LUEN THAI HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 311)

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

GROUP FINANCIAL HIGHLIGHTS

	For the year ended 31 December	
	2016	2015
	US$'000	*US$'000*
		(Restated)
Revenue		
— *Continuing operations*	**908,765**	1,047,286
— *Discontinued operations*	**84,042**	66,165
Operating Profit/(loss)		
— *Continuing operations*	**14,910**	21,957
— *Discontinued operations*	**(9,074)**	(5,086)
Profit attributable to owners of the Company		
— *Continuing operations*	**9,000**	14,661
— *Discontinued operations*	**9,472**	(1,892)
Profit margin (ratio of profit attributable to owners of the Company to revenue)	**1.9%**	1.1%
Basic earnings per share *(US cents)*	**1.8**	1.2

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 2016.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2016

	Note	**2016**	2015
	Note	***US$'000***	*US$'000*
			(Restated)
Continuing operations			
Revenue	3	**908,765**	1,047,286
Cost of sales		**(766,985)**	(901,267)
Gross profit		**141,780**	146,019
Other losses — net	4	**(2,082)**	(2,206)
Selling and distribution expenses		**(2,940)**	(3,305)
General and administrative expenses		**(111,355)**	(118,551)
Impairment loss on goodwill and write-off of customer relationships		**(10,493)**	—
Operating profit		**14,910**	21,957
Finance income	6	**416**	875
Finance costs	6	**(1,726)**	(1,950)
Finance costs — net	6	**(1,310)**	(1,075)
Share of losses of joint ventures		**(2,160)**	(1,691)
Profit before income tax		**11,440**	19,191
Income tax expense	7	**(2,385)**	(3,875)
Profit for the year from continuing operations		**9,055**	15,316
Discontinued operations			
Gain/(loss) for the year from discontinued operations	8	**9,526**	(1,854)
Profit for the year		**18,581**	13,462
Profit attributable to:			
Owners of the Company		**18,472**	12,769
Non-controlling interests		**109**	693
		18,581	13,462
Profit attributable to owners of the Company arises from:			
— Continuing operations		**9,000**	14,661
— Discontinued operations		**9,472**	(1,892)
		18,472	12,769

	Note	2016 US$'000	2015 US$'000 (Restated)
Earnings per share from continuing and discontinued operations attributable to owners of the Company for the year (expressed in US cents per share)			
Basic earnings per share			
From continuing operations	9	0.9	1.4
From discontinued operations	9	0.9	(0.2)
From profit for the year		1.8	1.2
Diluted earnings per share			
From continuing operations	9	0.9	1.4
From discontinued operations	9	0.9	(0.2)
From profit for the year		1.8	1.2

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

	2016	2015
	US$'000	*US$'000*
Profit for the year	18,581	13,462
Other comprehensive income/(loss):		
Item that will not be reclassified subsequently to profit or loss:		
Actuarial gains on retirement benefit obligations	1,346	684
Item that may be reclassified to profit or loss:		
Currency translation differences	(3,771)	(737)
Exchange reserve released upon disposal of subsidiaries	(2,756)	—
Total comprehensive income for the year, net of income tax	13,400	13,409
Attributable to:		
Owners of the Company	13,303	12,715
Non-controlling interests	97	694
Total comprehensive income for the year	13,400	13,409
Total comprehensive income attributable to owners of the Company arises from:		
Continuing operations	6,820	12,217
Discontinued operations	6,483	498
	13,303	12,715

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2016

		As at 31 December	
		2016	2015
	Note	***US$'000***	*US$'000*
ASSETS			
Non-current assets			
Land use rights		**5,355**	10,695
Property, plant and equipment		**59,899**	104,351
Investment properties		**—**	6,504
Intangible assets		**34,423**	47,513
Interest in an associated company		**—**	412
Interests in joint ventures		**13,697**	14,590
Amount due from a joint venture		**—**	7,747
Deferred income tax assets		**889**	938
Other non-current assets		**4,611**	6,681
Total non-current assets		**118,874**	199,431
Current assets			
Inventories		**64,717**	92,778
Trade and other receivables	11	**156,055**	207,436
Prepaid income tax		**8,157**	6,080
Derivative financial instruments		**229**	78
Cash and bank balances		**291,533**	178,275
Restricted cash		**2,302**	—
Total current assets		**522,993**	484,647
Total assets		**641,867**	684,078
EQUITY			
Equity attributable to owners of the Company			
Share capital		**10,341**	10,341
Other reserves	13	**17,149**	131,867
Retained earnings		**250,398**	238,432
		277,888	380,640
Non-controlling interests		**708**	1,927
Total equity		**278,596**	382,567

	Note	As at 31 December 2016 US$'000	2015 US$'000
LIABILITIES			
Non-current liabilities			
Borrowings		—	2,459
Other payables	12	**811**	1,593
Retirement benefit obligations		**9,160**	9,338
Deferred income tax liabilities		**2,408**	5,519
Total non-current liabilities		**12,379**	18,909
Current liabilities			
Trade and other payables	12	**162,124**	201,731
Dividend payable		**109,416**	—
Borrowings		**70,184**	73,469
Derivative financial instruments		—	17
Current income tax liabilities		**9,168**	7,385
Total current liabilities		**350,892**	282,602
Total liabilities		**363,271**	301,511
Total equity and liabilities		**641,867**	684,078

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

1. GENERAL INFORMATION

The Group is principally engaged in the manufacturing of apparels and accessories. The retail sales and trading of apparels and accessories, footwear manufacturing, the provision of freight forwarding and logistics services and real estate development were regarded as discontinued operations. The Group has manufacturing plants in the People's Republic of China (the "PRC"), Cambodia, the Philippines, Vietnam and Indonesia.

2. BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss, which are carried 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 policy and disclosures

(a) New and amended standards adopted by the Group

The following standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2016:

HKAS 1 (Amendment)	Disclosure initiative
HKAS 16 and HKAS 38 (Amendments)	Clarification of acceptable methods of depreciation and amortisation
HKAS 16 and HKAS 41 (Amendments)	Agriculture: bearer plants
HKAS 27 (Amendment)	Equity method in separate financial statements
HKFRS 10, HKFRS 12 and HKAS 28 (Amendments)	Investment entities: applying the consolidation exception
HKFRS 11 (Amendment)	Accounting for acquisitions of interests in joint operations
HKFRS 14	Regulatory deferral accounts
Annual improvements projects 2014	Annual improvements 2012–2014 cycle

The adoption of these new and amended standards did not have any impact on the current period or any prior period.

(b) New Standards and interpretation not yet adopted

A number of new and amended standards are effective for annual periods beginning on or after 1 January 2017 and have not been applied in preparing these consolidated financial statements.

		Effective for annual periods beginning on or after
HKFRS 7	Disclosure initiative (amendments)	1 January 2017
HKFRS 12	Recognition of deferred tax assets for unrealised losses	1 January 2017
HKFRS 2 (Amendment)	Classification and measurement of share-based payment transactions	1 January 2018
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined
HKFRS 9	Financial instruments	1 January 2018
HKFRS 15	Revenue from contracts with customers	1 January 2018
HKFRS 16	Leases	1 January 2019

The directors of the Company are in the process of assessing the financial impact of the adoption of the above new and amended standards. The directors of the Company will adopt the new and amended standards when they become effective.

3. SEGMENT INFORMATION

The Group is principally engaged in the manufacturing and trading of apparels and accessories, the provision of freight forwarding and logistics services and also real estate development. Revenue consists of sales revenue from casual and fashion apparel, life-style apparel, sweaters, accessories, and income from the provision of freight forwarding and logistics services.

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.

Due to the continued development of the Group, management has changed certain of its internal organizational structure to align more with the Group's strategic decision and market dynamics to better serve its customers. Accordingly, the casual and fashion apparel segment and life-style apparel segment are combined as one business segment of the Group while the other segments namely sweaters, accessories, freight forwarding and logistics services and real estate development, remain unchanged. Management considers the business from a product perspective whereby management assesses the performance of casual and fashion apparel, sweaters, accessories, freight forwarding and logistics services and real estate development.

As discussed in Note 8, subsequent to the disposal, the Group no longer carried on the businesses of manufacturing and trading of footwear products, freight forwarding and logistics services, real estate development and retail sales and trading of apparel and accessories. The results of these businesses were classified as discontinued operation of the Group for the years ended 31 December 2016 and 2015.

The segment information provided to the executive directors for the reportable segments for the year ended 31 December 2016 and 2015 is as follows:

	Casual and fashion apparel *US$'000*	**Sweaters** *US$'000*	**Accessories** *US$'000*	**Continuing operations sub-total** *US$'000*	**Discontinued operations** *US$'000*	**Total** *US$'000*
For the year ended 31 December 2016						
Total segment revenue	**563,434**	**94,955**	**251,322**	**909,711**	**84,743**	**994,454**
Inter-segment revenue	**(946)**	**—**	**—**	**(946)**	**(701)**	**(1,647)**
Revenue (from external customers)	**562,488**	**94,955**	**251,322**	**908,765**	**84,042**	**992,807**
Segment profit/(loss) for the year	**5,587**	**(1,134)**	**14,395**	**18,848**	**9,526**	**28,374**
Profit for the year includes:						
Depreciation and amortization	**(8,874)**	**(2,090)**	**(3,388)**	**(14,352)**	**(5,768)**	**(20,120)**
(Provision for)/reversal of inventory obsolescence	**(112)**	**—**	**(13)**	**(125)**	**41**	**(84)**
(Provision for)/reversal of impairment of trade and bills receivable	**(126)**	**7**	**—**	**(119)**	**(302)**	**(421)**
Share of loss of an associated company	**—**	**—**	**—**	**—**	**(21)**	**(21)**
Share of (losses)/profits of joint ventures	**(2,160)**	**—**	**—**	**(2,160)**	**1,728**	**(432)**
Write-off of customer relationships	**(7,145)**	**(1,106)**	**—**	**(8,251)**	**—**	**(8,251)**
Impairment loss on goodwill	**—**	**(2,242)**	**—**	**(2,242)**	**—**	**(2,242)**
Income tax expense	**(727)**	**(648)**	**(1,010)**	**(2,385)**	**(871)**	**(3,256)**

