Luenthai

Luen Thai Holdings Limited

聯 泰 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability) (Stock Code: 311)

ANNUAL REPORT 2016

CONTENTS

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

SHEN Yaoqing, *Chairman*
(appointed on 15 February 2017)
TAN Siu Lin
TAN Henry, *Chief Executive Officer*
(resigned on 15 February 2017)
TAN Cho Lung Raymond
Qu Zhiming *(appointed on 15 February 2017)*
MOK Siu Wan Anne

NON-EXECUTIVE DIRECTORS

HAUNG Jie *(appointed on 15 February 2017)*
TAN Willie *(resigned on 15 February 2017)*
LU Chin Chu *(resigned on 15 February 2017)*

INDEPENDENT NON-EXECUTIVE DIRECTORS

CHAN Henry
CHEUNG Siu Kee
SEING Nea Yie

CHIEF FINANCIAL OFFICER

TAN Sunny

COMPANY SECRETARY

CHIU Chi Cheung

REGISTERED OFFICE

Cricket Square, Hutchins Drive,
P.O. Box 2681, Grand Cayman,
KY1-1111, Cayman Islands

PRINCIPAL PLACE OF BUSINESS

5/F, Nanyang Plaza
57 Hung To Road
Kwun Tong, Kowloon
Hong Kong

WEBSITE

http://www.luenthai.com

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive,
P.O. Box 2681, Grand Cayman,
KY1-1111, Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712–1716
17th Floor, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Citibank, N.A.
Hang Seng Bank Limited
Standard Chartered Bank (Hong Kong) Limited
The Bank of East Asia, Limited
The Hongkong and Shanghai
Banking Corporation Limited

AUDITORS

PricewaterhouseCoopers
Certified Public Accountants
22nd Floor, Prince's Building
Central, Hong Kong

LEGAL ADVISORS

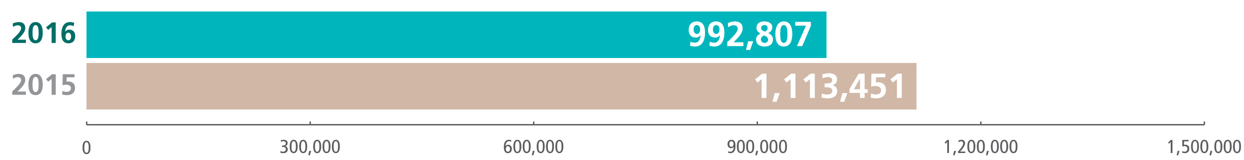
Deacons
5th Floor, Alexandra House
18 Chater Road
Central, Hong Kong

KEY FINANCIAL HIGHLIGHTS

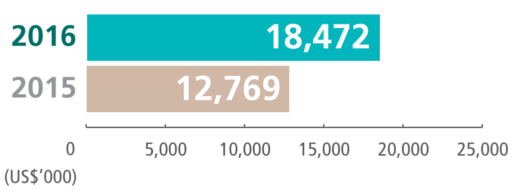
	2016 US$'000	2015 US$'000 (Restated)
Revenue		
— Continuing operations	**908,765**	1,047,286
— Discontinued operations	**84,042**	66,165
Gross Profit		
— Continuing operations	**141,780**	146,019
— Discontinued operations	**28,724**	24,118
Operating Profit/(loss)		
— Continuing operations	**14,910**	21,957
— Discontinued operations	**(9,074)**	(5,086)
Profit Attributable to Owners of the Company	**18,472**	12,769
(including continuing and discontinued operations)		
As a percentage of revenue	**1.9%**	1.1%
Basic Earnings Per Share	**US1.8 cents**	US1.2 cents
Dividend Per Share		
— Final	**US0.254 cent**	US0.157 cent
— Interim	**US0.485 cent**	US0.213 cent
Capital and Reserves		
Attributable to the owners of the Company	**277,888**	380,640

REVENUE (US$'000)

