LUEN THAI HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 311)

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

GROUP FINANCIAL HIGHLIGHTS

	For the year ended 31 December	
	2017	2016
	US$'000	*US$'000*
Revenue		
— Continuing operations	**768,417**	908,765
— Discontinued operations	—	84,042
Operating profit/(loss)		
— Continuing operations	**31,139**	14,910
— Discontinued operations	—	(9,074)
Profit attributable to owners of the Company		
— Continuing operations	**21,905**	9,000
— Discontinued operations	—	9,472
Profit margin (ratio of profit attributable to owners of the Company to revenue)	**2.9%**	1.9%
Basic earnings per share *(US cents)*	**2.1**	1.8

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 2017.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2017

	Note	**2017** **US$'000**	2016 US$'000
Continuing operations			
Revenue	3	**768,417**	908,765
Cost of sales		**(650,100)**	(766,985)
Gross profit		**118,317**	141,780
Other gains/(losses) — net	4	**3,499**	(2,082)
Selling and distribution expenses		**(2,153)**	(2,940)
General and administrative expenses		**(88,524)**	(111,355)
Impairment loss on goodwill and write-off of customer relationships		**—**	(10,493)
Operating profit		**31,139**	14,910
Finance income	6	**454**	416
Finance costs	6	**(2,313)**	(1,726)
Finance costs — net	6	**(1,859)**	(1,310)
Share of losses of joint ventures		**(4,500)**	(2,160)
Profit before income tax		**24,780**	11,440
Income tax expense	7	**(2,934)**	(2,385)
Profit for the year from continuing operations		**21,846**	9,055
Discontinued operations			
Gain for the year from discontinued operations	8	**—**	9,526
Profit for the year		**21,846**	18,581
Profit/(loss) attributable to:			
Owners of the Company		**21,905**	18,472
Non-controlling interests		**(59)**	109
		21,846	18,581

	Note	**2017** *US$'000*	2016 *US$'000*
Profit attributable to owners of the Company arises from:			
— Continuing operations		**21,905**	9,000
— Discontinued operations		**—**	9,472
		21,905	18,472
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	**2.1**	0.9
From discontinued operations	9	**—**	0.9
From profit for the year		**2.1**	1.8
Diluted earnings per share			
From continuing operations	9	**2.1**	0.9
From discontinued operations	9	**—**	0.9
From profit for the year		**2.1**	1.8

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

	2017	2016
	US$'000	*US$'000*
Profit for the year	**21,846**	18,581
Other comprehensive (loss)/income:		
Item that will not be reclassified subsequently to profit or loss:		
Actuarial (losses)/gains on retirement benefit obligations	**(231)**	1,346
Items that may be reclassified to profit or loss:		
Currency translation differences	**(1,400)**	(3,771)
Exchange reserve released upon disposal of subsidiaries	**—**	(2,756)
Total comprehensive income for the year, net of income tax	**20,215**	13,400
Attributable to:		
Owners of the Company	**20,274**	13,303
Non-controlling interests	**(59)**	97
Total comprehensive income for the year	**20,215**	13,400
Total comprehensive income attributable to owners of the Company arises from:		
Continuing operations	**20,274**	6,820
Discontinued operations	**—**	6,483
	20,274	13,303

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

		As at 31 December	
		2017	2016
	Note	***US$'000***	*US$'000*
ASSETS			
Non-current assets			
Land use rights		**5,257**	5,355
Property, plant and equipment		**86,101**	59,899
Intangible assets		**34,074**	34,423
Interests in joint ventures		**9,139**	13,697
Deferred income tax assets		**873**	889
Deposits, prepayments and other receivables		**5,484**	4,611
Total non-current assets		**140,928**	118,874
Current assets			
Inventories		**65,490**	64,717
Trade and other receivables	11	**145,877**	156,055
Prepaid income tax		**9,421**	8,157
Derivative financial instruments		**—**	229
Cash and bank balances		**77,793**	291,533
Restricted cash		**4,668**	2,302
Total current assets		**303,249**	522,993
Total assets		**444,177**	641,867
EQUITY			
Equity attributable to owners of the Company			
Share capital		**10,341**	10,341
Other reserves	13	**1,228**	17,149
Retained earnings		**178,748**	250,398
		190,317	277,888
Non-controlling interests		**—**	708
Total equity		**190,317**	278,596