	Casual and fashion apparel *US$'000* (Restated)	Sweaters *US$'000*	Accessories *US$'000* (Restated)	Continuing operations sub-total *US$'000* (Restated)	Discontinued operations *US$'000* (Restated)	Total *US$'000* (Restated)
For the year ended 31 December 2015						
Total segment revenue	671,788	107,222	268,929	1,047,939	66,798	1,114,737
Inter-segment revenue	—	(653)	—	(653)	(633)	(1,286)
Revenue (from external customers)	671,788	106,569	268,929	1,047,286	66,165	1,113,451
Segment profit/(loss) for the year	6,014	3,665	17,260	26,939	(1,854)	25,085
Profit for the year includes:						
Depreciation and amortization	(9,184)	(2,204)	(3,467)	(14,855)	(5,571)	(20,426)
Provision for inventory obsolescence	(499)	—	(934)	(1,433)	(236)	(1,669)
Reversal of/(provision for) impairment of trade and bills receivable	84	73	—	157	(573)	(416)
Reversal of provision for material claims	2,961	—	—	2,961	—	2,961
Share of profit of an associated company	—	—	—	—	6	6
Share of (losses)/profits of joint ventures	(1,691)	—	—	(1,691)	1,422	(269)
Income tax expense	(1,827)	(1,231)	(817)	(3,875)	(190)	(4,065)

Revenues between segments are carried out in accordance with the terms mutually agreed between the respective parties. 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 for the year is provided as follows:

	2016	2015
	US$'000	*US$'000*
		(Restated)
Segment profit for the year		
— Continuing operations	**18,848**	26,939
— Discontinued operations	**9,526**	(1,854)
Corporate expenses *(Note)*	**(9,793)**	(11,623)
Profit for the year	**18,581**	13,462

Note: Corporate expenses represent general corporate expenses such as executive salaries and other unallocated general and administrative expenses.

	2016	2015
	US$'000	*US$'000*
Analysis of revenue by category		
Sales of garment, textile products and accessories	**966,153**	1,088,046
Freight forwarding and logistics service fee	**20,164**	19,499
Others	**6,490**	5,906
Total revenue	**992,807**	1,113,451

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

	2016	2015
	US$'000	*US$'000*
Analysis of revenue by geographical location		
United States	**521,200**	581,092
Europe	**224,776**	248,787
PRC (including Hong Kong and Macao)	**57,688**	85,163
Japan	**55,734**	78,508
Canada	**22,840**	24,627
Others	**110,569**	95,274
	992,807	1,113,451

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

For the year ended 31 December 2016, revenue of approximately US$160,931,000 and US$133,434,000 are derived from two single external customers whose sales account for more than 10% of the total year revenue. For the year ended 31 December 2015, revenue of approximately US$177,770,000, US$132,353,000 and US$115,626,000 are derived from three single external customers whose sales account for more than 10% of the total year revenue. These revenues are attributable to the segments of casual and fashion apparel and accessories.

4. OTHER LOSSES — NET

	Continuing operations		Discontinued operations	
	2016	2015	**2016**	2015
	US$'000	*US$'000*	***US$'000***	*US$'000*
Fair value gains on derivative financial instruments				
— net gains on forward foreign exchange contracts	**229**	78	**—**	—
— net gains on interest rate swaps	**—**	11	**—**	—
Net gains on forward foreign exchange contracts	**293**	—	**—**	—
Net foreign exchange losses	**(2,604)**	(2,295)	**(3,111)**	(3,365)
	(2,082)	(2,206)	**(3,111)**	(3,365)

5. OPERATING PROFIT

	Continuing operations		Discontinued operations	
	2016	2015	**2016**	2015
	US$'000	*US$'000*	***US$'000***	*US$'000*
Employee benefit expenses	**206,880**	243,546	**23,451**	19,773
Losses on disposals of property, plant and equipment — net	**480**	80	**455**	15
Amortization of land use rights	**140**	140	**177**	175
Amortization of intangible assets	**2,597**	2,597	**—**	—
Depreciation of property, plant and equipment	**11,615**	12,118	**4,861**	4,595
Impairment of property, plant and equipment	**440**	—	**—**	—
Depreciation and amortization of investment properties	**—**	—	**730**	801
Provision for/(reversal of) impairment of trade and bills receivable	**119**	(157)	**302**	573
Reversal of material claims	**—**	(2,961)	**—**	—
Provision for/(reversal of) inventory obsolescence	**125**	1,433	**(41)**	236

6. FINANCE COSTS — NET

	Continuing operations		Discontinued operations	
	2016	2015	**2016**	2015
	US$'000	*US$'000*	***US$'000***	*US$'000*
Interest expense on bank loans and overdrafts	**(1,726)**	(1,950)	**(348)**	(187)
Finance costs	**(1,726)**	(1,950)	**(348)**	(187)
Interest income from bank deposits	**416**	875	**333**	259
Effective interest income from amount due from a joint venture	**—**	—	**1,549**	1,922
Finance income	**416**	875	**1,882**	2,181
Finance (costs)/income — net	**(1,310)**	(1,075)	**1,534**	1,994

7. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profit for the year. 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.

