LUEN THAI HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 311)

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

GROUP FINANCIAL HIGHLIGHTS

	For the year ended 31 December	
	2019	2018
	US$'000	*US$'000*
Revenue	**969,789**	851,000
Operating profit	**34,976**	40,004
Profit attributable to owners of the Company	**25,165**	23,303
Profit margin (ratio of profit attributable to owners of the Company to revenue)	**2.6%**	2.7%
Basic earnings per share *(US cents)*	**2.4**	2.3

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 2019.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 31 December 2019

	Note	2019 US$'000	2018 US$'000
Revenue	4	**969,789**	851,000
Cost of sales		**(827,615)**	(723,575)
Gross profit		**142,174**	127,425
Other gains — net	5	**13,933**	5,701
Selling and distribution expenses		**(3,265)**	(2,855)
General and administrative expenses		**(117,866)**	(90,267)
Operating profit		**34,976**	40,004
Finance income	7	**607**	563
Finance costs	7	**(7,212)**	(3,621)
Finance costs — net	7	**(6,605)**	(3,058)
Share of losses of joint ventures		**(44)**	(3,635)
Profit before income tax		**28,327**	33,311
Income tax expense	8	**(3,162)**	(10,008)
Profit for the year attributable to owners of the Company		**25,165**	23,303
Earnings per share attributable to owners of the Company for the year (expressed in US cents per share)			
Basic and diluted	9	**2.4**	2.3

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	2019	2018
	US$'000	*US$'000*
Profit for the year	**25,165**	23,303
Other comprehensive (loss)/income:		
Item that will not be reclassified subsequently to profit or loss:		
Actuarial (losses)/gains on retirement benefit obligations	**(2,470)**	3,681
Item that may be reclassified to profit or loss:		
Currency translation differences	**1,485**	(2,881)
Exchange reserve released upon disposal of subsidiaries	**(708)**	—
Total comprehensive income for the year, net of income tax	**23,472**	24,103
Total comprehensive income attributable to owners of the Company	**23,472**	24,103

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

		As at 31 December	
		2019	2018
	Note	***US$'000***	*US$'000*
ASSETS			
Non-current assets			
Land use rights		**—**	5,628
Investment properties		**—**	6,510
Property, plant and equipment		**121,848**	109,297
Right-of-use assets		**34,915**	—
Intangible assets		**46,350**	47,066
Interests in joint ventures		**4,240**	4,551
Deferred income tax assets		**1,995**	1,599
Deposits, prepayments and other receivables	11	**7,831**	3,812
Total non-current assets		**217,179**	178,463
Current assets			
Inventories		**99,975**	87,858
Trade and other receivables	11	**158,207**	160,728
Prepaid income tax		**4,795**	9,661
Cash and bank balances		**82,959**	80,444
Restricted cash		**14**	3,180
Total current assets		**345,950**	341,871
Total assets		**563,129**	520,334
EQUITY			
Equity attributable to owners of the Company			
Share capital		**10,341**	10,341
Other reserves	13	**2,006**	2,028
Retained earnings		**206,346**	191,618
Total equity		**218,693**	203,987

	Note	As at 31 December 2019 US$'000	2018 US$'000
LIABILITIES			
Non-current liabilities			
Borrowings		**20,200**	25,100
Other payables	12	**—**	688
Lease liabilities		**27,714**	—
Retirement benefit obligations		**12,239**	8,113
Deferred income tax liabilities		**3,465**	3,885
Total non-current liabilities		**63,618**	37,786
Current liabilities			
Trade and other payables	12	**120,919**	142,456
Borrowings		**146,927**	122,243
Lease liabilities		**4,653**	—
Derivative financial instruments		**19**	—
Current income tax liabilities		**8,300**	13,862
Total current liabilities		**280,818**	278,561
Total liabilities		**344,436**	316,347
Total equity and liabilities		**563,129**	520,334

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

1. GENERAL INFORMATION

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

2. BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). 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 policies and disclosures

(a) New and amended standards and interpretations adopted by the Group

The Group has applied the following amended standards and interpretations for the first time for their annual reporting period commencing 1 January 2019:

Annual Improvement Projects 2017	Annual Improvements 2015–2017 Cycle
HKAS 19 (Amendments)	Plan Amendment, Curtailment or Settlement
HKAS 28 (Amendments)	Long-term Interests in Associates and Joint Ventures
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation
HKFRS 16	Leases
HK (IFRIC)-Int 23	Uncertainty over Income Tax Treatments

The Group had to change its accounting policies as a result of adopting HKFRS 16. The Group elected to adopt the new rules retrospectively but recognized the cumulative effect of initially applying the new standard on 1 January 2019. Most of the other amendments listed above did not have any impact on the amounts recognized in prior periods and are not expected to significantly affect the current or future periods.

