

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



LUEN THAI HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 311)

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

GROUP FINANCIAL HIGHLIGHTS	For the year ended	
	31 December	
	2021	2020
	<i>US\$'000</i>	<i>US\$'000</i>
Revenue	795,659	697,329
Operating profit/(loss)	21,874	(21,436)
Profit/(loss) attributable to owners of the Company	11,195	(28,028)
Basic earnings/(loss) per share <i>(US cents)</i>	1.1	(2.7)

The board of directors (the “Board”) of Luen Thai Holdings Limited (the “Company”) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, the “Group” or “Luen Thai”) for the year ended 31 December 2021.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2021

	Note	2021 US\$'000	2020 US\$'000
Revenue	3	795,659	697,329
Cost of sales		<u>(672,015)</u>	<u>(614,231)</u>
Gross profit		123,644	83,098
Other income and other gains — net	4	1,321	1,265
Reversal of/(provision for) loss allowances of trade receivables		271	(4,156)
Selling and distribution expenses		(2,084)	(1,714)
General and administrative expenses		<u>(101,278)</u>	<u>(99,929)</u>
Operating profit/(loss)	5	<u>21,874</u>	<u>(21,436)</u>
Finance income	6	551	386
Finance costs	6	<u>(5,732)</u>	<u>(5,716)</u>
Finance costs — net	6	<u>(5,181)</u>	<u>(5,330)</u>
Share of losses of joint ventures and associates		<u>(2,014)</u>	<u>(836)</u>
Profit/(loss) before income tax		14,679	(27,602)
Income tax expense	7	<u>(3,505)</u>	<u>(910)</u>
Profit/(loss) for the year		<u>11,174</u>	<u>(28,512)</u>
Profit/(loss) attributable to:			
Owners of the Company		11,195	(28,028)
Non-controlling interests		<u>(21)</u>	<u>(484)</u>
		<u>11,174</u>	<u>(28,512)</u>
Earnings/(loss) per share attributable to owners of the Company for the year (expressed in US cents per share)			
Basic and diluted	8	<u>1.1</u>	<u>(2.7)</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	2021 <i>US\$'000</i>	2020 <i>US\$'000</i>
Profit/(loss) for the year	11,174	(28,512)
Other comprehensive income/(loss):		
<i>Item that will not be reclassified subsequently to profit or loss:</i>		
Actuarial gains/(losses) on retirement benefit obligations	2,410	(2,033)
<i>Item that may be reclassified to profit or loss:</i>		
Currency translation differences	<u>1,755</u>	<u>(2,528)</u>
Total comprehensive income/(loss) for the year, net of income tax	<u><u>15,339</u></u>	<u><u>(33,073)</u></u>
Attributable to:		
Owners of the Company	15,360	(32,589)
Non-controlling interests	<u>(21)</u>	<u>(484)</u>
	<u><u>15,339</u></u>	<u><u>(33,073)</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

		As at 31 December	
		2021	2020
	Note	US\$'000	US\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		126,157	137,080
Right-of-use assets		34,297	30,178
Intangible assets		45,567	46,235
Interests in joint ventures and associates		2,135	3,649
Deferred income tax assets		2,426	2,994
Deposits, prepayments and other receivables	10	3,330	3,287
Total non-current assets		213,912	223,423
Current assets			
Inventories		72,696	71,456
Trade and other receivables	10	171,971	171,999
Prepaid income tax		4,250	5,525
Cash and bank balances		99,149	66,198
Restricted cash		16	15
Derivative financial instruments		1	—
Total current assets		348,083	315,193
Total assets		561,995	538,616
EQUITY			
Equity attributable to owners of the Company			
Share capital		10,341	10,341
Other reserves	12	1,610	(2,555)
Retained earnings		189,513	178,318
		201,464	186,104
Non-controlling interests		2,407	2,490
Total equity		203,871	188,594