	Note	As at 31 December 2017 US$'000	2016 US$'000
LIABILITIES			
Non-current liabilities			
Borrowings		**9,000**	—
Other payables	12	**711**	811
Retirement benefit obligations		**10,902**	9,160
Deferred income tax liabilities		**2,228**	2,408
Total non-current liabilities		**22,841**	12,379
Current liabilities			
Trade and other payables	12	**129,598**	162,124
Dividend payable		—	109,416
Borrowings		**94,139**	70,184
Derivative financial instruments		**12**	—
Current income tax liabilities		**7,270**	9,168
Total current liabilities		**231,019**	350,892
Total liabilities		**253,860**	363,271
Total equity and liabilities		**444,177**	641,867

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

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 apparel and accessories. 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 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 2017:

HKAS 7 (Amendments)	Disclosure Initiative
HKAS 12 (Amendments)	Recognition of Deferred Tax Assets for Unrealized Loss
HKFRS 12 (Amendments)	Disclosure of Interest in Other Entities

The adoption of these new and amended standards did not have any impact on the current period or any prior period, except for the amendments to HKAS 7 regarding disclosure of changes in liabilities arising from financing activities.

(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 2018 and have not been applied in preparing these consolidated financial statements.

		Effective for annual periods beginning on or after
Annual Improvement Projects 2016	Annual Improvements 2014–2016 Cycle	1 January 2018
HKAS 40 (Amendments)	Transfers of Investment Property	1 January 2018
HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions	1 January 2018
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
HK (IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation	1 January 2019
HKFRS 16	Leases	1 January 2019
HK (IFRIC)-Int 23	Uncertainty over Income Tax Treatments	1 January 2019
HKFRS 17	Insurance Contracts	1 January 2021
HKFRS 4 (Amendments)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts	1 January 2018 or when the entity first applies HKFRS 9
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Group's assessment of the impact of these new standards and interpretations is set out below.

HKFRS 15 Revenue from contracts with customers

The HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts and the related literature. The new standard is based on the principle that revenue is recognized when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Management has assessed the effects of applying the new standard on the Group's financial statements and considered there would be no material changes to the existing revenue recognition policy in this regard. Since HKFRS 15 is mandatory for financial years commencing on or after 1 January 2018, the Group does not intend to adopt the standard before its effective date.

HKFRS 16 Leases

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognized on the consolidated statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of US$21,832,000. The Group estimates that some of these relate to payments for short-term and low-value leases which will be recognized on a straight-line basis as an expense in the consolidated statement of profit or loss.

However, the Group has not yet assessed what other adjustments, if any, are necessary for example because of the change in the definition of the lease term and the different treatment of variable lease payments and of extension and termination options. It is therefore not yet possible to estimate the amount of right-of-use assets and lease liabilities that will have to be recognized on adoption of the new standard and how this may affect the Group's profit or loss and classification of cash flows going forward.

Mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

HKFRS 9 Financial instruments

The new standard addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

The Group does not expect the new guidance to have a significant impact on the classification, measurement and disclosures of its financial assets and financial liabilities.

The new impairment model requires the recognition of impairment provisions based on expected credit losses ("ECL") rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under HKFRS 15 'Revenue from contracts with customers', lease receivables, loan commitments and certain financial guarantee contracts. Management considered there would be no material impacts to the Group in this regard.

HKFRS 9 must be applied for financial years commencing on or after 1 January 2018. The Group does not intend to adopt HKFRS 9 before its mandatory date.

