
Basic salaries, other allowances and benefits in kind	1,459	954
Discretionary bonuses	470	633
Pension scheme contributions	9	5
Others	313	273
	<b>2,251</b>	1,865

NOTES TO THE CONSOLIDATED  
FINANCIAL STATEMENTS

## 25 EMPLOYEE BENEFIT EXPENSES (CONTINUED)

### (b) Five highest paid individuals (Continued)

The emoluments of the remaining five (2022: three) highest paid individuals fell within the following bands:

	Number of individuals	
	2023	2022
<b>Emolument bands</b>		
US\$256,410 to US\$320,513 (equivalent to HK\$2,000,001 to HK\$2,500,000)	1	—
US\$320,513 to US\$384,615 (equivalent to HK\$2,500,001 to HK\$3,000,000)	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	1
US\$576,924 to US\$641,026 (equivalent to HK\$4,500,001 to HK\$5,000,000)	1	1
US\$641,027 to US\$705,128 (equivalent to HK\$5,000,001 to HK\$5,500,000)	—	1
	<b>5</b>	<b>3</b>

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

	2023 US\$'000	2022 US\$'000
Interest expense on lease liabilities (Note 8)	(1,659)	(1,712)
Interest expense on bank borrowings	(12,281)	(7,265)
Finance costs	(13,940)	(8,977)
Interest income from bank deposits	644	373
Interest income arise from loans to a joint venture and an associate (Note 32)	854	413
Other interest income	10	39
Finance income	1,508	825
Finance costs – net	(12,432)	(8,152)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 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 2023 and 2022, only one subsidiary of the Group is entitled to this tax benefit. The profits of other Group entities incorporated in Hong Kong not qualifying continued to be taxed at the flat rate of 16.5%.

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

	2023 US\$'000	2022 US\$'000
Current income tax	4,066	1,826
Over-provision in prior years	(2,296)	(161)
Deferred income tax (Note 12)	(1,407)	(482)
Income tax expense	363	1,183

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

	2023 US\$'000	2022 US\$'000 (Restated)
(Loss)/profit before income tax	(5,555)	10,313
Tax calculated at domestic tax rates applicable to (loss)/profits in the respective countries	(723)	3,020
Income not subject to tax	(9,593)	(14,571)
Expenses not deductible for tax purposes	10,542	12,099
Utilization of previously unrecognized tax losses	(632)	(636)
Tax losses for which no deferred income tax asset was recognized	2,231	1,898
Tax effect of taxable temporary difference not recognized – net	767	(364)
Tax effect of share of results of joint ventures and associates	67	(102)
Over-provision in prior years	(2,296)	(161)
Income tax expense	363	1,183

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 27 INCOME TAX EXPENSE (CONTINUED)

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

	Actuarial loss/(gains) on retirement benefit obligations	
	2023 US\$'000	2022 US\$'000
Before tax (Note 20)	1,242	(2,965)
Deferred income tax (credit)/expense (Note 12)	(132)	330
After tax	1,110	(2,635)

*Notes:*

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

In respect of the Hong Kong incorporated subsidiary, the IRD tentatively disallowed the 50% or 100% offshore profits claim for the previous years and issued notices of additional assessments/assessments for the years of assessment 2000/01 to 2014/15 on the basis of no 50:50 apportionment for 2000/01 to 2011/12 and no 100% offshore profit for 2012/13 to 2014/15 with the amount of US\$3,820,000 (equivalent to approximately HK\$29,797,000). The subsidiary has lodged objections against the above assessments for 2000/01 to 2014/15 by the statutory deadlines. The tax provisions made as at 31 December 2023 for the years of assessment 2000/01 to 2022/23 were approximately US\$811,000 (equivalent to approximately HK\$6,323,000). Pending settlement of the objections, it has paid a total sum of US\$3,695,000 (equivalent to approximately HK\$28,823,000) in the form of tax reserve certificates in respect of the tax in dispute up to and including the year of assessment 2014/15.