		As at 31 December	
		2021	2020
	<i>Note</i>	<i>US\$'000</i>	<i>US\$'000</i>
LIABILITIES			
Non-current liabilities			
Borrowings		5,000	25,600
Lease liabilities		26,581	22,412
Retirement benefit obligations		11,175	13,061
Deferred income tax liabilities		3,100	3,757
		<hr/>	<hr/>
Total non-current liabilities		45,856	64,830
		<hr/>	<hr/>
Current liabilities			
Trade and other payables	11	154,387	139,173
Borrowings		144,769	134,990
Lease liabilities		4,833	3,775
Derivative financial instruments		—	129
Current income tax liabilities		8,279	7,125
		<hr/>	<hr/>
Total current liabilities		312,268	285,192
		<hr/>	<hr/>
Total liabilities		358,124	350,022
		<hr/>	<hr/>
Total equity and liabilities		561,995	538,616
		<hr/>	<hr/>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

1. GENERAL INFORMATION

Luen Thai Holdings Limited (the “Company”) is an investment holding company. The Company and its subsidiaries (together the “Group”) are principally engaged in the manufacturing and trading of apparels and accessories. The Group has manufacturing plants in the People’s Republic of China (the “PRC”), Cambodia, the Philippines, India and Myanmar.

2. BASIS OF PREPARATION

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

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

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

Changes in accounting policies and disclosures

(a) Amended standards adopted by the Group

The Group has applied the following amended standards for the first time for their annual reporting period commencing on or after 1 January 2021:

Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2

The Group has elected to adopt early the amendment to HKFRS 16 on Covid-19-Related Rent Concessions beyond 30 June 2021.

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

(b) New and amended standards, improvements, interpretation and accounting guideline not yet adopted by the Group

A new accounting standard and certain amendments to existing standards, improvements, interpretation and accounting guideline have been published but are not effective for the financial year beginning on or after 1 January 2021 reporting periods and have not been early adopted by the Group.

		Effective for annual periods beginning on or after
Amendments to Annual Improvements Project	Annual Improvements to HKFRSs 2018–2020	1 January 2022
Amendments to HKFRS 3, HKAS 16 and HKAS 37	Narrow-scope Amendments	1 January 2022
Amendments to Accounting Guideline 5	Merger Accounting for Common Control Combination	1 January 2022
HKFRS 17	Insurance Contracts and the related Amendments	1 January 2023
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Hong Kong Interpretation 5	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2023
Amendments to HKAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12	Deferred Tax Related to Assets and Liabilities arising from a Single Transaction	1 January 2023
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 Amendments to HKAS 12 require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations and will require the recognition of additional deferred tax assets and liabilities.

As a result, deferred taxes arising from certain right-of-use assets and lease liabilities in the Group are expected to be recognized. The Group is assessing and quantifying the impact at the moment.

Mandatory for financial years commencing on or after 1 January 2023, at this stage, the Group does not intend to adopt the standard before its effective date.

Other than the aforementioned amendments, the new accounting standard and other amendments to existing standards, improvements, interpretation and accounting guideline are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

3. SEGMENT INFORMATION

The Group is principally engaged in the manufacturing and trading of apparels and accessories. Revenue mainly consists of sales revenue from apparels and accessories.

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 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 2021 and 2020 is as follows:

	Apparel <i>US\$'000</i>	Accessories <i>US\$'000</i>	Total <i>US\$'000</i>
For the year ended 31 December 2021			
Revenue (from external customers)	475,623	320,036	795,659
Revenue from contracts			
— At a point in time	475,402	319,710	795,112
Others — rental income	221	326	547
	475,623	320,036	795,659
Segment profit for the year	9,481	13,951	23,432
Profit for the year includes:			
Depreciation and amortization	(10,948)	(12,035)	(22,983)
Reversal of provision for loss allowances of trade receivables	241	30	271
Provision for obsolete inventories	(76)	(858)	(934)
Share of losses of joint ventures and associates	(2,014)	—	(2,014)
Finance income	258	293	551
Finance costs	(2,530)	(3,202)	(5,732)
Income tax expense	(3,366)	(139)	(3,505)