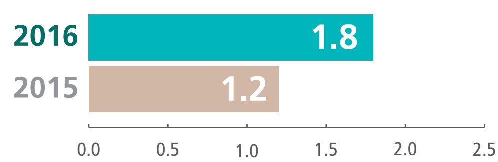
(including continuing and discontinued operations)



PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY



EARNINGS PER SHARE US CENT



WORLD'S LEADING CONSUMER GOODS SUPPLY CHAIN GROUP

Luen Thai Holdings Limited (Luen Thai) is a global industry consolidator and multi-product expert in apparel and accessories. Luen Thai has strategic partnerships with diverse and leading global brands. The main products of Luen Thai are casual and fashion apparel, sweaters and accessories which are produced in well established manufacturing operations in strategic locations in Asia such as China, the Philippines, Cambodia, Vietnam and Indonesia.

OVERVIEW

It is my pleasure to present my first annual report to shareholders as chairman of Luen Thai Holdings Limited ("Luen Thai" or "Company", and together with its subsidiaries, the "Group") after Shangtex (Hong Kong) Limited became the major shareholder of the Company.

For the year ended 31 December 2016, our manufacturing business remained tough due to weak consumer sentiment caused by the sluggish global economy. The total revenue of the Group (including continuing and discontinued operations) decreased by about 10.8% to approximately US$992,807,000. The profit attributable to owners of the Company ("Net Profit") for the year under review recorded a year-on-year increase by about 44.7% to approximately US$18,472,000. Details of the results of the Company and the Group are set out in the "Management Discussion and Analysis" section of this Annual Report.

STRATEGIC DIRECTIONS

Synergy

Shangtex (Hong Kong) Limited is an indirect wholly-owned subsidiary of Shangtex Holding Co., Ltd. ("Shangtex") which has a leading textile manufacturing and trading business in China. Shangtex is committed to building a leading global supply chain for textile and apparel products. Its strategy is to gain customers in the developed market in Europe and the USA and to acquire quality manufacturing capability.

I expect that Shangtex's strong capability in fabric sourcing and development will significantly complement the Company's strong design, development and manufacturing capabilities. In addition, with a strong network in China, Shangtex shall be able to facilitate Luen Thai's China-for-China business. I also perceive that Shangtex's lingerie business could also be in cooperation with Luen Thai's sleepwear manufacturing business going forward.

Strategic Disposal of Non-core Businesses

For Luen Thai, 2016 was a year of successful strategic transformation with a focus on its long-term sustainable growth. As of 31 December 2016, the Group had completed a disposal of all 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 (hereinafter "Non-core Businesses"), to the connected person of the Group for a total consideration of approximately US$110 million. As stated in the Company's announcement dated 2 January 2017, this disposal was supported by all of the voted independent shareholders.

Enhancing Value to Shareholders and Concentration on Core Business

The Group is devoted to creating value to its stakeholders. Since 2012, the Group had transformed to a conglomerate with various businesses including apparel and accessories manufacturing and those Non-core Businesses. The Board understood that the strategic disposal of the Non-core Businesses was not an easy path, but believes that it was an essential move of the Group to release the embedded value of the business of apparel and bags manufacturing. The disposal of the Non-core Businesses also offers an opportunity for the Company to streamline its business model and allows more financial and human resources to enhance the value of its core businesses.

DIVIDENDS

The Board distributed two special dividends in 2017, namely the disposal special dividend of HK82.0 cents per share and the offer special dividend of HK74.9 cents per share. The disposal special dividend was paid out of the proceeds from the disposal of Non-core Businesses and the offer special dividend was paid out of the excess cash of the Company.

The Board of Directors has resolved to declare a final dividend of US0.254 cent (or equivalent to HK1.97 cents) per share for the year ended 31 December 2016.