3. SEGMENT INFORMATION

The Group is principally engaged in the manufacturing and trading of apparels and accessories. Revenue consists of sales revenue from casual and fashion apparel, sweaters 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.

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. As the executive directors no longer consider the performance of business of each type separately for the casual and fashion apparel segment and sweaters segment, these two operating segments are aggregated as "casual and fashion apparel", during the year ended 31 December 2017. Management considers the business from a product perspective whereby management assesses the performance of casual and fashion apparel and accessories separately as operating segments. Certain comparative figures have been restated to conform to current year presentation.

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 year ended 31 December 2016.

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 year ended 31 December 2017 and 2016 is as follows:

	Casual and fashion apparel *US$'000*	Accessories *US$'000*	Total *US$'000*
For the year ended 31 December 2017			
Total segment revenue	**531,021**	**237,396**	**768,417**
Inter-segment revenue	**—**	**—**	**—**
Revenue (from external customers)	**531,021**	**237,396**	**768,417**
Segment profit for the year	**21,165**	**10,630**	**31,795**
Profit for the year includes:			
Depreciation and amortization	**(7,627)**	**(3,497)**	**(11,124)**
Reversal of inventory obsolescence	**98**	**244**	**342**
Reversal of/(provision for) impairment of trade and bills receivable, net	**77**	**(45)**	**32**
Share of losses of joint ventures	**(4,500)**	**—**	**(4,500)**
Impairment of property, plant and equipment	**(2)**	**—**	**(2)**
Finance income	**433**	**21**	**454**
Finance costs	**(2,139)**	**(174)**	**(2,313)**
Income tax expense	**(2,765)**	**(169)**	**(2,934)**

	Casual and fashion apparel *US$'000* (Restated)	Accessories *US$'000*	Continuing operations sub-total *US$'000*	Discontinued operations *US$'000*	Total *US$'000*
For the year ended 31 December 2016					
Total segment revenue	658,389	251,322	909,711	84,743	994,454
Inter-segment revenue	(946)	—	(946)	(701)	(1,647)
Revenue (from external customers)	657,443	251,322	908,765	84,042	992,807
Segment profit for the year	4,453	14,395	18,848	9,526	28,374
Profit for the year includes:					
Depreciation and amortization	(10,964)	(3,388)	(14,352)	(5,768)	(20,120)
(Provision for)/reversal of inventory obsolescence	(112)	(13)	(125)	41	(84)
Provision for impairment of trade and bills receivable	(119)	—	(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	(8,251)	—	(8,251)	—	(8,251)
Impairment loss on goodwill	(2,242)	—	(2,242)	—	(2,242)
Impairment of property, plant and equipment	(440)	—	(440)	—	(440)
Finance income	398	18	416	1,882	2,298
Finance costs	(1,678)	(48)	(1,726)	(348)	(2,074)
Income tax expense	(1,375)	(1,010)	(2,385)	(871)	(3,256)

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:

	2017 *US$'000*	2016 *US$'000*
Segment profit for the year		
— Continuing operations	**31,795**	18,848
— Discontinued operations	**—**	9,526
Corporate expenses *(Note)*	**(9,949)**	(9,793)
Profit for the year	**21,846**	18,581

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

	2017 *US$'000*	2016 *US$'000*
Analysis of revenue by category		
Sales of garment, textile products and accessories	**760,699**	966,153
Freight forwarding and logistics service fee	**—**	20,164
Others	**7,718**	6,490
Total revenue	**768,417**	992,807

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.

	2017 *US$'000*	2016 *US$'000*
Analysis of revenue by geographical location		
United States	**417,185**	521,200
Europe	**150,402**	224,776
PRC (including Hong Kong and Macao)	**72,568**	57,688
Japan	**41,070**	55,734
Canada	**20,685**	22,840
Others	**66,507**	110,569
	768,417	992,807

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

For the year ended 31 December 2017, revenue of approximately US$131,207,000, US$97,549,000 and US$89,204,000 are derived from three single external customers whose sales account for more than 10% of the total year revenue. 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. These revenues are attributable to the segments of casual and fashion apparel and accessories.