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

Certain new and amended accounting standards have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the Group.

		Effective for annual periods beginning on or after
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting	1 January 2020
HKAS 1 and HKAS 8 (Amendments)	Definition of Material	1 January 2020
HKFRS 3 (Amendments)	Definition of A Business	1 January 2020
HKFRS 17	Insurance Contracts	1 January 2021
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

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

3. CHANGE OF ACCOUNTING POLICIES

This note explains the impact of the adoption of HKFRS 16 Leases on the Group's financial statements. The Group has adopted HKFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognized in the opening consolidated statement of financial position on 1 January 2019.

On adoption of HKFRS 16, the Group recognized lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 6.17%.

(a) Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- reliance on previous assessments on whether leases are onerous
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases, and
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*.

(b) Measurement of lease liabilities

	2019
	US$'000
Operating lease commitments disclosed as at 31 December 2018	23,041
Discounted using the lessee's incremental borrowing rate of at the date of initial application	(7,093)
Less: short-term and low-value leases recognized on a straight-line basis as expense	(2,054)
Lease liabilities recognized as at 1 January 2019	13,894
Current lease liabilities	2,864
Non-current lease liabilities	11,030
	13,894

(c) Measurement of right-of-use assets

The associated right-of-use assets for land and properties were measured on a retrospective basis as if the new rules had always been applied. Other right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease payments relating to the lease payments relating to the lease recognized in the consolidated statement of financial position as at 31 December 2018.

(d) Adjustments recognized in the consolidated statement of financial position on 1 January 2019

The change in accounting policy mainly affected the following items in the consolidated statement of financial position on 1 January 2019:

- Right-of-use assets — increase by US$17,279,000
- Land use rights — decrease by US$5,628,000
- Current lease liabilities — increase by US$2,864,000
- Non-current lease liabilities — increase by US$11,030,000
- Current other payables — decrease by US$13,000
- Non-current other payables — decrease by US$688,000
- Current prepayment — decrease by US$63,000
- Non-current prepayment — decrease by US$915,000

The net impact on retained earnings on 1 January 2019 was a decrease of US$2,520,000. The impact on disclosure of segment and earnings per share are not significant.

(e) Lessor accounting

The Group did not need to make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of HKFRS 16.

4. SEGMENT INFORMATION

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

The executive directors have been identified as the chief operating decision-maker. The executive directors have determined the operating segments based on the reports reviewed by them that are used to make strategic decisions. The executive directors exclude certain one-off items that might not occur regularly and which introduce volatility into the results of the segment. Certain comparative figures in segment information have been restated to conform to current year presentation.

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 2019 and 2018 is as follows:

	Apparel *US$'000*	Accessories *US$'000*	Total *US$'000*
For the year ended 31 December 2019			
Revenue (from external customers)	**513,156**	**456,633**	**969,789**
Timing of revenue recognition			
At a point in time	**513,156**	**454,495**	**967,651**
Over time	—	**2,138**	**2,138**
	513,156	**456,633**	**969,789**
Segment profit for the year	**15,172**	**10,553**	**25,725**
Profit for the year includes:			
Depreciation and amortization	**(9,517)**	**(12,823)**	**(22,340)**
Provision for loss allowances of trade and bills receivables	**(332)**	**(9)**	**(341)**
Provision for inventory obsolescence	**(1,207)**	**(540)**	**(1,747)**
Reversal of provision for material claims	**1,080**	—	**1,080**
Share of losses of joint ventures	**(44)**	—	**(44)**
Finance income	**554**	**53**	**607**
Finance costs	**(3,943)**	**(3,234)**	**(7,177)**
Income tax expense	**(670)**	**(2,492)**	**(3,162)**