CORPORATE GOVERNANCE

The Group acknowledges the need and importance of corporate governance as one of the essential elements in enhancing shareholder value. The Group is devoted to improving its corporate governance policies in compliance with regulatory requirements and in accordance with international recommended practices. As at the date of this report, the Company has formed the Audit Committee, Remuneration Committee and Nomination Committee all at the Board of Directors' (the "Board") level, to provide assistance, advice and recommendations on the relevant matters that aim to ensure protection of the Group and the interest of the Company's shareholders as a whole.

APPRECIATION

On behalf of the Board, I would like to express my sincerest gratitude to my predecessor, Dr. Tan Siu Lin for his foresight and invaluable leadership as our Chairman of the Company since it was listed on the Stock Exchange of Hong Kong in 2004. I would also like to thank Dr. Tan Henry, Mr. Tan Willie and Mr. Lu Chin Chu for their invaluable guidance and contributions to the Company during their tenure on the Board as executive Director and non-executive Directors.

The Board welcomes Mr. Qu Zhiming and Mr. Huang Jie to the Board, and we look forward to leveraging their concrete experience, expertise and knowledge to help the Company grow further.

I would also like to express my sincere appreciation and gratitude to all our customers, suppliers and shareholders for their dedicated support. Also, I wish to take this opportunity to thank all our employees for their invaluable service, commitment and diligence throughout last year. Finally, I am grateful to my fellow Board members and the senior management for their efforts, counsel and dedication in realizing our strategies that sustain the growth of the Group.

SHEN Yaoqing
Chairman

Hong Kong, 28 March 2017

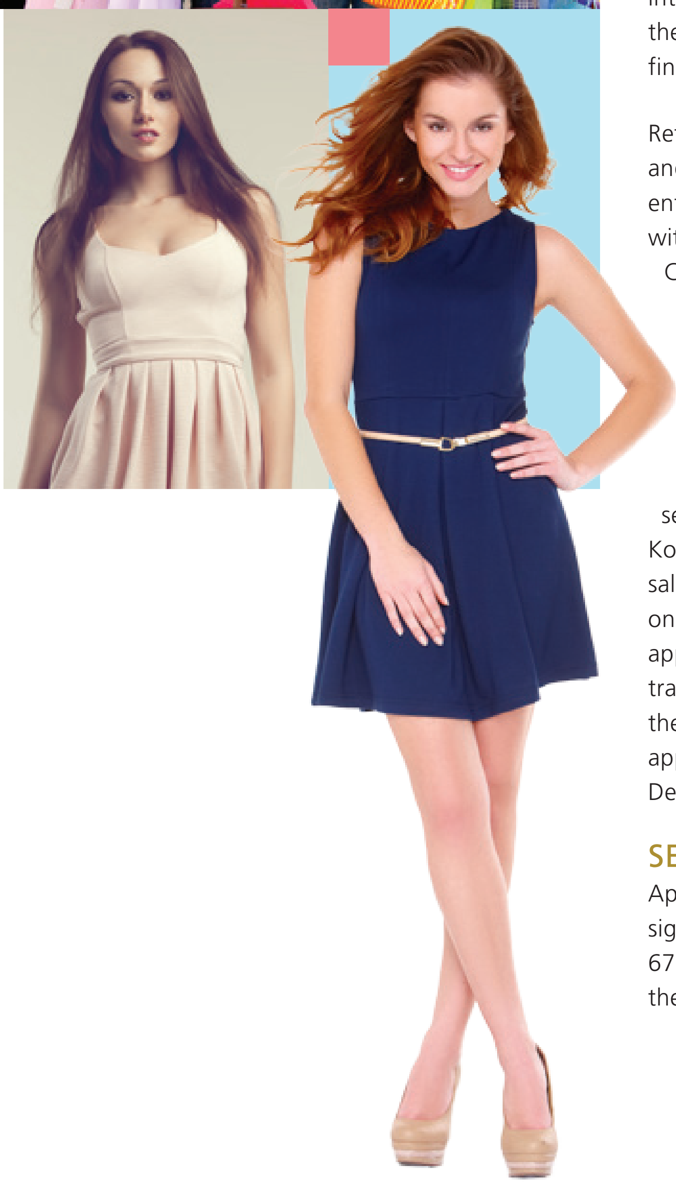
MANAGEMENT DISCUSSION AND ANALYSIS

RESULT REVIEW

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

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

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



(ii) the one-off gain on disposal of Non-core Businesses of approximately US$16,230,000. Excluding the discontinued operations and the one-off items, the Net Profit of the continuing operations should be approximately US$19,439,000.