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

	2017	2016
	US$'000	*US$'000*
Analysis of non-current assets by geographical location		
PRC (including Hong Kong and Macao)	**83,540**	87,812
Philippines	**11,649**	11,361
Cambodia	**38,942**	12,213
Vietnam	**2,223**	2,315
Others	**3,701**	4,284
	140,055	117,985

4. OTHER GAINS/(LOSSES) — NET

	2017	2016	
		Continuing operations	Discontinued operations
	US$'000	*US$'000*	*US$'000*
Fair value (losses)/gains on derivative financial instruments			
— net (losses)/gains on forward foreign exchange contracts	**(12)**	229	—
Net (losses)/gains on forward foreign exchange contracts	**(216)**	293	—
Net foreign exchange gains/(losses)	**3,727**	(2,604)	(3,111)
	3,499	(2,082)	(3,111)

5. OPERATING PROFIT

	2017	2016	
		Continuing operations	Discontinued operations
	US$'000	*US$'000*	*US$'000*
Employee benefit expenses	**199,843**	206,880	23,451
Losses on disposals of property, plant and equipment — net	**548**	480	455
Amortization of land use rights	**167**	140	177
Amortization of intangible assets	**349**	2,597	—
Depreciation of property, plant and equipment	**10,608**	11,615	4,861
Impairment of property, plant and equipment	**2**	440	—
Depreciation and amortization of investment properties	**—**	—	730
(Reversal of)/provision for impairment of trade and bills receivable	**(32)**	119	302
Provision for material claims	**60**	—	—
(Reversal of)/provision for inventory obsolescence	**(342)**	125	(41)

6. FINANCE COSTS — NET

	2017	2016	
		Continuing operations	Discontinued operations
	US$'000	*US$'000*	*US$'000*
Interest expense on bank loans and overdrafts	**(2,313)**	(1,726)	(348)
Finance costs	**(2,313)**	(1,726)	(348)
Interest income from bank deposits	**292**	416	333
Effective interest income from amount due from a joint venture	**162**	—	1,549
Finance income	**454**	416	1,882
Finance (costs)/income — net	**(1,859)**	(1,310)	1,534

7. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 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.

	2017	2016	
		Continuing operations	Discontinued operations
	US$'000	*US$'000*	*US$'000*
Current income tax	**2,932**	3,080	871
Under-provision in prior years	**166**	1,216	—
Deferred income tax	**(164)**	(1,911)	—
Income tax expense	**2,934**	2,385	871

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 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 (equivalent to approximately HK$29,544,000).

In respect of the Macao incorporated subsidiary, the IRD has issued estimated assessments for the years of assessment 2005/06 to 2011/12 based on this subsidiary's profit before taxation with the amount of US$11,703,000 (equivalent to approximately HK$90,698,000).

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$8,162,000 (equivalent to approximately HK$63,257,000) in the form of tax reserve certificates in respect of the tax in dispute up to and including the year of assessment 2012/13 for the Hong Kong incorporated subsidiary, and for the years of assessment 2005/06 to 2010/11 for the Macao incorporated subsidiary and the amount paid was included in prepayments in the consolidated statement of financial position as at 31 December 2017. Objection in respect of the estimated assessment for the year of assessment 2011/12 issued to the Macao incorporated subsidiary will be lodged by the statutory deadline.

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 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 reorganization 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 2017 and 2016, an overseas tax authority performed tax assessments on overseas incorporated subsidiaries' tax position for the years ended 31 December 2011, 2012, 2013, 2014, 2015 and certain periods during the years ended 31 December 2015, 2016 and 2017 and issued tax assessments/revised tax assessments to demand additional tax payment of US$2,465,000. 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 a clear calculation basis for the additional tax payment was not provided. Management considers the provision is adequate as at 31 December 2017.