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

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

At the date of disposal, there was a receivable balance on book of the disposed subsidiary. Management considers that there were sufficient supporting documents to substantiate the nature and amount and therefore this receivable balance could be excluded from WIT calculation and there will be no capital gain from the disposal transaction. The case is current under review by the in-charge tax authority and there is no final assessment as 31 December 2023. Management assessed that the maximum WIT exposure to be approximately RMB10,005,000 (equivalent to US\$1,533,000). Despite the uncertain outcomes of the above case, management has provided for the abovementioned amount in full and considers that such provision to be sufficient but not excessive as at 31 December 2023.

- (iii) Certain Cambodia incorporated subsidiaries of the Group have been under tax audits by the local tax authority since the year ended 31 December 2016. According to management's experience, the tax audits have been carried out by the local tax authority on a routine basis. On a case-by-case basis, management will determine whether or not to make a provision, depending on the expected outcomes of the tax audits. They consider the provisions as at 31 December 2023 to be adequate but not excessive.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 27 INCOME TAX EXPENSE (CONTINUED)

*Notes: (Continued)*

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

Under the Pillar Two legislation enacted in Vietnam, the Group is expected to be liable to pay a top-up tax for the difference between its GloBE effective tax rate per jurisdiction and the 15% minimum rate. For the year ended 31 December 2023, the average effective tax rate (calculated in accordance with para 86 of HKAS 12) of the entities operating in Vietnam is assessed to be 24%. The Group therefore anticipated that no top-up tax would arise from the operations in Vietnam.

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

#### **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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 27 INCOME TAX EXPENSE (CONTINUED)

#### Accounting policies for current and deferred income tax (Continued)

(i) (Continued)

**(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. 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.

**(c) *Offsetting***

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when 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 realize the asset and settle the liability simultaneously.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 28 (LOSS)/EARNINGS PER SHARE

#### (a) Basic

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

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

#### (b) Diluted

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

### 29 DIVIDENDS

#### (a) Dividend recognized during the reporting period

	2023 US\$'000	2022 US\$'000
Final dividend of US0.268 cent or HK2.10 cents (2021: US0.325 cent or HK2.53 cents) per ordinary share for the year ended 31 December 2022	2,771	3,361
Interim dividend – Nil (2022: US0.220 cent or HK1.72 cents) per ordinary share	–	2,275

- (i) Subsequent to the year ended 31 December 2022, a final dividend in respect of the year ended 31 December 2022 has been proposed by the Board of Directors of the Company, which is subject to approval by the shareholders in the annual general meeting. The proposed dividend has not been recognized as a liability at 31 December 2022.

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

NOTES TO THE CONSOLIDATED  
FINANCIAL STATEMENTS

## 29 DIVIDENDS (CONTINUED)

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

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

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

## 30 CASH FLOW INFORMATION

### (a) Cash generated from operations

	2023 US\$'000	2022 US\$'000 (Restated)
(Loss)/profit before income tax	(5,555)	10,313
Adjustments for:		
Share of (profits)/losses of joint ventures and associates, net (Note 11)	(545)	601
Realization of previously eliminated profit (Note 11)	–	(113)
Finance costs (Note 26)	13,940	8,977
Finance income (Note 26)	(1,508)	(825)
Fair value gains on derivative financial instruments	(19)	(15)
Amortization of intangible assets (Note 9)	668	668
Depreciation of property, plant and equipment (Note 7)	15,721	17,544
Reversal of impairment property, plant and equipment (Note 7)	(45)	(244)
Depreciation of right-of-use assets (Note 8)	5,515	6,232
Losses on disposals of property, plant and equipment – net (Note 24)	65	31
Gains on disposal of leases – net	–	(28)
Provision for loss allowances of trade and other receivables, net	230	233
(Reversal of)/provision for obsolete inventories (Note 13)	(1,785)	1,579
Operating profit before working capital changes	26,682	44,953
Changes in working capital (excluding the effects of currency translation on consolidation):		
Inventories	19,975	(10,650)
Trade and other receivables	(10,184)	26,828
Trade and other payables	(21,949)	(29,807)
Derivative financial instrument	(35)	122
Retirement benefit obligations	(1,964)	871
Restricted cash	29	(15)
Cash generated from operations	12,554	32,302

NOTES TO THE CONSOLIDATED  
FINANCIAL STATEMENTS

### 30 CASH FLOW INFORMATION (CONTINUED)

(a) Cash generated from operations (Continued)