	Apparel *US$'000* (Restated)	Accessories *US$'000*	Total *US$'000* (Restated)
For the year ended 31 December 2018			
Revenue (from external customers)	530,958	320,042	851,000
Timing of revenue recognition			
At a point in time	530,958	318,795	849,753
Over time	—	1,247	1,247
	530,958	320,042	851,000
Segment profit for the year	11,437	19,163	30,600
Profit for the year includes:			
Depreciation and amortization	(7,801)	(4,808)	(12,609)
Reversal of/(provision for) loss allowances of trade and bills receivables	37	(20)	17
Reversal of provision for/(provision for) material claims	4,512	(386)	4,126
Provision for inventory obsolescence	(381)	(1,369)	(1,750)
Reversal of impairment of property, plant and equipment	10	—	10
Share of losses of joint ventures	(3,635)	—	(3,635)
Finance income	436	127	563
Finance costs	(2,918)	(703)	(3,621)
Income tax (expense)/credit	(10,066)	58	(10,008)

Revenue 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:

	2019 ***US$'000***	2018 *US$'000* (Restated)
Segment profit for the year	**25,725**	30,600
Corporate expenses *(Note i)*	**(10,191)**	(10,798)
One off items *(Note ii)*	**9,631**	3,501
Profit for the year	**25,165**	23,303

Notes:

(i) Corporate expenses represent general corporate expenses such as executive salaries and other unallocated general and administrative expenses.

(ii) For the year ended 31 December 2019, one-off items represent gain on disposal of subsidiaries and termination expenses (2018: gain on disposal of a joint venture).

	2019	2018
	US$'000	*US$'000*
Analysis of revenue by category		
Sales of garment, textile products and accessories	**962,219**	842,557
Others	**7,570**	8,443
Total revenue	**969,789**	851,000

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

	2019	2018
	US$'000	*US$'000*
Analysis of revenue by geographical location		
United States	**582,099**	438,862
Europe	**144,564**	184,442
PRC (including Hong Kong and Macao)	**104,731**	106,451
Canada	**35,764**	28,237
Singapore	**28,577**	3,409
Japan	**25,770**	33,515
Others	**48,284**	56,084
	969,789	851,000

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

For the year ended 31 December 2019, revenue of approximately US$204,009,000, US$145,011,000, US$126,188,000 and US$122,000,000 are derived from four single external customers whose sales account for more than 10% of the total year revenue. For the year ended 31 December 2018, revenue of approximately US$142,856,000, US$136,633,000, US$97,112,000 and US$90,499,000 are derived from four single external customers whose sales account for more than 10% of the total year revenue. These revenues are attributable to the segments of apparel and accessories.

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

	2019	2018
	US$'000	*US$'000*
Analysis of non-current assets by geographical location		
PRC (including Hong Kong and Macao)	**91,023**	77,534
Philippines	**40,394**	22,527
Cambodia	**43,556**	41,844
Thailand	**3,215**	1,859
Myanmar	**25,575**	25,550
Vietnam	**3,545**	3,461
Others	**5,471**	4,089
	212,779	176,864

As a practical expedient, no disclosure was made for the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) as at 31 December 2019 (2018: same), because such performance obligations are part of contracts having an original expected duration of one year or less.

5. OTHER GAINS — NET

	2019	2018
	US$'000	*US$'000*
Fair value losses on derivative financial instruments		
— net losses on forward foreign exchange contracts	**(19)**	—
Net gains on forward foreign exchange contracts	**133**	173
Net foreign exchange gains	**917**	2,027
Gain on disposal of subsidiaries	**13,402**	—
Loss from fair value remeasurement of contingent consideration of acquisition of subsidiaries	**(500)**	—
Gain on disposal of a joint venture	**—**	3,501
	13,933	5,701

6. OPERATING PROFIT

	2019	2018
	US$'000	*US$'000*
Employee benefit expenses	**263,974**	216,800
Losses/(gains) on disposals of property, plant and equipment — net	**416**	(29)
Amortization of land use rights	**—**	146
Amortization of intangible assets	**716**	360
Depreciation of property, plant and equipment	**16,291**	11,773
Depreciation of right-of-use assets	**4,895**	—
Reversal of impairment of property, plant and equipment	**—**	(10)
Depreciation and amortization of investment properties	**438**	330
Loss allowances/(reversal of loss allowances) of trade and bills receivables	**341**	(17)
Reversal of provision for material claims	**(1,080)**	(4,126)
Provision for inventory obsolescence	**1,747**	1,750

7. FINANCE COSTS — NET

	2019	2018
	US$'000	*US$'000*
Interest expense on lease liabilities	**(1,539)**	—
Interest expense on bank borrowings	**(5,619)**	(3,621)
Interest expense on consideration payable	**(54)**	—
Finance costs	**(7,212)**	(3,621)
Interest income from bank deposits	**441**	429
Other interest income	**166**	134
Finance income	**607**	563
Finance costs — net	**(6,605)**	(3,058)

8. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 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.