	Apparel <i>US\$'000</i>	Accessories <i>US\$'000</i>	Total <i>US\$'000</i>
For the year ended 31 December 2020			
Revenue (from external customers)	<u>407,899</u>	<u>289,430</u>	<u>697,329</u>
Revenue from contracts			
— At a point in time	407,899	289,394	697,293
Others — rental income	<u>—</u>	<u>36</u>	<u>36</u>
	<u>407,899</u>	<u>289,430</u>	<u>697,329</u>
Segment loss for the year	<u>(1,316)</u>	<u>(6,274)</u>	<u>(7,590)</u>
Loss for the year includes:			
Depreciation and amortization	(9,375)	(12,305)	(21,680)
Provision for loss allowances of trade receivables	(153)	(503)	(656)
Reversal of provision/(provision) for obsolete inventories	1,560	(2,433)	(873)
Share of losses of joint ventures	(836)	—	(836)
Finance income	296	90	386
Finance costs	(1,435)	(4,281)	(5,716)
Income tax (expense)/credit	<u>(1,350)</u>	<u>440</u>	<u>(910)</u>

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

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

	2021 <i>US\$'000</i>	2020 <i>US\$'000</i>
Segment profit/(loss) for the year	23,432	(7,590)
Corporate expenses (<i>Note i</i>)	(11,464)	(8,667)
One-off items (<i>Note ii</i>)	<u>(794)</u>	<u>(12,255)</u>
Profit/(loss) for the year	<u>11,174</u>	<u>(28,512)</u>

Notes:

- (i) Corporate expenses represent general corporate expenses such as executive salaries and other unallocated general and administrative expenses.
- (ii) For the year ended 31 December 2021, one-off items represent provision for obsolete inventories and provision for impairment on property, plant and equipment in one of the Group's factories in the Philippines due to the destruction caused by a typhoon incident (2020: gain on the derecognition of leases due to downsizing, bad debt provision and write-off of accounts receivables and termination expenses).

	2021 <i>US\$'000</i>	2020 <i>US\$'000</i>
Analysis of revenue by category		
Sales of garment, textile products and accessories	787,365	688,575
Others	8,294	8,754
	<hr/>	<hr/>
Total revenue	795,659	697,329
	<hr/> <hr/>	<hr/> <hr/>

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.

	2021 <i>US\$'000</i>	2020 <i>US\$'000</i>
Analysis of revenue by geographical location		
United States	402,054	337,735
PRC (including Hong Kong and Macao)	148,109	122,799
Europe	139,198	128,242
Japan	33,253	35,236
Canada	21,324	18,163
Others	51,721	55,154
	<hr/>	<hr/>
	795,659	697,329
	<hr/> <hr/>	<hr/> <hr/>

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

For the year ended 31 December 2021, revenue of approximately US\$149,803,000 (2020: US\$138,023,000), US\$147,697,000 (2020: US\$134,734,000) and US\$82,135,000 (2020: US\$73,179,000) are derived from three (2020: 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.

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:

	2021 <i>US\$'000</i>	2020 <i>US\$'000</i>
Analysis of non-current assets by geographical location		
PRC (including Hong Kong and Macao)	75,463	77,786
Cambodia	66,675	67,352
Philippines	35,020	34,930
Myanmar	23,378	27,133
Vietnam	2,405	2,636
Thailand	325	1,336
Others	6,007	6,788
	<u>209,273</u>	<u>217,961</u>

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 2021 (2020: same), because such performance obligations are part of contracts having an original expected duration of one year or less.