	Continuing operations		Discontinued operations	
	2016	2015	**2016**	2015
	US$'000	*US$'000*	***US$'000***	*US$'000*
Current income tax	**3,080**	3,927	**871**	190
Under/(over)-provision in prior years	**1,216**	(59)	**—**	—
Deferred income tax	**(1,911)**	7	**—**	—
Income tax expense	**2,385**	3,875	**871**	190

Note:

(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 as well as reviewing the business and operations of a Macao incorporated subsidiary on the basis of where its operations were carried out.

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 2012/13 on the basis of no 50:50 apportionment for 2000/01 to 2011/12 and no 100% offshore profit for 2012/13 with the amount of US$3,812,000.

In respect of the Macao incorporated subsidiary, the IRD has issued estimated assessments for the years of assessment 2005/06 to 2009/10 based on this subsidiary's profit before taxation with the amount of US$3,902,000.

These subsidiaries have lodged objection against the above assessments by the statutory deadlines, and pending settlement of the objections, they have paid a total sum of US$7,088,000 in the form of tax reserve certificates in respect of the tax in dispute as mentioned above and the amount paid was included in prepayments in the consolidated statement of financial position as at 31 December 2016.

Management have 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 and for the Macao incorporated subsidiary to argue that its entire profits are not subject to Hong Kong profits tax based on their business operations. In fact, any additional taxation claims in relation to periods prior to June 2004 will be indemnified and reimbursed entirely by certain shareholders of the Company in accordance with the deeds of the indemnity dated 27 June 2004 in connection with the group reorganisation in contemplation of the listing of the Company's shares on The Stock Exchange of Hong Kong Limited.

(ii) During the years ended 31 December 2016 and 2015, an overseas tax authority performed tax assessments on overseas incorporated subsidiaries' tax position for the years ended 31 December 2011, 2012, 2013, 2014 and certain periods during the years ended 31 December 2015 and 2016 and issued tax assessments/revised tax assessments to demand additional tax payment of US$5,267,000. The subsidiaries have lodged objection letters to this overseas tax authority. With respect to these tax assessments, management believes that they have grounds to defend their tax position since there are various interpretations of tax rules in that country and this overseas subsidiary did not provide a clear calculation basis for the additional tax payment. Management considers the provision is adequate as at 31 December 2016.

Moreover, pursuant to the deeds of undertaking dated 11 March 2013 in connection with the acquisition of this subsidiary's parent company in 2013 (the "Acquisition"), any additional taxation resulting from the subsidiary in relation to periods prior to the Acquisition will be indemnified and reimbursed entirely by its former shareholders.

(iii) During the period, a PRC tax authority performed a transfer pricing audit on a PRC incorporated subsidiary's tax position for the years ended 31 December 2006 to 2014 and issued an initial tax assessment proposal with an additional tax payment and interest on the additional tax of US$2,153,000. The subsidiary has lodged an objection letter to the PRC tax authority. Management believes that it has grounds to defend its tax position and negotiate with the PRC tax authority as the proposal is not regarded as a final tax assessment. Management considers the provision is adequate as at 31 December 2016.

8. DISCONTINUED OPERATIONS

On 25 October 2016, the Group entered into an agreement with Torpedo Management Limited, a wholly-owned subsidiary of Helmsley Enterprises Limited, the ultimate holding company of the Company, to dispose certain of its business and properties through the disposal of certain of its subsidiaries. The disposed businesses are consisted of (i) retail sales and trading of apparel and accessories, (ii) footwear manufacturing, (iii) freight forwarding and logistics and (iv) real estate development. Upon completion of the disposal, the principal business of the Group will continue to be apparel and accessories manufacturing. As the disposed businesses are considered as separate major line of businesses, the corresponding operations had been classified as discontinued operations as a result of the completion of such disposal.

The results of these discontinued operations for the year ended 31 December 2016 and 2015 are set out below:

	2016 ***US$'000***	2015 *US$'000*
Revenue	**84,042**	66,165
Cost of sales	**(55,318)**	(42,047)
Gross profit	**28,724**	24,118
Other income — rental income	**835**	1,207
Other losses, net	**(3,111)**	(3,365)
Selling and distributing expenses	**(4,090)**	(686)
General and administrative expenses	**(31,432)**	(26,360)
Operating loss	**(9,074)**	(5,086)
Finance income	**1,882**	2,181
Finance cost	**(348)**	(187)
Finance income — net	**1,534**	1,994
Share of (loss)/profit of an associated company	**(21)**	6
Share of profits of joint ventures	**1,728**	1,422
Loss before income tax	**(5,833)**	(1,664)
Income tax expense	**(871)**	(190)
Loss after tax of discontinued operations	**(6,704)**	(1,854)
Gain on disposal of subsidiaries	**16,230**	—
Profit/(loss) for the year from discontinued operations	**9,526**	(1,854)
Profit for the year from discontinued operations attributable to:		
— Owners of the company	**9,472**	(1,892)
— Non-controlling interests	**54**	38
Profit/(loss) for the year from discontinued operations	**9,526**	(1,854)

9. EARNINGS PER SHARE

(a) Basic

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

	2016	2015
	US$'000	*US$'000*
		(Restated)
Profit attributable to owners of the Company arises from:		
— Continuing operations	**9,000**	14,661
— Discontinued operations	**9,472**	(1,892)
	18,472	12,769
Weighted average number of ordinary shares in issue *(thousands)*	**1,034,113**	1,034,113
Basic earnings per share *(US cents per share)*	**1.8**	1.2

(b) Diluted

Diluted earnings per share for the year ended 31 December 2016 and 2015 is the same as the basic earnings per share as there were no potential dilutive ordinary shares outstanding during the years.