In the consolidated statement of cash flows, proceeds from disposals of property, plant and equipment comprise:

	2023 US\$'000	2022 US\$'000
Net book amount (Note 7)	486	547
Losses on disposals of property, plant and equipment – net (Note 24)	(65)	(31)
Proceeds from disposals of property, plant and equipment	421	516

(b) Reconciliation of liabilities arising from financing activities

	Borrowings US\$'000	Lease liabilities US\$'000	Total US\$'000
At 1 January 2023	148,501	28,192	176,693
Cashflows	(18,127)	(6,782)	(24,909)
Addition	–	1,870	1,870
Interest expense	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

NOTES TO THE CONSOLIDATED  
FINANCIAL STATEMENTS

### 30 CASH FLOW INFORMATION (CONTINUED)

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

	Borrowings US\$'000	Lease liabilities US\$'000	Total US\$'000
At 1 January 2022	149,769	31,414	181,183
Cashflows	(8,533)	(7,267)	(15,800)
Addition	—	3,594	3,594
Interest expense	7,265	1,712	8,977
Termination of lease	—	(490)	(490)
Exchange difference	—	(771)	(771)
At 31 December 2022	148,501	28,192	176,693

### 31 CAPITAL COMMITMENTS

There was no significant capital expenditure contracted for at the end of the reporting period but not recognized as liabilities (2022: Nil).

### 32 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.

NOTES TO THE CONSOLIDATED  
FINANCIAL STATEMENTS

### 32 RELATED-PARTY TRANSACTIONS (CONTINUED)

(a) Transactions with related parties (Continued)

(i) Provisions of goods and services

	2023 US\$'000	2022 US\$'000
Rental income from joint ventures	137	180
Service income from		
– related companies	30	–
– joint ventures	62	2
– an associate	–	20
	92	22
Subcontracting income from		
– related companies	–	6
– joint ventures	–	2,599
	–	2,605
Recharge of material costs and other expenses to		
– related companies	188	177
– joint ventures	12,557	–
	12,745	177
Sales of apparels, textile products and accessories to		
– related companies	515	77
– joint ventures	726	2,543
	1,241	2,620
Technology support and services income from		
– related companies	20	5
– joint ventures	69	146
	89	151
Sales of apparels and textile products under OEM Service Master Agreement to		
– related companies	71,020	55,175

NOTES TO THE CONSOLIDATED  
FINANCIAL STATEMENTS

### 32 RELATED-PARTY TRANSACTIONS (CONTINUED)

(a) Transactions with related parties (Continued)

(ii) Purchases of goods and services

	2023 US\$'000	2022 US\$'000
Rental expenses for occupying office premises, warehouses and staff quarters charged by related companies	204	164
Right-of-use assets acquired from related companies	–	1,475
Interest expenses arise from lease liabilities from related companies	65	79
Professional and technological support service fees to related companies	1,960	1,975
Subcontracting expenses to joint ventures	2,997	522
Freight forwarding and logistics services charged by related companies	1,482	3,105
Recharge of material costs and other expenses by		
– related companies	199	1,210
– joint ventures	3,711	–
	3,910	1,210
Purchases of materials from joint ventures	20,442	17,347

(iii) Interest income arising from loans

	2023 US\$'000	2022 US\$'000
Interest income arise from loans to: (Note 26)		
– a joint venture	821	397
– an associate	33	16
	854	413

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

NOTES TO THE CONSOLIDATED  
FINANCIAL STATEMENTS

## 32 RELATED-PARTY TRANSACTIONS (CONTINUED)

(b) Balances with related parties

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

	2023 US\$'000	2022 US\$'000
Amounts due from related parties (Note 15)		
– Joint ventures	13,106	13,814
– Related companies	6,836	2,905
– Associates	678	586
	<b>20,620</b>	17,305
Amounts due to related parties (Note 21)		
– Joint ventures	50	678
– Related companies	630	1,058
	<b>680</b>	1,736

As at 31 December 2023, the amounts due from joint ventures include US\$8,241,790 (31 December 2022: US\$8,312,000) financial supports to a joint venture in the form of shareholder loans. The amount due from an associate also includes a shareholder loan of US\$480,000 (31 December 2022: US\$480,000) financial supports to an associate. These loans are unsecured 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.