4. OTHER INCOME AND OTHER GAINS — NET

	2021 <i>US\$'000</i>	2020 <i>US\$'000</i>
Fair value gains/(losses) on derivative financial instruments		
— net gains/(losses) on forward foreign exchange contracts	1	(129)
Net (losses)/gains on settlement of forward foreign exchange contracts	(48)	19
Net foreign exchange (losses)/gains	(960)	1,375
Trademark licensing income from an associate	1,700	—
Loan forgiveness income	593	—
Others	35	—
	<u>1,321</u>	<u>1,265</u>

5. OPERATING PROFIT/(LOSS)

	2021 <i>US\$'000</i>	2020 <i>US\$'000</i>
Employee benefit expenses	198,308	202,296
Losses on disposals of property, plant and equipment — net	829	1,554
Depreciation of property, plant and equipment	18,014	16,682
Depreciation of right-of-use assets	6,065	5,541
Amortization of intangible assets	668	657
Provision for obsolete inventories	1,439	873
	<u>1,439</u>	<u>873</u>

6. FINANCE COSTS — NET

	2021 <i>US\$'000</i>	2020 <i>US\$'000</i>
Interest expense on lease liabilities	(2,018)	(1,997)
Interest expense on bank borrowings	<u>(3,714)</u>	<u>(3,719)</u>
Finance costs	<u>(5,732)</u>	<u>(5,716)</u>
Interest income from bank deposits	384	301
Other interest income	<u>167</u>	<u>85</u>
Finance income	<u>551</u>	<u>386</u>
Finance costs — net	<u>(5,181)</u>	<u>(5,330)</u>

7. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2020: 16.5%) on the estimated assessable profit for the year. Under the two-tiered profits tax rates regime passed by the Hong Kong Legislative Council in March 2018, 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 2021 and 2020, only one subsidiary of the Group is entitled to this tax benefit. The profits of other Group entities incorporated in Hong Kong not qualifying for the two-tiered profit tax regime are 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.

	2021 <i>US\$'000</i>	2020 <i>US\$'000</i>
Current income tax	3,827	2,140
Over-provision in prior years	(52)	(100)
Deferred income tax	<u>(270)</u>	<u>(1,130)</u>
Income tax expense	<u>3,505</u>	<u>910</u>

Notes:

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

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 2021 for the years of assessment 2000/01 to 2020/21 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.

- (ii) In prior years, an overseas tax authority (“Tax Authority”) performed an assessment on the tax position of an overseas incorporated subsidiary for certain periods during the years ended 31 December 2016 and 2017 and issued a revised assessment to demand additional tax payment of US\$319,000. The overseas incorporated subsidiary lodged an objection letter against the above assessment. Up to date, no feedback from the Tax Authority was received.

The Tax Authority has also performed an assessment on another overseas incorporated subsidiary for the year ended 31 December 2016 and issued a revised assessment to demand additional tax payment, inclusive of penalties and interests, at US\$830,000. Management wrote a letter requesting for settlement on the underpaid tax amount on the condition of a waiver of the penalties and interests. During the year ended 31 December 2021, the Tax authority issued a revised letter and revised notification agreeing to waive 50% of the penalties and interests with a reassessed liability of US\$665,000. Management has filed a letter to the Tax Authority requesting for monthly instalment of the reassessed liability. Up to date, no feedback from the Tax Authority was received.

Despite the uncertain outcomes of the above cases, management has provided for the abovementioned amounts in full and considers the provisions as at 31 December 2021 to be adequate but not excessive.

8. EARNINGS/(LOSS) PER SHARE

(a) Basic

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

	2021	2020
Profit/(loss) attributable to owners of the Company <i>(US\$'000)</i>	<u>11,195</u>	<u>(28,028)</u>
Weighted average number of ordinary shares in issue <i>(thousands)</i>	<u>1,034,113</u>	<u>1,034,113</u>
Basic earnings/(loss) per share <i>(US cents per share)</i>	<u>1.1</u>	<u>(2.7)</u>

(b) Diluted

Diluted earnings/(loss) per share for the years ended 31 December 2021 and 2020 is the same as the basic earnings/(loss) per share as there were no potential dilutive ordinary shares outstanding during the years.

9. DIVIDENDS

Dividend not recognized at the end of the reporting period

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2021 has been proposed by the Board of Directors of the Company, which is subject to approval by the shareholders in the forthcoming annual general meeting. The proposed dividend was not recognized as a liability at year end. The details and aggregate amount of the proposed dividend are as follows.