10. DIVIDENDS

	2016	2015
	US$'000	*US$'000*
Interim dividend paid of US0.485 cent or equivalent to HK3.76 cents (2015: US0.213 cent) per ordinary share	**5,015**	2,203
Proposed final dividend of US0.254 cent or equivalent to HK1.97 cents (2015: US0.157 cent) per ordinary share	**2,627**	1,624
Declared and approved special dividend in relation to the disposal of non-core businesses of US10.581 cents or equivalent to HK82.0 cents (2015: nil) per ordinary share	**109,416**	—
Proposed special dividend in relation to the general offer of US9.665 cents or equivalent to HK74.9 cents (2015: nil) per ordinary share	**99,942**	—
	217,000	3,827

The directors have recommended the payment of a final dividend of US0.254 cent per ordinary share, totaling US$2,627,000. Such dividend is to be approved by the shareholders at the forthcoming annual general meeting ("AGM"). These financial statements do not reflect this proposed dividend.

11. TRADE AND OTHER RECEIVABLES

	2016	2015
	US$'000	*US$'000*
Trade and bills receivable — net	**124,529**	162,004
Deposits, prepayments and other receivables	**17,614**	19,103
Amounts due from joint ventures	**5,660**	24,328
Amounts due from related companies	**8,252**	2,001
	156,055	207,436

	2016	2015
	US$'000	*US$'000*
Trade and bills receivable	**124,933**	164,257
Less: provision for impairment	**(404)**	(2,253)
Trade and bills receivable — net	**124,529**	162,004

The carrying amounts of trade and bills receivable approximate their fair value.

The Group normally grants credit terms to its customers up to 120 days. The ageing analysis of the trade and bills receivable based on due date, net of provision, is as follows:

	2016	2015
	US$'000	*US$'000*
Current	**111,656**	121,427
1 to 30 days	**8,101**	24,945
31 to 60 days	**2,148**	8,304
61 to 90 days	**1,851**	1,634
91 to 120 days	**—**	889
Over 120 days	**773**	4,805
Amounts past due but not impaired	**12,873**	40,577
	124,529	162,004

12. TRADE AND OTHER PAYABLES

	2016	2015
	US$'000	*US$'000*
Trade and bills payable	**70,795**	94,046
Other payables and accruals	**89,505**	103,919
Amounts due to joint ventures	**1,757**	3,235
Amounts due to related companies	**412**	2,124
Amounts due to non-controlling interests	**466**	—
	162,935	203,324
Less: Non-current	**(811)**	(1,593)
Trade and other payables, current	**162,124**	201,731

At 31 December 2016 and 2015, the ageing analysis of the trade and bills payable based on invoice date is as follows:

	2016	2015
	US$'000	*US$'000*
0 to 30 days	**64,191**	77,666
31 to 60 days	**2,912**	6,590
61 to 90 days	**2,026**	2,374
Over 90 days	**1,666**	7,416
	70,795	94,046

13. OTHER RESERVES

	Share premium	Capital reserve	Other capital reserves	Employment benefits reserve	Exchange reserve	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
At 1 January 2015	124,039	11,722	(4,799)	(717)	5,507	135,752
Currency translation differences	—	—	—	—	(731)	(731)
Acquisition of additional interests in a subsidiary	—	(3,831)	—	—	—	(3,831)
Actuarial gains on retirement benefit obligations	—	—	—	677	—	677
At 31 December 2015	124,039	7,891	(4,799)	(40)	4,776	131,867
At 1 January 2016	**124,039**	**7,891**	**(4,799)**	**(40)**	**4,776**	**131,867**
Currency translation differences	—	—	—	—	**(3,750)**	**(3,750)**
Actuarial gains on retirement benefit obligations	—	—	—	**1,337**	—	**1,337**
Disposal of subsidiaries	—	—	—	**(133)**	**(2,756)**	**(2,889)**
Special dividend declared	**(109,416)**	—	—	—	—	**(109,416)**
At 31 December 2016	**14,623**	**7,891**	**(4,799)**	**1,164**	**(1,730)**	**17,149**

MANAGEMENT DISCUSSION & ANALYSIS

Result Review

For the year ended 31 December 2016, the global economy remained in the doldrums and a number of economic giant countries around the world were encountering various challenges. The US economy remained subdued and uncertain and the operating environment of the manufacturing industry remained tough. Most of our customers are struggling as the growth of online stores has threatened its traditional brick & mortar business model. Brands, chain stores and department stores are under significant pressure of cost cutting as a result of this challenge from e-commerce. The uncertainty of the US economy coupled with the slow pace of economic recovery in Eurozone and the slowdown of economic growth in China has negatively affected the consumer sentiment. As a result, the operating environment for manufacturing industries was noticeably challenging, and the Group was no exception.