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

(iii) During the year, 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 2017.

8. DISCONTINUED OPERATIONS

On 25 October 2016, the Group entered into an agreement with Torpedo Management Limited, a wholly-owned subsidiary of Luen Thai Group Ltd. (formerly known as Helmsley Enterprises Limited), the then 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 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 are set out below:

	2016 *US$'000*
Revenue	84,042
Cost of sales	(55,318)
Gross profit	28,724
Other income — rental income	835
Other losses, net	(3,111)
Selling and distributing expenses	(4,090)
General and administrative expenses	(31,432)
Operating loss	(9,074)
Finance income	1,882
Finance costs	(348)
Finance income — net	1,534
Share of loss of an associated company	(21)
Share of profits of joint ventures	1,728
Loss before income tax	(5,833)
Income tax expense	(871)
Loss after tax of discontinued operations	(6,704)
Gain on disposal of subsidiaries	16,230
Profit for the year from discontinued operations	9,526
Profit for the year from discontinued operations attributable to:	
— Owners of the company	9,472
— Non-controlling interests	54
Profit for the year from discontinued operations	9,526

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.

	2017	2016
	US$'000	*US$'000*
Profit attributable to owners of the Company arises from:		
— Continuing operations	**21,905**	9,000
— Discontinued operations	**—**	9,472
	21,905	18,472
Weighted average number of ordinary shares in issue (thousands)	**1,034,113**	1,034,113
Basic earnings per share (US cents per share)	**2.1**	1.8

(b) Diluted

Diluted earnings per share for the years ended 31 December 2017 and 2016 is the same as the basic earnings per share as there were no potential dilutive ordinary shares outstanding during the years.

10. DIVIDENDS

	2017	2016
	US$'000	*US$'000*
Interim dividend paid of US0.524 cent or equivalent to HK4.07 cents (2016: US0.485 cent) per ordinary share	**5,419**	5,015
Proposed final dividend of US0.747 cent or equivalent to HK5.81 cents (2016: US0.254 cent) per ordinary share	**7,724**	2,627
Declared and approved special dividend in relation to the disposal of non-core businesses of US10.581 cents or equivalent to HK82.0 cents (2017: nil) per ordinary share	**—**	109,416
Proposed and approved special dividend in relation to the general offer of US9.665 cents or equivalent to HK74.9 cents per ordinary share	**99,942**	—
	113,085	117,058

The directors have recommended the payment of a final dividend of US0.747 cent per ordinary share, totaling US$7,724,000. 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

	2017	2016
	US$'000	*US$'000*
Trade and bills receivable — net	**124,562**	124,529
Deposits, prepayments and other receivables	**16,015**	17,614
Amounts due from related parties	**5,300**	13,912
	145,877	156,055

	2017	2016
	US$'000	*US$'000*
Trade and bills receivable	**124,796**	124,933
Less: provision for impairment	**(234)**	(404)
Trade and bills receivable — net	**124,562**	124,529

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

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

	2017	2016
	US$'000	*US$'000*
0 to 30 days	**63,050**	66,729
31 to 60 days	**37,845**	35,269
61 to 90 days	**14,147**	13,860
91 to 120 days	**5,286**	3,682
Over 120 days	**4,468**	5,393
	124,796	124,933

12. TRADE AND OTHER PAYABLES

	2017	2016
	US$'000	*US$'000*
Trade and bills payable	**60,509**	70,795
Other payables and accruals	**68,439**	89,505
Amounts due to related parties	**1,361**	2,169
Amounts due to non-controlling interests	**—**	466
	130,309	162,935
Less: Non-current	**(711)**	(811)
Trade and other payables, current	**129,598**	162,124