	2021	2020
	<i>US\$'000</i>	<i>US\$'000</i>
Final dividend of US0.325 cent or equivalent to HK2.53 cents (2020: Nil cent) per ordinary share for the year ended 31 December 2021	<u>3,361</u>	<u>—</u>

10. TRADE AND OTHER RECEIVABLES

	2021 <i>US\$'000</i>	2020 <i>US\$'000</i>
Current portion		
Trade receivables	94,577	101,603
Less: loss allowances	<u>(4,201)</u>	<u>(4,478)</u>
Trade receivables — net	90,376	97,125
Deposits, prepayments and other receivables	57,974	49,824
Amounts due from related parties	<u>23,621</u>	<u>25,032</u>
	<u><u>171,971</u></u>	<u><u>171,999</u></u>
Non-current portion		
Deposits	2,213	2,468
Others	<u>1,117</u>	<u>819</u>
	<u><u>3,330</u></u>	<u><u>3,287</u></u>

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

	2021 <i>US\$'000</i>	2020 <i>US\$'000</i>
0 to 30 days	60,055	60,920
31 to 60 days	18,387	24,396
61 to 90 days	10,323	7,979
91 to 120 days	1,524	2,470
Over 120 days	<u>4,288</u>	<u>5,838</u>
	<u><u>94,577</u></u>	<u><u>101,603</u></u>

11. TRADE AND OTHER PAYABLES

	2021 <i>US\$'000</i>	2020 <i>US\$'000</i>
Trade and bills payables	81,134	72,313
Contract liabilities	45	598
Other tax payables	10,345	10,359
Accrued wages and salaries	23,889	20,064
Contingent liabilities	16,965	16,965
Others	20,350	17,689
Amounts due to related parties	1,659	1,185
	<u>154,387</u>	<u>139,173</u>

At 31 December 2021 and 2020, the ageing analysis of the trade and bills payables based on invoice date is as follows:

	2021 <i>US\$'000</i>	2020 <i>US\$'000</i>
0 to 30 days	66,577	55,366
31 to 60 days	3,376	9,543
61 to 90 days	6,326	5,727
Over 90 days	4,855	1,677
	<u>81,134</u>	<u>72,313</u>

12. OTHER RESERVES

	Capital reserve <i>US\$'000</i>	Other capital reserves <i>US\$'000</i>	Employment benefits reserve <i>US\$'000</i>	Exchange reserve <i>US\$'000</i>	Total <i>US\$'000</i>
At 1 January 2020	7,891	(2,795)	2,640	(5,730)	2,006
Currency translation differences	—	—	844	(3,372)	(2,528)
Actuarial losses on retirement benefit obligations	—	—	(2,033)	—	(2,033)
At 31 December 2020	<u>7,891</u>	<u>(2,795)</u>	<u>1,451</u>	<u>(9,102)</u>	<u>(2,555)</u>
At 1 January 2021	7,891	(2,795)	1,451	(9,102)	(2,555)
Currency translation differences	—	—	(467)	2,222	1,755
Actuarial gains on retirement benefit obligations	—	—	2,410	—	2,410
At 31 December 2021	<u>7,891</u>	<u>(2,795)</u>	<u>3,394</u>	<u>(6,880)</u>	<u>1,610</u>

MANAGEMENT DISCUSSION & ANALYSIS

Result Review

The entire spectrum of business and economic activities in the world have been distorted since the outbreak of the COVID-19 pandemic in the early 2020. The prolonged impact and ongoing threat of the COVID-19 pandemic continued to affect the globe and all walks of life are affected to a certain extent. The existing and foreseeable economic climate remains very challenging due to the high degree of uncertainty about the COVID-19 pandemic.