On 21 March 2018, the Hong Kong Legislative Council passed the Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2,000,000 of profits of qualifying corporation will be taxed at 8.25%, and profits above HK$2,000,000 will be taxed at 16.5%. For the year ended 31 December 2019, only one subsidiary of the Group is entitled to this tax benefit. The profits of other Group entities incorporated in Hong Kong not qualifying for the two-tiered profit tax regime are continued to be taxed at the flat rate of 16.5%.

	2019	2018
	US$'000	*US$'000*
Current income tax	**3,883**	3,087
(Over)/under-provision in prior years	**(13)**	7,634
Deferred income tax	**(708)**	(713)
Income tax expense	**3,162**	10,008

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. A Macao incorporated subsidiary also reached a case settlement with the IRD during the year.

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 2013/14 on the basis of no 50:50 apportionment for 2000/01 to 2011/12 and no 100% offshore profit for 2012/13 and 2013/14 with the amount of US$3,810,000. The subsidiary has lodged objections against the above assessments for 2000/01 to 2013/14 by the statutory deadlines. Pending settlement of the objections, it has paid a total sum of US$3,663,000 in the form of tax reserve certificates in respect of the tax in dispute up to and including the year of assessment 2012/13.

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.

In respect of the Macao incorporated subsidiary, it has submitted a settlement proposal to the IRD to offer the trading profits for the years of assessment 2005/06 to 2009/10 as taxable in December 2018. Meanwhile the trading profits thereafter up to and including the year of assessment 2017/18 will not be subject to profits tax in Hong Kong. Accordingly, a provision of income tax liabilities in relation to the proposal of US$7,587,000 was made in respect of the years of assessment 2005/06 to 2009/10 as at 31 December 2018. The proposal was prepared on a without prejudice basis solely to expedite the progress and achieve full settlement. It shall not be construed as an admission of liability or wrongdoing of the Macao incorporated subsidiary or any other subsidiaries of the Company. The settlement proposal was accepted by IRD in April 2019 with a final tax and interest payable of US$7,578,000. It has fully settled the tax liabilities.

(ii) During the years ended 31 December 2019 and 2018, an overseas tax authority performed tax assessments on overseas incorporated subsidiaries' tax position for the years ended 31 December 2016, 2017 and 2018 and certain periods during the years ended 31 December 2016, 2017, 2018 and 2019, and issued tax assessments/revised tax assessments to demand additional tax payment of US$545,000. 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 as at 31 December 2019 is adequate.

(iii) The Group has contingent liabilities regarding potential exposures to import duties, taxes and penalties in various overseas countries with aggregated amounts of approximately US$11,141,000 (2018: US$5,504,000). Management considers it is not probable that outflows of resources embodying economic benefits would be required to settle these exposures and no provision is considered necessary.

Among the above-mentioned contingent liability, US$5,504,000 was recognized upon business combination of Universal Group. Pursuant to the agreement for sale and purchase of the shares in Universal Elite Holdings Limited (the "Agreement"), such taxation claim in relation to periods prior to October 2018 will be indemnified entirely by the sellers of the Agreement. Accordingly, the Group has also recognized an indemnification asset US$5,504,000.

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.

	2019	2018
Profit attributable to owners of the Company *(US$'000)*	**25,165**	23,303
Weighted average number of ordinary shares in issue *(thousands)*	**1,034,113**	1,034,113
Basic earnings per share *(US cents per share)*	**2.4**	2.3

(b) Diluted

Diluted earnings per share for the years ended 31 December 2019 and 2018 is the same as the basic earnings per share as there were no potential dilutive ordinary shares outstanding during the years.