Under such extremely challenging business environment, the Group's manufacturing operation was unfavorably and inevitably affected by the shrinking demand. For the year ended 31 December 2016, the Group's production volume decreased by approximately 18.0% to 91 million units of apparel and accessories while the Group's revenue (including continuing operations and discontinued operations) amounted to approximately US$992,807,000, representing a year-on-year decrease of 10.8% or approximately US$120,644,000. The decrease in revenue is mainly due to the reduction of certain non-profitable orders. Despite the decrease in revenue, the overall gross profit margin (including continuing operations and discontinued operations) improved from approximately 15.3% to 17.2%.

For the year ended 31 December 2016, the profit attributable to owners of the Company ("Net Profit") was approximately US$18,472,000 which included the net loss after tax of approximately US$6,704,000 from discontinued operation (excluding the gain on disposal of non-core businesses of approximately US$16,230,000). This result has included two one-off items, namely, (i) the non-cash expenses relating to the impairment loss and write-off of certain intangible assets under the Casual and Fashion Apparel Division and Sweaters Division amounted to approximately US$7,145,000 and US$3,348,000 respectively and (ii) the one-off gain on disposal of non-core businesses of approximately US$16,230,000. Excluding the discontinuing operation and the one-off items, the Net Profit of the continuing operations should be approximately US$19,439,000.

The write-off of intangible asset was due to the elimination of certain non-profitable orders from one of our customers under the Casual and Fashion Apparel Division. In addition, there is also impairment loss and write-off of intangible assets under the Sweater Division due to the unexpected deterioration in certain of the customers' performance. However, the Board believes that the business of Casual and Fashion Apparel Division and Sweater Division remains relatively stable despite of the one-off non-cash expenses in relation to the impairment loss on the intangible asset.

Referring to the announcement dated 26 October 2016 and the circular dated 14 December 2016, the Group entered into a sale and purchase agreement ("Disposal Agreement") with Torpedo Management Limited, a connected person of the Company. Pursuant to the Disposal Agreement, certain companies ("Disposal Group") engaging in the non-core businesses of the Group were to be disposed ("Disposal") with proceeds of approximately US$110 million. Because of the Disposal, the results of the Disposal Group were reported as a discontinued operation and presented separately on the profit and loss account in accordance with Hong Kong Financial Reporting Standard 5 "Non-current assets held for sale and discontinued operations". As the Disposal was completed on 31 December 2016, the Group recorded an one-off gain of approximately US$16,230,000 (including a release of currency translation reserve of approximately US$2,756,000). In addition, the Board expects that there is an annual cost saving of approximately US$3 million after completion of the Disposal on 31 December 2016.

Segmental Review

Apparel and Accessories businesses represented the Group's most significant source of revenue, which accounted for approximately 67.7% and 30.0% respectively of the Group's total revenue for the year under review.

Continuing Operations

During the year, the Casual and Fashion Apparel Division (including the previous Life-style Apparel Division and excluding the business of retail sales and trading of apparel and accessories) recorded a segment profit of approximately US$5,587,000 as compared to a segment profit of approximately US$6,014,000 in 2015. The decrease in segment profit is mainly due to the write off of intangible asset amounted to approximately US$7,145,000 as mentioned above.

The Sweaters Division has reported a segment loss of approximately US$1,134,000 for 2016, representing a decrease of approximately US$4,799,000 when compared to that of 2015, which is mainly due to the decline in revenue and the impairment loss and write off of intangible assets amounted to approximately US$3,348,000 as mentioned under the section headed "Result Review".

The Accessories Division (excluding the business of footwear manufacturing) has reported a segment profit of approximately US$14,395,000, representing a decrease of approximately US$2,865,000 when compared to the corresponding last year. The decrease was due mainly to the start-up losses of computer bags in Cambodia.

Discontinued Operations

For the year ended 31 December 2016, the result of the Group from discontinued operations was principally derived from the following non-core businesses.

(i) Retail sales and trading of apparels and accessories

The business of retail sales and trading of apparel and accessories was commenced in late 2015, which incurred a loss of approximately US$5,768,000 for the year under review.

(ii) Footwear manufacturing

The business of footwear manufacturing recorded a loss of approximately US$5,584,000 for the year under review, representing an increase of approximately 86.6% over 2015.

(iii) Logistics

The Group's freight forwarding and logistics services recorded a segment profit of approximately US$3,663,000 for the year under review, representing an increase of approximately 21.8% over 2015. The net profit of the freight forwarding and logistics services after minority interest is approximately US$3,610,000.

(iv) Real Estate

Real Estate Division represents our real estate project jointly operated with Sunshine 100 Real Estate Group Co., Limited in Qingyuan, China. For the year under review, the Real Estate Division has reported a segment profit of approximately US$1,048,000, representing a decrease of approximately US$275,000, as compared to a segment profit of approximately US$1,323,000 for the last corresponding year.