2021 was a roller coaster year in global economy. With the popularization of COVID-19 vaccines and continuous implementation of a series of supportive and monetary policies by certain economic giants, the economy of the globe is showing signs of recovery. The consumption demand also rose sharply due to the relaxation of social distancing restrictions in regions such as the USA and Europe. However, the consumer confidence declined again when the emergence of new variants of COVID-19 viruses such as Delta and Omicron swept across the world. Under such circumstances, the global economic recovery was weaker and uneven than expected despite the global vaccination campaigns.

Fortunately, consumer demand is shifting from physical retail shop to online e-commerce or even mobile apps, consumers and industry players alike are adapting to the “New Normal” under the COVID-19 pandemic. The market sentiment has showed noticeable improvement in 2021 when compared with 2020 in spite of business environment was still extremely challenging. During the year, the Group’s marketing effort has resulted in remarkable rise in sales to certain customers. In addition, the Group has maintained stable production capacity and steady operations amid the COVID-19 pandemic despite there was certain lockdown in the locations which our production plants operate. The Group also continued to strengthen our market positions in all key regions, demonstrating the strength of our product innovation and the outstanding business execution ability of our seasoned management.

The Group reported a growth of 14.1% in revenue to US\$795,659,000 for the year under review, representing an increase of US\$98,330,000 as compared to US\$697,329,000 for the corresponding period last year, despite austere global economic conditions. Due to the satisfactory growth in the revenue coupled with effective production cost control and production efficiencies, the gross profit increased by 48.8% to US\$123,644,000, represented gross profit margin of approximately 15.5% which was about 3.6 percentage point higher than last year. In line with the improvement in revenue and gross profit, the Group had a turnaround financial performance for the year with a net profit attributable to owners of the Company (“Net Profit”) of approximately US\$11,195,000 in contrast with a net loss attributable to owners of the Company of approximately US\$28,028,000 for last year.

The considerable improvement of the financial performance of the Group for the year ended 31 December 2021 was mainly attributable to (i) the gradual resumption of the Group's manufacturing processes in various production countries/facilities throughout the year under review due to the relaxation of COVID-19 related government measures which previously had negative impacts on the Group's production schedules and order allocations; (ii) the continued implementation of certain stringent cost control measures throughout the year ended 31 December 2021 and restructuring initiatives which successfully reduced the base costs of the Group's operations; and (iii) the gradual increase in sales of the Group in view of the recovery of the retail markets and the relaxation of COVID-19 related social distancing measures in the relevant countries. Performance of the Group's business is covered in more detail under the "Segmental Review" section below.

Segmental Review

Apparel and Accessories businesses were the two revenue streams of the Group, which accounted for approximately 59.8% and 40.2% respectively of the Group's total revenue for the year under review.

Apparel

During the year under review, Apparel Division recorded a segment revenue of approximately US\$475,623,000, representing an increase of approximately US\$67,724,000 or 16.6% when compared with the corresponding period in last year. The increase of the segment revenue of the Apparel Division was mainly attributable to the dramatic growth in sales of activewear in the PRC and the satisfactory result of the development of new customers. Though the COVID-19 pandemic has not ceased to affect the world's economy, the retail market and consumption demand of the PRC were relatively stabilized due to its effective controls on the COVID-19 pandemic. In addition, the health and fitness awareness of the general public were enhanced due to the lasting impact of the COVID-19 pandemic, which in turn reinforced the substantial growth of our activewear business in the PRC market during the year.

The Apparel Division had a turnaround result for the year with a segment profit of approximately of US\$9,481,000 in contrast with a segment loss of approximately US\$1,316,000 in 2020, which was also in line with the improvement in the segment revenue for the year.

Accessories

Segment revenue of the Accessories Division increased by approximately US\$30,606,000 or 10.6%, from approximately US\$289,430,000 for the year ended 31 December 2020 to approximately US\$320,036,000 for the year ended 31 December 2021. The Accessories Division recorded a segment profit of approximately US\$13,951,000, as compared to a segment loss of US\$6,274,000 for last year. After a disappointing year in 2020, both segment revenue and segment profit of the Accessories Division picked up in 2021. The improvement of the financial result of the Accessories Division was mainly due to the efficient capacity utilization in our operations in Cambodia and the increased demand from branded customers.