10. DIVIDENDS

(a) Dividend recognized as distribution during the reporting period

	2019	2018
	US$'000	*US$'000*
Interim dividend paid of US0.190 cent or equivalent to HK1.49 cents (2018: US0.262 cent) per ordinary share	**1,965**	2,709
Final dividend of US0.414 cent or equivalent to HK3.24 cents (2017: US0.747 cent) per ordinary share for the year ended 31 December 2018	**4,281**	7,724
	6,246	10,433

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

At a meeting held on 27 March 2020, the Board does not recommend a final dividend.

	2019	2018
	US$'000	*US$'000*
Proposed final dividend of Nil cent (2018: US0.414 cent) per ordinary share	**—**	4,281

11. TRADE AND OTHER RECEIVABLES

	2019	2018
	US$'000	*US$'000*
Current portion		
Trade and bills receivables	**129,049**	126,802
Less: loss allowances	**(398)**	(113)
Trade and bills receivables — net	**128,651**	126,689
Deposits, prepayments and other receivables	**24,366**	28,575
Amounts due from related parties	**5,190**	5,464
	158,207	160,728

	2019	2018
	US$'000	*US$'000*
Non-current portion		
Prepayments for purchases of property, plant and equipment	**285**	365
Deposits	**2,405**	1,647
Prepayment for acquisition of a subsidiary	**4,365**	—
Others	**776**	1,800
	7,831	3,812

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

	2019	2018
	US$'000	*US$'000*
0 to 30 days	**102,414**	75,015
31 to 60 days	**18,226**	30,786
61 to 90 days	**6,213**	10,581
91 to 120 days	**1,202**	4,158
Over 120 days	**994**	6,262
	129,049	126,802

12. TRADE AND OTHER PAYABLES

	2019	2018
	US$'000	*US$'000*
Trade and bills payables	**60,769**	75,730
Contract liability	**99**	400
Other payables and accruals	**58,331**	63,546
Amounts due to related parties	**1,720**	3,468
	120,919	143,144
Less: Non-current	**—**	(688)
Trade and other payables, current	**120,919**	142,456

At 31 December 2019 and 2018, the ageing analysis of the trade and bills payables based on invoice date is as follows:

	2019	2018
	US$'000	*US$'000*
0 to 30 days	**48,991**	63,284
31 to 60 days	**7,210**	7,694
61 to 90 days	**2,983**	2,441
Over 90 days	**1,585**	2,311
	60,769	75,730

13. OTHER RESERVES

	Capital reserve	Other capital reserves	Employment benefits reserve	Exchange reserve	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
At 1 January 2018	7,891	(4,466)	1,144	(3,341)	1,228
Currency translation differences	—	—	(32)	(2,849)	(2,881)
Actuarial gains on retirement benefit obligations	—	—	3,681	—	3,681
At 31 December 2018	7,891	(4,466)	4,793	(6,190)	2,028
At 1 January 2019	**7,891**	**(4,466)**	**4,793**	**(6,190)**	**2,028**
Currency translation differences	**—**	**—**	**317**	**1,168**	**1,485**
Actuarial losses on retirement benefit obligations	**—**	**—**	**(2,470)**	**—**	**(2,470)**
Disposal of subsidiaries	**—**	**1,671**	**—**	**—**	**1,671**
Exchange reserve released upon disposal of subsidiaries	**—**	**—**	**—**	**(708)**	**(708)**
At 31 December 2019	**7,891**	**(2,795)**	**2,640**	**(5,730)**	**2,006**

14. EVENTS AFTER THE REPORTING PERIOD

(a) On 3 October 2019, Eastern City Industries Limited, a wholly-owned subsidiary of the Company, entered into an agreement with Wei Chiu-Yen and Wang Feng-Te and Mingtex Fashion Company Limited to acquire 100% issued shares of the JCK (Myanmar) International Company Limited ("JCK"), a company incorporated in the Myanmar, and the Advance Share Capital of JCK, at a consideration of US$4,850,000. A part payment of consideration of US$4,365,000 was paid during the year ended 31 December 2019.

The transaction was completed on 22 January 2020, upon which JCK becomes a wholly-owned subsidiary of the Company.