At 31 December 2017 and 2016, the ageing analysis of the trade and bills payable based on invoice date is as follows:

	2017	2016
	US$'000	*US$'000*
0 to 30 days	**54,227**	64,191
31 to 60 days	**3,206**	2,912
61 to 90 days	**1,746**	2,026
Over 90 days	**1,330**	1,666
	60,509	70,795

13. OTHER RESERVES

	Share premium US$'000	Capital reserve US$'000	Other capital reserves US$'000	Employment benefits reserve US$'000	Exchange reserve US$'000	Total US$'000
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
At 1 January 2017	**14,623**	**7,891**	**(4,799)**	**1,164**	**(1,730)**	**17,149**
Currency translation differences	**—**	**—**	**—**	**211**	**(1,611)**	**(1,400)**
Actuarial losses on retirement benefit obligations	**—**	**—**	**—**	**(231)**	**—**	**(231)**
Special dividend paid in relation to the general offer	**(14,623)**	**—**	**—**	**—**	**—**	**(14,623)**
Acquisition of additional interests in a subsidiary	**—**	**—**	**(996)**	**—**	**—**	**(996)**
Derecognition of an expired financial liability upon acquisition of non-controlling interests	**—**	**—**	**1,329**	**—**	**—**	**1,329**
At 31 December 2017	**—**	**7,891**	**(4,466)**	**1,144**	**(3,341)**	**1,228**

MANAGEMENT DISCUSSION & ANALYSIS

Result Review

During the year ended 31 December 2017, the operating environment of the manufacturing industry remained tough, which was mainly due to the rapid changes in fashion trend and the popularity of online shopping. The shortened life cycle of fashion trends meant that brands are inclined to place orders in a smaller quantity with reduced lead time to enable them to react to the market with flexibility and timely response. Production planning became more sophisticated and the benefit of economic scale was also undermined by smaller quantity of orders from the brands. To cater for the need of our customers, the operations and gross profit margin of the Group were inevitably affected.

Due to the aforementioned challenges, the Group's production volume decreased by approximately 22.0% to 71 million units of apparel and accessories while the Group's revenue (excluding discontinued operations) amounted to approximately US$768,417,000, representing a decrease of approximately US$140,348,000. In line with the decline in revenue, the gross profit decreased by 16.5% to approximately US$118,317,000. Despite the decrease in revenue and gross profit, the net profit attributable to the owners of the Company ("Net Profit") was approximately US$21,905,000, representing a substantial increase of 18.6% as compared with the corresponding period in 2016. The improvement in the Net Profit was primarily attributable to the (i) improvement of the performance of Apparel Division; (ii) positive impact of completion of the disposal of non-core businesses; and (iii) the ongoing stringent cost control.

Segmental Review

Apparel and Accessories businesses were the two revenue streams of the Group, which accounted for approximately 69.1% and 30.9% respectively of the Group's total revenue for the year under review.

Continuing Operations

Revenue of the Apparel Division (including the previous Sweaters Division) decreased by 19.2% to approximately US$531,021,000 when compared to 2016. Such decrease was mainly due to the further reduction of certain non-profitable orders and decline in average selling price. Excluding the one-off expenses relating to the impairment loss and write-off of certain intangible assets amounted to approximately US$10,493,000 in 2016, the segment profit of the Apparel Division (including the previous Sweaters Division) increased by 41.6% to approximately US$21,165,000. The considerable improvement in the segment result was primarily attributable to the continuous streamlining and restructuring of the organizational structure and effective control on the overall operating costs.

As a result of persistent development of new customer base, the business of the Accessories Division remained relatively stable, the revenue of the Accessories Division for the year under review slightly decreased by about 5.5% to approximately US$237,396,000. The Accessories Division has reported a segment profit of approximately US$10,630,000, representing a decrease of approximately US$3,765,000 when compared with last year. The decrease in segment profit was mainly due to (i) the start-up losses of bags business in Cambodia; and (ii) decrease in profit margin amidst an intensified competitive operating environment. Upon the completion of the establishment of the bags business in Cambodia, the Board believes that the business of the Accessories Division will be more profitable.