Markets

Consistent with the Group's geographical market distribution for the year ended 31 December 2020, the USA, 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 USA, Europe and Asia market accounted for 50.5%, 17.5% and 18.6% respectively of the total revenue of the Group for the year ended 31 December 2021.

Acquisition and Disposal of Subsidiaries, Associates and Joint Ventures

There was no material acquisition or disposal of subsidiaries, associates or joint ventures during the year ended 31 December 2021.

Despite the existing difficult and challenging industry conditions, Luen Thai will continue to look for value-enhancing investments which meet our stringent requirements in order to further expand our product range, production capacity and diversify our geographical risk.

Future Plans and Prospect

The adverse impact of COVID-19 pandemic remains a vital challenge for the Group. Though the consumer sentiment has seemed to be rebounded to a certain extent, the economic activities of majority of the countries have not fully resumed to its pre-COVID-19 level. It is also uncertain whether the COVID-19 pandemic would affect the end buyer markets in 2022, particularly the COVID-19 pandemic carries on mutating and affecting numerous regions of the globe despite increased inoculation rates of vaccines.

The sustainability in the world's economic recovery is also dependent on a complicated combination of factors, including but not limited to the continuous trade disputes between the PRC and USA, geopolitical tensions among various countries due to the outbreak of the Russia-Ukraine war. The aforementioned factors have also cast shadow of uncertainty to the worldwide economic recovery. Nevertheless, the Group is posed to maintain our agility across our diversified manufacturing bases, to reduce the relevant operational risks.

For the coming year, the Group will further focus on partnering with NTX™, a textile technology solutions company, to integrate Cooltrans® and e-Nanofiber™ into our production and product development processes. With this technology, the Group will be able to achieve vertical integration by adding fabric coloring and printing, as well as fabric and material innovation capabilities into our fashion supply chain.

The Group's management also believes that the well-being of the Group's employees is essential to the success of the Group. The Group's management is of the view that the high vaccination rates will help protect our employees from being infected with COVID-19 and may potentially reduce the impact of any future measures which may be imposed by the local governments in the unfortunate event of a resurgence of COVID-19 cases in the relevant countries. As of early March 2022, approximately 96% of the Group's employees have received a completed COVID-19 vaccine series of two doses. For the Group's production facilities in the PRC, Cambodia and Philippines, the vaccination rates of the Group's employees are approximately 98%, 97% and 96% respectively.

As abovementioned in the section headed "Segment Review — Apparel", the Group recorded substantial growth in the activewear sales in the PRC. To capture more market share from the booming activewear market in the PRC, the Group will continue to take advantage of the close collaboration with a connected party ("Connected Party"). The Directors believe that the continuing cooperation with the Connected Party is vital to the business development of the Group in the PRC market, which is a valuable chance for the Group to grasp the opportunities brought by market recovery in the PRC.

Looking towards the year 2022, the Board remains relatively optimistic on the recovery of the Group's business and the sustainable development. The Group's management will continue to take proactive measures to mitigate the operational risks of the Group, enhance operational efficiency, reduce costs and prudently manage its cash flow. The Group will also continue to closely monitor the market conditions and the developments of the COVID-19 pandemic, and will make timely adjustments to its business strategies when necessary.

Contingent Liabilities

The Group has contingent liabilities regarding potential exposures to import duties, other taxes and penalties in various overseas countries with aggregated amounts of approximately US\$21,354,000 as at 31 December 2021 (31 December 2020: US\$21,283,000).

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 31 December 2021, the amounts of the contingent liability and the indemnified asset in relation to the acquisition of Universal remained unchanged.

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 31 December 2021, the amounts of the contingent liability and the indemnified asset in relation to the acquisition of Sachio remained unchanged.