(b) On 6 November 2019, On Time International Limited ("On Time"), a wholly-owned subsidiary of the Company, Narendra Goenka, Neeraj Goenka, Arunkumar S. Goenka and Shailesh S. Goenka (the "Indian Parties"), Texport Industries Private Limited ("Texport"), a company incorporated in India, and Unit 15 Apparels LLP, a limited liability partnership incorporated in the India, entered into an agreement. The agreement relates to the investment of On Time and the Indian Parties into Unit 15 Apparels LLP and the operation of Unit 15 Apparels LLP. Unit 15 Apparels LLP will carry out the business of manufacturing garments for customers in India and foreign markets and to service order from customers.

    On Time invested approximately US$2,755,000 in Unit 15 Apparels LLP, holding 51% of the issued shares of the company. The transaction was completed on 1 February 2020, upon which Unit 15 Apparels LLP becomes a non-wholly-owned subsidiary of the Company.

    On 6 November 2019, Unit 15 Apparels LLP entered an asset transfer agreement with Texport to acquire land, factory and certain plant and equipment from Texport with a consideration of US$4,997,000. The transaction was completed on 1 February 2020.

(c) After the outbreak of Coronavirus Disease 2019 ("COVID-19 outbreak") in early 2020, a series of precautionary and control measures have been and continued to be implemented across the region. The Group will pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Group. As at the date on which this set of financial statements were authorized for issue, the Group was not aware of any material adverse effects on the financial statements as a result of the COVID-19 outbreak.

MANAGEMENT DISCUSSION & ANALYSIS

Result Review

Looking back at 2019, the global economy recorded the lowest annual growth rate since 2009 recession. Uncertainties arising from trade friction between the United States of America ("USA") and the People's Republic of China ("PRC"), political instability such as Brexit and social unrest in France have brought negative impact on the global consumption value chain. Apart from the mentioned uncertainties, the manufacturing cost pressure continued to increase due to escalating raw materials prices and ongoing rise in workers' minimum wage and benefits.

For the year ended 31 December 2019, revenue of the Group amounted to approximately US$969,789,000, representing an increase of approximately 14.0%. The increase was mainly attributable to revenue brought in from the newly acquired bags and small leather goods manufacturing business, the Universal Group. The Group's gross profit increased to approximately US$142,174,000, representing an increase of approximately 11.6% which is in line with the increase in revenue. Notwithstanding the growth in revenue for the year under review, the gross margin of the Group dropped slightly from 15.0% to 14.7%.

The profit attributable to owners of the Company ("Net Profit") increased from approximately US$23,303,000 to approximately US$25,165,000, representing a year-on-year increase of approximately 8.0%. However, excluding a non-recurring gain on the disposal of all equity interest in Desk Top Bags (Mfg) Ltd ("Desktop") of approximately US$13,402,000, the Net Profit decreased by approximately 49.5% to approximately US$11,763,000. The decrease in Net Profit was mainly due to the increase in general and administrative expenses and the finance costs. Such increase in general and administrative expenses and finance costs is mainly due to the consolidation of the full year expenses of the Universal Group. Performance of the Group's business is covered in more detail under the "Segmental Review" section below.

Segmental Review

Apparel and Accessories businesses were the two revenue streams of the Group, which accounted for approximately 52.9% and 47.1% respectively of the Group's total revenue for the year under review.

Apparel

For the year of 2019, revenue generated from the Apparel Division was approximately US$513,156,000. As compared to 2018, the revenue of the Apparel Division decreased slightly by approximately US$17,802,000 or 3.4%. The slight drop in revenue was mainly due to the negative impact of the trade war between the USA and China and the change of sourcing strategies of certain customers.

The segment profit of the Apparel Division amounted to approximately US$15,172,000, representing an increase of approximately US$3,735,000 as compared to the previous year. However, excluding the one-off provision of tax settlement which amounted to approximately US$7,587,000 in 2018, the segment profit showed a decrease of US$3,852,000. Such decrease in profit was due not only to the decrease in segment revenue but also the strategic change in the Group's product mix. While such change has an impact in our segment profit in the short term, we believe it will provide a solid foundation for the Group to sustain its apparel business in the long run.