(v) Disposal Properties

For the year under review, the disposal properties recorded an immaterial net loss of approximately US$63,000.

Markets

Geographically, the U.S. was the Group's key export market for the year under review, accounting for approximately 52.5% of the total revenue of the Group in 2016. The revenue derived from customers in the U.S. is approximately US$521,200,000, representing a decrease of approximately US$59,892,000 over 2015.

Europe continued to be the second largest export market of the Group in 2016. Europe accounted for approximately 22.6% of the Group's total revenue in 2016. The revenue derived from customers in Europe is approximately US$224,776,000, representing a decrease of approximately US$24,011,000 over that recorded for 2015.

Asia market comprising mainly the People's Republic of China (the "PRC") and Japan which made up approximately 11.4% of the Group's total revenue in 2016.

Acquisitions and Joint Ventures

It has been one of the Group's strategies to strengthen its core business by way of selective value-enhancing acquisitions and joint ventures. During the year under review, the Group has completed the following transactions:

As disclosed in the Company's announcement dated 24 May 2016, the Company, through Sunny Force Limited ("Sunny Force"), a wholly-owned subsidiary of the Company, entered into a Share Purchase Agreement ("SPA") with Smart Shirts Limited ("Smart Shirts"), Thien Nam Investment and Development Joint Stock Company ("Thien Nam") and Ms. Tran Yen Linh ("Ms. Linh"). Pursuant to the SPA, Sunny Force acquired approximately 16.66% equity interest in Thien Nam Sunrise Textile Joint Stock Company (which was subsequently renamed as Sunrise Luen Thai Joint Stock Company or "SLT") for the cash consideration of the VND equivalent of USD4,500,000 based on the exchange rate (average of buy and sell rates) between USD and VND issued by the Vietcombank on the date of the SPA.

Immediately prior to the signing of the SPA, SLT was owned as to approximately 33.34%, 28.89%, 4.44%, 4.44% and 28.89% by Sunny Force, Thien Nam, Itochu Textile Prominent (Asia) Co. Ltd ("Itochu"), Ms. Linh and Smart Shirts respectively. The acquisition of additional 16.66% equity interest in SLT was completed in August 2016 and accordingly SLT was owned as to approximately 50%, 4.44% and 45.56% by Sunny Force, Itochu and Smart Shirts respectively.

Vietnam is a member of The Association of Southeast Asian Nations (ASEAN) and fabrics made from Vietnam is considered as ASEAN Fabrics. Apparel products manufactured in certain ASEAN countries using ASEAN Fabrics are entitled to import duties saving into Japan and the European

Union. With USA withdrawing from Trans-Pacific Partnership ("TPP"), there shall be less investment in fabric mills in Vietnam going forward leaving our investment in SLT more competitive in offering speed and cost advantage to our existing customers. The Board believes that through investment in SLT, the Group can gain not only additional market share with the ASEAN Fabrics but also enhance the Group's competitiveness for Japan market and offering much faster speed for the global brands. In addition, the strategic position of the Group was strengthened with such vertical setup as SLT shall provide synergistic effect with the Group's factories in Vietnam.

For the apparel manufacturing business, a joint venture was formed with share capital of approximately US$86,000 in mid-December 2016 with equal equity contribution from the Group and a famous worldwide supplier of fabrics. The joint venture was a printing factory located in Philippines which can shorten our lead time and hence enhance the Group's competitiveness in certain print related apparel production.

Future Plans and Prospect

Trade Preference Update

The Office of the U.S. Trade Representative ("USTR") announced a major expansion of trade preferences on 30 June 2016 and conducted a subsequent hearing in October 2016. The U.S. GSP Update for Production and Diversification and Trade Enhancement Act (commonly referred to as GSP UPDATE) allows travel goods such as handbags, luggage, backpacks, wallets, sports and travel bags produced by the Least Developed Beneficiary Developing Countries ("LDBDCs") as well as African Growth and Opportunity Act ("AGOA") be eligible for duty free treatment for entering into the United States since 1 July 2016.

With USA withdrawing from the TPP, Cambodia and Myanmar are the only countries in Asia with the capabilities for production and importation of travel goods into the USA to enjoy the duty advantage. Our accessories customers have reconsidered their sourcing strategies and started placing more orders with us in Cambodia. The Group has revamped part of its Cambodia production capacities for the production of bags and shall continue to do so to strengthen our position for production of travel goods in Cambodia. The Board believes that the development of US GSP UPDATE has positive impact to our accessories business. Despite there is uncertainty on future US trade policy, there are quite a number of accessories customers intend to move part of their sourcing to Cambodia in the next one to three years.

Concentration on Core Business

Looking forward to the year ahead, despite the operating environment will remain full of challenges and uncertainty, the Board believes that the core business (i.e. the OEM business on manufacturing of apparels and bags) of the Group shall remain stable. The Group will also pay close attention to global political and economic situation and continue to put effort to improve the production efficiency and pursue new growth drivers through development of new customers in particular for the production of bags.