For the remaining contingent liabilities of approximately US\$4,389,000 (31 December 2020: US\$4,318,000), management considers it is not probable that outflows of resources embodying economic benefits would be required to settle these exposures and no additional provision is considered necessary.

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.

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

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

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 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 2021.

Liquidity and Financial Resources

As at 31 December 2021, the total amount of cash and bank deposits of the Group was approximately US\$99,149,000, representing an increase of approximately US\$32,951,000 as compared to that as at 31 December 2020. The Group's total bank borrowings as at 31 December 2021 was approximately US\$149,769,000, representing a decrease of approximately US\$10,821,000 as compared to that as at 31 December 2020.

As at 31 December 2021, 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\$131,714,000 repayable within one year, approximately US\$9,444,000 repayable in the second year and approximately US\$8,611,000 in the third to fifth 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 2021, the gearing ratio of the Group was 25.1%.

Foreign Exchange Risk Management

The Group adopts a prudent policy to hedge against the fluctuations in exchange rates. Most of the Group's operating activities are denominated in US dollar, Euro, Hong Kong dollar, Vietnam Dong, Cambodian Riel, Chinese Yuan, Burmese Kyat, and Philippine Peso. For those activities denominated in other currencies, the Group may enter into forward contracts to hedge its receivables and payables denominated in foreign currencies against the exchange rate fluctuations.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares for the year ended 31 December 2021.

CORPORATE GOVERNANCE

The Group acknowledges the need and importance of corporate governance as one of the key elements in creating shareholders' value. It is committed to ensuring high standards of corporate governance in the interests of shareholders and takes care to identify practices designed to achieve effective oversight, transparency and ethical behavior. The Company periodically reviews its corporate governance practices to ensure its continuous compliance. Full details on the subject of corporate governance are set out in the Company's 2021 annual report.

Throughout the year ended 31 December 2021, the Company has complied with all applicable code provisions of the Corporate Governance Code as set out in the Appendix 14 of the Listing Rules.

AUDIT COMMITTEE

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

The final results of the Company for the year ended 31 December 2021 have been reviewed by the Audit Committee.

SCOPE OF WORK OF THE EXTERNAL AUDITOR

The figures in respect of the Group's consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31 December 2021 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

FINAL DIVIDEND

The Board has resolved to recommend the payment of final dividend of US0.325 cent per share (or equivalent to HK2.53 cents) to the shareholders on the register of members on 10 June 2022 totaling to approximately US\$3,361,000. Subject to the approval of shareholders at the forthcoming annual general meeting of the Company to be held 26 May 2022 (the “AGM”), the proposed final dividend will be paid on or about 8 July 2022 to shareholders of the Company whose names appear on the register of members of the Company on 10 June 2022.

CLOSURE OF REGISTER OF MEMBERS

(a) Entitlement to attend and vote at the AGM

The Register of Members of the Company will be closed from 24 May 2022 to 26 May 2022 (both days inclusive), during which period no transfers of shares will be registered. To determine the entitlement to attend and vote at the AGM, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company’s Branch Share Registrars in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 23 May 2022.

(b) Entitlement to the proposed final dividend

The Register of Members of the Company will also be closed from 8 June 2022 to 10 June 2022 (both days inclusive), during which period no transfer of shares will be registered. In order to ascertain shareholders’ entitlement to the proposed final dividend, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company’s Branch Share Registrars in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 7 June 2022.

PUBLIC FLOAT

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

PUBLICATION OF FINAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

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

The annual report of the Company for the year ended 31 December 2021 containing the information required by the Listing Rules will be dispatched to the shareholders in due course.

By order of the Board
Tan Cho Lung, Raymond
Chief Executive Officer and Executive Director

Hong Kong, 28 March 2022

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

Executive Directors:

Qu Zhiming (*Chairman*)

Tan Siu Lin (*Honorary Life Chairman*)

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

Huang Jie

Zhang Min

Non-executive Director:

Mok Siu Wan, Anne

Independent non-executive Directors:

Chan Henry

Seing Nea Yie

Wang Ching