The write-off of intangible asset was due to the elimination of certain non-profitable orders from one of our customers under the Casual and Fashion Apparel Division. In addition, there is also impairment loss and write-off of intangible assets under the Sweaters Division due to the unexpected deterioration in certain of the customers' performance. However, the Board believes that the business of Casual and Fashion Apparel Division and Sweaters Division remains relatively stable despite of the one-off non-cash expenses in relation to the impairment loss and write-off of the intangible assets. Details of the impairment loss and write-off of the intangible assets are set out in note 9 to the consolidated financial statements.

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

SEGMENTAL REVIEW

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

Continuing Operations

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

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

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

Discontinued Operations

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

(i) Retail sales and trading of apparels and accessories

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

(ii) Footwear manufacturing

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

(iii) *Logistics*

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

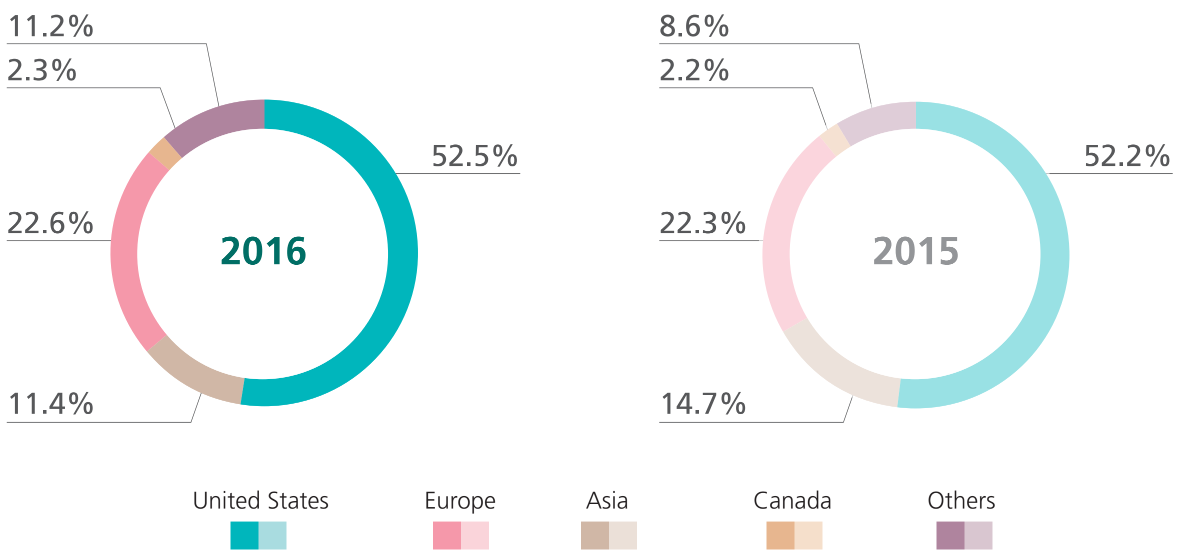
(iv) *Real Estate*

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

(v) *Disposal Properties*

For the year under review, the properties owned by the Disposal Group recorded an immaterial net loss of approximately US$63,000.