Accessories

The revenue of the Accessories Division contributed to the Group during the year increased substantially by approximately 42.7% which amounted to approximately US$456,633,000. The remarkable growth in the segment revenue was mainly attributable to consolidation of the full-year revenue of the Universal Group whereas only two months revenue was consolidated in last year. Notwithstanding substantial growth in the segment revenue, the Accessories Division recorded a decrease in segment profit by approximately 44.9% which amounted to approximately US$10,553,000, this was mainly due to (i) one-off expenses relating to closure of a factory in Guangdong Province of the PRC owned by Desktop which has been disposed of by the Group in December 2019 as mentioned under the section "Acquisition, Joint Venture and Disposal" below; (ii) the increase in finance cost for higher level of utilization in trade finance facilities; and (iii) higher depreciation charge as a result of more investment in production related facilities.

Markets

Consistent with the Group's geographical market distribution for the year ended 31 December 2018, the USA, Europe and Asia (mainly the PRC, Singapore and Japan) remained as our top three markets for the year under review. The revenue derived from customers in the USA, Europe and Asia market accounted for 60.0%, 14.9% and 16.4% respectively of the total revenue of the Group for the year ended 31 December 2019.

Acquisition, Joint Venture and Disposal

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:

The Board believes that the demand for the Group's accessories products in the future will remain strong, and hence it is essential for the Group to increase its production capacity. On 3 October 2019, Eastern City Industries Limited, a wholly-owned subsidiary of the Company, entered into a Sale and Purchase Agreement ("SPA") with certain independent third parties to acquire the entire interest of JCK (Myanmar) International Company Limited ("Acquisition") which is the beneficial owner of a parcel of land located in Myanmar together with a factory erected thereon. Upon completion of the Acquisition in January 2020, JCK (Myanmar) International Company Limited became an indirect wholly-owned subsidiary of the Company.

The Group considers the Acquisition beneficial to the Group, instead of construction of new production facilities, the Group can increase its production capacity in a shorter period of time through the Acquisition. Details of the SPA and the Acquisition contemplated thereunder have been disclosed in the announcement of the Company dated 3 October 2019.

On 6 November 2019, On Time International Limited (a wholly-owned subsidiary of the Company) ("On Time"), four individual Indians ("Indian Parties"), Texport Industries Private Limited ("Texport") and Unit 15 Apparels LLP ("JV Company") entered into a joint venture agreement ("JV Agreement") in relation to the investment in the JV Company. Pursuant to the JV Agreement, On Time will invest INR193,800,000 (equivalent to approximately HK$21,486,000) into the JV Company and the Indian Parties will invest in aggregate INR186,200,000 (equivalent to approximately HK$20,643,000) into the JV Company. Upon completion of investment in the JV Company, the JV Company will be held as to 51% of partnership interest by On Time and 49% partnership interest by the Indian Parties in aggregate respectively. The JV Company became a non-wholly owned subsidiary of the Company as at 1 February 2020.

Simultaneously to the execution of the JV Agreement, the JV Company and Texport entered into an asset transfer agreement ("Asset Transfer Agreement"). Pursuant to the Asset Transfer Agreement, the JV Company shall pay a sum of approximately INR 351,600,000 (equivalent to approximately HK$38,980,000) in cash to Texport at completion of the JV Agreement for acquisition of certain assets as stipulated in the Asset Transfer Agreement. The completion of the JV Agreement and Asset Transfer Agreement has taken place on 1 February 2020.

The Board considers that the investment into the JV Company will enable the Group to further diversify its production bases and broaden its income stream. Furthermore, by partnering with the Indian Parties, the Group can benefit from the Indian Parties' extensive experience and resources in the garment manufacturing industry in the India.

Details of the JV Agreement and the Asset Transfer Agreement and the transactions contemplated thereunder have been disclosed in the announcement of the Company dated 6 November 2019.

On 13 December 2019, Trinew Limited ("Seller"), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement ("Disposal Agreement") with SPRING EASE LIMITED ("Purchaser"). Pursuant to the Disposal Agreement, the Seller will dispose of all of equity interest in Desktop to the Purchaser at a consideration of RMB27,920,000 and the Purchaser will simultaneously repay the loan owing by Desktop and its subsidiaries to the Group of approximately RMB142,400,000.

The Disposal provides an opportunity for the Group to realize cash flow and reduce the Group's debt ratio (defined as total liabilities over total assets) as a result of the proceeds from the Disposal. With a healthier financial position, the Group is able to focus its existing resources to develop new production capabilities in diversified geographical locations. The Disposal was completed on 18 December 2019.

Details of the Disposal Agreement and the transactions contemplated thereunder have been disclosed in the announcements of the Company dated 13 December 2019 and the circular dated 20 January 2020.