Discontinued Operations

As disclosed in the annual report of the Company for the year ended 31 December 2016, the Group disposed of its non-core businesses including (i) retail sales and trading of apparel and accessories; (ii) footwear manufacturing; (iii) freight forwarding and logistics and (iv) real estate development to a connected person of the Group for a total consideration of approximately US$110 million on 31 December 2016. Total gain from the discontinued operations for the year ended 31 December 2016 was approximately US$9,526,000.

Markets

Geographically, the U.S. was the Group's key export market for the year under review, accounting for approximately 54.3% of the total revenue of the Group in 2017. The revenue derived from customers in the U.S. is approximately US$417,185,000, representing a decrease of approximately US$104,015,000 over 2016.

Europe continued to be the second largest export market of the Group in 2017. Europe accounted for approximately 19.6% of the Group's total revenue in 2017. The revenue derived from customers in Europe is approximately US$150,402,000, representing a decrease of approximately US$74,374,000 over that recorded for 2016.

Asia market comprising mainly the People's Republic of China (the "PRC") and Japan, which made up approximately 14.8% of the Group's total revenue in 2017.

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:

On 31 July 2017, Fortune Investment Overseas Limited ("Fortune Investment"), a wholly-owned subsidiary of the Company, entered into a Sale and Purchase Agreement ("SPA") with Trumpinvest Holdings Limited ("Trumpinvest"). Pursuant to the SPA, Fortune Investment acquired 5% of the entire issued share capital ("Sale Shares") of

Partner Joy Group Limited ("Partner Joy") at the total consideration of US$1,645,448 ("Acquisition"). Upon completion of the Acquisition on 31 July 2017, Partner Joy became wholly-owned by Fortune Investment and an indirect wholly-owned subsidiary of the Company. The Board believes that the Acquisition can simplify the reporting structure and reduce the overall management costs of the Group, and that the Group will enjoy the full benefit arising from the potential growth of the Partner Joy Group in the future.

As disclosed in the Company's announcement dated 27 September 2017, the Company, through its subsidiary, entered into a sale and purchase agreement on the same date to acquire a parcel of land in Cambodia (the "Land") at the consideration of US$22,000,000. Prior to the said acquisition, the Land had been leased to the Group as factories for manufacturing apparel and accessories for about four years. The Board believes that the stable manufacturing operations in Cambodia can be guaranteed through the acquisition of the Land. The acquisition was completed in December 2017.

Luen Thai will continue to look for value-enhancing acquisition and joint venture opportunities to further expand our product range, production capacity and diversify our geographical risk.

Future Plans and Prospect

Trade Preference Update

Effective from July 2017, the Philippines was eligible to enjoy the duty benefit under the U.S. GSP Update for Production and Diversification and Trade Enhancement Act (commonly referred to as the GSP UPDATE). Since then, we are able to export our travel goods free of duty from our major production facilities in the Philippines and Cambodia to the U.S. market. In addition, bags manufactured in the Philippines and Cambodia are also entitled to export to European Union, Japan and China with zero duty under different GSP arrangements and free trade agreements.

The US withdrawal from Trans-Pacific Partnership coupled with the GSP UPDATE have positive impact to the development of the Group's accessories business. Despite there is uncertainty on future US trade policy, there are certain accessories customers who intend to move part of their sourcing to Cambodia or expand their sourcing in the Philippines in the near future. In order to capture such valuable opportunities, the Group continued to revamp its Cambodia production capacity for the production of bags as well as develop new capacities for the production of bags in the Philippines. We believe that the future prospect of the business growth in the Philippines and Cambodia is promising.