Looking Ahead

The operating environment of the manufacturing industry would remain challenging. Facing the tough retail environment and the challenge of the growth of online stores, most of our customers including brands and department stores are struggling. Brands are under significant pressure of reduction in costs and inventory while looking at shorter lead time and lower cost of production. As a manufacturer, investment in vertical setup, smart factory and performance fabric could be a possible solution to these challenges. The Group is investing into our “future factory” in Cebu with focus on innovation, automation and integrating waterless fabric dyeing technology to shorten our delivery lead time and enhance the Group’s competitiveness going forward.

With the joining of new Directors with innovative ideas and different business views in February 2017, the management is now reassessing and reviewing the existing operations and simultaneously exploring new business opportunities. For the apparel manufacturing, the Group has invested in a printing factory in the Philippines which can shorten our delivery lead time and hence enhance the Group’s competitiveness in certain print related apparel production.

The Board also believes that after the disposal of non-core businesses and focusing on its core businesses, the Company will be gaining momentum and moving towards a promising future. We will unceasingly search for various investments and business opportunities that fit in our new business strategy so that we can bring benefits to the Company for its sustainable growth and strive to increase the return of our shareholders.

Investor Relations and communications

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

Contingent Liabilities

As at 31 December 2016, the Group had no material contingent liabilities.

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 manufacturing industry.

With over 30,000 employees around the world, 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 employee' 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 must also understand the needs and concerns of other stakeholders.

Financial Results and Liquidity

As at 31 December 2016, the total amount of cash and bank deposits of the Group was approximately US$293,835,000, representing an increase of approximately US$115,560,000 as compared to that as at 31 December 2015. The Group's total bank borrowings as at 31 December 2016 was approximately US$70,184,000, representing a decrease of approximately US$5,744,000 as compared to that as at 31 December 2015.

As at 31 December 2016, based on the scheduled repayments set out in the relevant loan agreements with banks and taking into consideration of repayable on demand clause, the maturity profile of the Group's bank borrowings spread over five years with approximately US$39,684,000 repayable within one year and approximately US$30,500,000 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 2016, the Group is in a net cash position. Hence, no gearing ratio is presented.

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 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 2016.

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 2016 annual report.

Throughout the year ended 31 December 2016, the Company was in compliance with the Corporate Governance Code as set out in the Appendix 14 of the Listing Rules except that two non-executive Directors were not present at the annual general meeting of the Company which was held on 26 May 2016 and one non-executive Director was not present at the extraordinary general meeting which was held on 31 December 2016. These constitute deviation from the code provision of A.6.7 which requires that independent non-executive directors and non-executive directors should attend general meetings and develop a balanced understanding of the views of the shareholders.

AUDIT COMMITTEE

The Audit Committee was established with written terms of reference that set out the authorities and duties of the Committee adopted by the Board.

The Audit Committee's review covers the accounting principles and practices adopted by the Group, audit plans and findings of the internal and external auditors, and financial matters including the review of consolidated financial statements of the Group for the year ended 31 December 2016.

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 2016 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

FINAL DIVIDEND

An interim dividend of US0.485 cent per share was paid to the shareholders during the year and the Directors recommend the payment of a final dividend of US0.254 cent per share (or equivalent to HK1.97 cents) to the shareholders on the register of members on 7 June 2017 totaling to approximately US$2,627,000.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 23 May 2017 to 26 May 2017 (both days inclusive), during which period no transfers of shares will be registered. To determine the entitlement to attend and vote at the AGM of the Company, 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 22 May 2017.

In addition, the Board has resolved to recommend the payment of a final dividend of HK1.97 cents per share for members whose names appear on the Register of Members of the Company on 7 June 2017. The Register of Members of the Company will also be closed from 5 June 2017 to 7 June 2017 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, subject to approval at the AGM of the Company, 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 2 June 2017.

PUBLIC FLOAT

Reference is made to the announcements of the Company dated 15 February 2017, 20 February 2017 and 10 March 2017.

The public float of the Company remains below the minimum 25% requirement as required by Rule 8.08(1)(a) of the Listing Rules. To the best of the knowledge, information and belief of the Directors, as at the date of this annual report, the public float of the Company is approximately 5.36%.

The Company is considering various options to restore the public float. As at the date of this announcement, no concrete proposals for the restoration of public float or timetable have been determined. The Company will make further announcement to inform its shareholders and potential investors when the proposal to restore its public float has been finalized.

Shareholders of the Company and potential investors are advised to exercise caution when dealing in the securities of the Company.

PUBLICATION OF FINAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The Company's annual results announcement is published on the website of the Stock Exchange at http://www.hkexnews.hk and the Company's website at http://luenthai.quamir.com.

The annual report of the Company for year ended 31 December 2016 containing the information required by Appendix 16 of the Listing Rules will be dispatched to the shareholders in due course.

By order of the Board
Tan Henry
Chief Executive Officer

Hong Kong, 28 March 2017

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

Executive Directors:
Shen Yaoqing *(Chairman)*
Qu Zhiming
Mok Siu Wan, Anne
Tan Siu Lin
Tan Cho Lung, Raymond

Non-executive Director:
Huang Jie

Independent non-executive Directors:
Chan Henry
Cheung Siu Kee
Seing Nea Yie