For the year ended 31 December 2022, US\$4,577,000 of the financial supports included in amounts due from joint ventures have been transferred to interests in joint ventures as management considered these amounts to be extensions of the Group's investment in a joint venture and the settlements of which are not likely to occur in the foreseeable future.

Information about the impairment of the balances can be found in Note 4.1(b)(ii).

The amounts due to joint ventures and related companies are unsecured, interest-free and repayable on demand. The amount due to an associate in prior year represent the outstanding capital contribution to a newly formed associate.

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

NOTES TO THE CONSOLIDATED  
FINANCIAL STATEMENTS

### 32 RELATED-PARTY TRANSACTIONS (CONTINUED)

(b) Balances with related parties (Continued)

(ii) Year-end balances arising from leases

	2023 US\$'000	2022 US\$'000
Lease liabilities from leases with related companies	1,542	1,820

(c) Key management compensation

	2023 US\$'000	2022 US\$'000
Basic salaries and allowance	2,532	3,060
Bonus	506	1,485
Pension scheme contributions	17	18
	3,055	4,563

(d) Banking facilities

As at 31 December 2023, certain banking facilities of the Group to the extent of US\$516,023,000 (2022: US\$428,195,000) were supported by corporate guarantees given by the Company.

NOTES TO THE CONSOLIDATED  
FINANCIAL STATEMENTS

### 33 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

	2023 US\$'000	2022 US\$'000
<b>ASSETS</b>		
<b>Non-current asset</b>		
Investments in subsidiaries	71,564	71,564
<b>Current assets</b>		
Amounts due from subsidiaries	16,339	16,610
Deposits, prepayments and other current assets	47	26
Cash and bank balances	44	75
<b>Total current assets</b>	<b>16,430</b>	16,711
<b>Total assets</b>	<b>87,994</b>	88,275
<b>EQUITY</b>		
<b>Equity attributable to owners of the Company</b>		
Share capital	10,341	10,341
Other reserves (a)	71,564	71,564
Retained earnings (a)	942	2,129
<b>Total equity</b>	<b>82,847</b>	84,034
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Other payables and accruals	358	1,537
Amounts due to fellow subsidiaries	4,789	2,704
<b>Total liabilities</b>	<b>5,147</b>	4,241
<b>Total equity and liabilities</b>	<b>87,994</b>	88,275

The statement of financial position of the Company has been approved by the Board of Directors on 27 March 2024 and has been signed on behalf.

**Tan Cho Lung, Raymond**  
*Director*

**Weimin Wang**  
*Director*

NOTES TO THE CONSOLIDATED  
FINANCIAL STATEMENTS

### 33 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 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
At 1 January 2022	9,978	71,564	81,542
Loss for the year	(2,213)	—	(2,213)
Dividend paid	(5,636)	—	(5,636)
At 31 December 2022	2,129	71,564	73,693

### 34 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and senior management's emoluments

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

NOTES TO THE CONSOLIDATED  
FINANCIAL STATEMENTS

### 34 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 2022 is set out below:

Name of director	Fees US\$'000	Salary US\$'000	Discretionary bonuses US\$'000	Other benefits (Note vii) US\$'000	Employer's contribution to pension scheme US\$'000	Total US\$'000
<i>Executive directors</i>						
Mr. Qu Zhiming ( <i>Chairman</i> ) (Note i)	431	36	–	–	–	467
Mr. Tan Cho Lung, Raymond ( <i>Chief Executive Officer</i> )	–	467	538	–	2	1,007
Mr. Huang Jie (Note ii)	388	32	–	–	–	420
Dr. Tan Siu Lin	103	9	–	–	–	112
Mr. Zhang Min	388	32	–	–	–	420
<i>Non-executive director</i>						
Ms. Mok Siu Wan, Anne	31	–	–	–	–	31
<i>Independent non-executive directors</i>						
Mr. Chan Henry	31	–	–	–	–	31
Mr. Seing Nea Yie (Note iii)	31	–	–	–	–	31
Dr. Wang Ching	31	–	–	–	–	31
<b>Total</b>	<b>1,434</b>	<b>576</b>	<b>538</b>	<b>–</b>	<b>2</b>	<b>2,550</b>

Notes:

- (i) Mr. Qu Zhiming resigned as an executive director with effect from 26 May 2023.
- (ii) Mr. Huang Jie resigned as an executive director with effect from 26 May 2023.
- (iii) Mr. Seing Nea Yie resigned as an independent non-executive director with effect from 26 May 2023.
- (iv) Mr. Weimin Wang was appointed as an executive director of the Company with effect from 26 May 2023.
- (v) Mr. Xin Jin was appointed as an executive director of the Company with effect from 26 May 2023.
- (vi) Mr. Lee Cheuk Yin, Dannis was appointed as an independent non-executive director with effect from 26 May 2023.
- (vii) Other benefits mainly include share options and other allowances.

During the year ended 31 December 2023, none of the directors of the Company waived any emoluments paid or payable by the Group during the year (2022: 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 (2022: same).

NOTES TO THE CONSOLIDATED  
FINANCIAL STATEMENTS

### 34 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

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

	2023 US\$'000	2022 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	678	1,434
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	109	1,116
	<b>787</b>	2,550

(b) Directors' retirement benefits and termination benefits

During the year ended 31 December 2023, none of the directors received or will receive any retirement benefits or termination benefits during the financial year (2022: same).

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

During the year ended 31 December 2023, the Company did not pay consideration to any third parties for making available directors' services (2022: 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 2023, there are no loans, quasi-loans and other dealing arrangements in favor of directors, controlled bodies corporate by and controlled entities with such directors (2022: 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 (2022: same).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 35 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES

#### 35.1 Subsidiaries

##### 35.1.1 Consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when 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 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 35.1.1(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 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.

NOTES TO THE CONSOLIDATED  
FINANCIAL STATEMENTS

## 35 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)

### 35.1 Subsidiaries (Continued)

#### 35.1.1 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.

NOTES TO THE CONSOLIDATED  
FINANCIAL STATEMENTS

## 35 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)

### 35.1 Subsidiaries (Continued)

#### 35.1.1 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.

#### 35.1.2 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 of the investee's net assets including goodwill Note 9.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 35 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)

#### 35.2 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 35.2 (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 35.2 (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 9).

#### 35.3 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.

NOTES TO THE CONSOLIDATED  
FINANCIAL STATEMENTS

## 35 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)

### 35.4 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 35 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)

#### 35.4 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.

#### 35.5 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.

##### (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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 35 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)

#### 35.5 Investments and other financial assets (Continued)

##### (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 2023 and 2022, the Group only has financial assets measured at amortized cost and FVPL.

##### (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 4.1(b) for further details.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### **35 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)**

#### **35.6 Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognized amount, and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

#### **35.7 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.

#### **35.8 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.

#### **35.9 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.

#### **35.10 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 35 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)

#### 35.11 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.

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.

#### 35.12 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 the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 35 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)

#### 35.13 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.

All other borrowing costs are recognized in the consolidated statement of profit or loss in the period in which they are incurred.

#### 35.14 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 35 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)

#### 35.15 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.

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.

#### 35.16 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.

#### 35.17 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 35 SUMMARY OF OTHER POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)

#### 35.17 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.

#### 35.18 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.

#### 35.19 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

	2019	2020	2021 (Restated)	2022 (Restated)	2023
<b>Financial highlights (US\$'000)</b>					
Total assets	563,129	538,616	560,092	519,084	474,997
Total liabilities	344,436	350,022	358,223	316,663	283,311
Bank borrowings	167,127	160,590	149,769	148,501	142,655
Capital and reserves attributable to owners of the Company	218,693	186,104	199,462	201,244	190,668
Working capital	65,132	30,001	33,813	32,452	33,915
Revenue	969,789	697,329	795,659	858,861	696,634
Profit/(loss) attributable to owners of the Company	25,165	(28,028)	11,195	9,911	(6,008)
<b>Key ratios</b>					
Current ratio	1.23	1.11	1.11	1.12	1.13
Gross profit margin	14.7%	11.9%	15.5%	14.6%	13.7%
Profit/(loss) margin attributable to owners of the Company	2.6%	(4.0)%	1.4%	1.2%	(0.9)%

*Notes:*

The financial summary of the Group is for information only and does not form part of the audited consolidated financial statements.