Looking Ahead

Looking forward, despite the economy of USA and Europe returning to a more stable footing, the operating environment of the manufacturing industry remains challenging. In order to meet consumer demand, an Omni-channel (i.e. use multiple channels to provide a seamless customer shopping experience) approach is adopted by many brands, a shorter lead time and lower cost of production are essential elements for success in such a competitive market.

In 2017, we made an investment in "smart" technology and built a "future factory" in Cebu with focus on innovation, automation and integrating waterless fabric dyeing technology. This future factory is only our first step to make Luen Thai become a 'Smart Enterprise' which shall connect our customers and suppliers to create a 'Smart Supply Chain'. We believe this 'Smart Supply Chain' will be our solution to the current challenge of competitive environment focusing on speed, cost, innovation and flexibility.

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

Contingent Liabilities

As at 31 December 2017, 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 and accessories manufacturing industry.

With over 36,000 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 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.

Liquidity and Financial Resources

As at 31 December 2017, the total amount of cash and bank deposits of the Group was approximately US$82,461,000, representing a decrease of approximately US$211,374,000 as compared to that as at 31 December 2016. The Group's total bank borrowings as at 31 December 2017 was approximately US$103,139,000, representing an increase of approximately US$32,955,000 as compared to that as at 31 December 2016.

As at 31 December 2017, based on the scheduled repayments set out in the relevant loan agreements with banks, the maturity profile of the Group's bank borrowings spreaded over five years with approximately US$94,139,000 repayable within one year, approximately US$1,400,000 repayable in the second year and approximately US$7,600,000 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 2017, the gearing ratio of the Group was 10.9%.

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 2017.

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.

Throughout the year ended 31 December 2017, the Company was in compliance with the Corporate Governance Code as set out in the Appendix 14 of the Listing Rules. 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 2017 annual report.

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 2017.

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 2017 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 US0.524 cent per share was paid to the shareholders during the year and the directors recommend the payment of a final dividend of US0.747 cent per share (or equivalent to HK5.81 cents) to the shareholders on the register of members on 6 June 2018 totaling to approximately US$7,724,000.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 21 May 2018 to 25 May 2018 (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 18 May 2018.

In addition, the Board has resolved to recommend the payment of a final dividend of US0.747 cents per share (or equivalent to HK5.81 cents) for members whose names appear on the Register of Members of the Company on 6 June 2018. The Register of Members of the Company will also be closed from 4 June 2018 to 6 June 2018 (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 1 June 2018.

PUBLIC FLOAT

Reference is made to the announcements of the Company dated 15 February 2017, 20 February 2017, 10 March 2017, 25 May 2017, 23 November 2017, 18 January 2018 and the announcements of the Stock Exchange dated 15 February 2017, 19 January 2018.

Trading in the shares of the Company had been suspended from 15 February 2017 when the public float of the Company fell below 25%. The Stock Exchange indicated that the Company is required to suspend trading in the shares of the Company until the minimum public float is restored.

On 18 January 2018, the Company announced that its public float was restored to 26.65% after (i) Shangtex (Hong Kong) Limited, a controlling shareholder of the Company, placed 40,000,000 Shares (representing approximately 3.86% of total issued Shares of the Company) to an independent investor and (ii) Capital Glory Limited, a substantial shareholder of the Company, sold its interests in 158,295,905 Shares (representing approximately 15.31% of total issued Shares of the Company) to independent third parties and not connected persons of the Company. Accordingly, the public float of the Company had been restored to at least 25% of the issued share capital of the Company in compliance with Rule 8.08(1)(a) of the Listing Rules. The trading of shares of the Company was resumed on 19 January 2018.

As at the date of this announcement, the Company has maintained the prescribed public float under the Listing Rules, based on the information that is publicly available to the Company and within the knowledge of the directors.

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 2017 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 Cho Lung, Raymond
Chief Executive Officer and Executive Director

Hong Kong, 28 March 2018

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

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

Non-executive Director:
Huang Jie

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