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

Looking forward, though the USA and the PRC reached a phase one trade deal, the trade relations and economic have eased to a certain extent, the global economy continues to encounter headwind and uncertainties such as geo-political tensions and escalated trade frictions etc. The emergence of the novel coronavirus COVID19 has created further volatility and uncertainties to the global economy. The aforementioned factors will likely affect the consumer demand and expenditure and a more fierce competition in the OEM industry is expected. Hence, the year ahead will be extremely difficult with the aforementioned factors pressuring on our business.

In view of such challenging business environment, the Group will closely monitor the changing and complicated business landscape and adopt a flexible strategy to cope with this situation. The Group will continue to strengthen its ability to meet the diversified requirements of the customers, and leveraging our expertise and extensive experience in the manufacturing, research and development of apparel and accessories products.

Through the adoption of the strategy of "growth together with customers", the Group has fostered a long term and strategic relationships with many existing customers. With solid support from our existing customers, we are also intensifying efforts in prospecting opportunities from more potential customers.

In addition, the Group will increase the business synergy between its controlling shareholder to gain market share from the PRC, which can enable the Group to mitigate the concentration risk and access to a wide span of market.

On the cost front, the Group will continue to invest in automated productions and streamline the manufacturing procedures further to improve the production efficiency. The Group will also continue to expand its production footprint in the Southeast Asian countries, in order to sustain the competitiveness and profitability of the Group.

Contingent Liabilities

As at 31 December 2019, the Group has contingent liabilities regarding potential exposure to overseas import duties, taxes and penalties in various overseas countries with aggregated amounts of approximately US$11,141,000 (2018: US$5,504,000). Management considers it is not probable that outflows of resources embodying economic benefits would be required to settle these exposures and no provision is considered necessary. Among the above-mentioned contingent liability, US$5,504,000 was recognized upon business combination of Universal Group. Pursuant to the agreement for sale and purchase of the shares in Universal Elite Holdings Limited (the "Agreement"), such taxation claim in relation to periods prior to October 2018 will be indemnified entirely by the sellers of the Agreement. Accordingly, the Group has also recognized an indemnification asset US$5,504,000.

Human Resources and Corporate Social Responsibility

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

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

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

Liquidity and Financial Resources

As at 31 December 2019, the total amount of cash and bank deposits of the Group was approximately US$82,973,000, representing a decrease of approximately US$651,000 as compared to that as at 31 December 2018. The Group's total bank borrowings as at 31 December 2019 was approximately US$167,127,000, representing an increase of approximately US$19,784,000 as compared to that as at 31 December 2018.

As at 31 December 2019, based on the scheduled repayments set out in the relevant loan agreements with banks, the maturity profile of the Group's bank borrowings spread over five years with approximately US$131,927,000 repayable within one year, approximately US$14,600,000 repayable in the second year and approximately US$20,600,000 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 2019, the gearing ratio of the Group was approximately 38.5%.

Foreign Exchange Risk Management

The Group adopts a prudent policy to hedge against the fluctuations in exchange rates. Most of the Group's operating activities are denominated in US dollar, Euro, Hong Kong dollar, Vietnam Dong, Cambodian Riel, Chinese Yuan, Burmese Kyat, Thailand Baht 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 2019.

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 2019 annual report.

Throughout the year ended 31 December 2019, the Company has complied with all applicable code provisions of the Corporate Governance Code (the "CG Code") as set out in the Appendix 14 of the Listing Rules.

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 principal duties of the Audit Committee include review and supervision of the financial process. It also reviews the effectiveness of internal audit, risk evaluation, internal controls and the interim and annual result of the Group.

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 2019 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 US0.190 cent per share was paid to the shareholders during the year and the Board does not recommend the payment of a final dividend for the year ended 31 December 2019 (2018: US0.414 cent).

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 25 May 2020 to 28 May 2020 (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 2020.

PUBLIC FLOAT

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

PUBLICATION OF FINAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The Company's annual results announcement is published on the website of the 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 2019 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, 27 March 2020

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 *(Chief Executive Officer)*
Qu Zhiming
Huang Jie

Non-executive Director:
Mok Siu Wan, Anne

Independent non-executive Directors:
Chan Henry
Seing Nea Yie
Wang Ching