SALES BY GEOGRAPHICAL SEGMENT



MARKETS

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

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

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

ACQUISITIONS AND JOINT VENTURES

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

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

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

Vietnam is a member of The Association of Southeast Asian Nations (ASEAN) and fabrics made from Vietnam is considered as ASEAN Fabrics. Apparel products manufactured in certain ASEAN countries using ASEAN Fabrics are entitled to import duties saving into Japan and the European Union. With USA withdrawing from Trans-Pacific Partnership ("TPP"), there shall be less investment in fabric mills in Vietnam going forward leaving our investment in SLT more competitive in offering speed and cost advantage to our existing customers. The Board believes that through investment in SLT, the Group can gain not only additional market share with the ASEAN Fabrics but also enhance the Group's competitiveness for Japan market and offering much faster speed for the global brands. In addition, the strategic position of the Group was strengthened with such vertical setup as SLT shall provide synergistic effect with the Group's factories in Vietnam.

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

FUTURE PLANS AND PROSPECT

Trade Preference Update

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

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

Concentration on Core Business

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

Looking Ahead

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

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

The Board also believes that after the disposal of Non-core Businesses and focusing on its core businesses, the Company will become more stable in 2017 and gradually gaining momentum and moving towards a promising future. We will unceasingly search for various investments and business opportunities that fit in our new business strategy so that we can bring benefits to the Company for its sustainable growth and strive to increase the return of our shareholders.

INVESTOR RELATIONS AND COMMUNICATIONS

The Group acknowledges the importance of communication with our shareholders. The Group has a policy of proactively promoting investor relations through meetings with analysts and investors, and participation in investors' conferences, company interviews and manufacturing plant visits. The annual general meeting will be called by giving not less than 20 clear business days' notice and our Directors shall be available at the annual general meeting to answer questions on the Group's businesses.

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

CONTINGENT LIABILITIES

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

FINANCIAL RESULTS AND LIQUIDITY

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

As at 31 December 2016, based on the scheduled repayments set out in the relevant loan agreements with banks, the maturity profile of the Group's bank borrowings spread over two years with approximately US$39,684,000 repayable within one year, approximately US$30,500,000 repayable in the second year.

Gearing ratio of the Company is defined as the net debt (represented by bank borrowings net of cash and bank balances) divided by shareholders' equity. As at 31 December 2016, the Group is in a net cash position. Hence, no gearing ratio is presented.

FOREIGN EXCHANGE RISK MANAGEMENT

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

HUMAN RESOURCES AND CORPORATE SOCIAL RESPONSIBILITY

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

With over 30,000 employees around the world, Luen Thai continuously strives to foster open communications with employees through various channels. Under its employee care initiatives, Luen Thai has provided safe and enjoyable work and living environments, equitable compensation and benefit schemes, and opportunities for career growth through a variety of formal and informal learning and development programmes; and a strong corporate culture where employee' contributions are recognized and rewarded.

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

EXECUTIVE DIRECTORS

SHEN Yaoqing, aged 59, is the Chairman of the Board and the Chairman of the Nomination Committee. Mr. Shen is a senior economist who has been conferred a DBA degree by the Macau University of Science and Technology. Between 1997 and 2006, Mr. Shen assumed various positions, including executive deputy general manager, general manager and board chairman, at Shanghai Shenda (Group) Co., Ltd. (上海申達（集團）有限公司), a subsidiary of Shangtex Holding Co., Ltd. (上海紡織（集團）有限公司) Between May 2013 to May 2016, Mr. Shen acted as the director of Shanghai Shenda Co., Ltd (上海申達股份有限公司) (a company listed on the Shanghai Stock Exchange). Since October 2006, Mr. Shen has been acting as the vice president of Shangtex Holding Co., Ltd., taking charge of the group's entire trading business as well as the group's overseas expansion and resources management. Being a knowledgeable expert in the textile manufacturing industry with over 30 years of relevant business experience, Mr. Shen also has strategic vision and foresight regarding the operations management of sizeable groups, boasting an outstanding track record based upon extensive experience.

Dr. TAN Siu Lin, aged 86, is the founder of the Group. Dr. Tan is also the Chairman of the Peking University Luen Thai Center for Supply Chain System R&D (北京大學聯泰供應鏈系統研發中心), the PRC, and the Chairman of TSL School of Business and Information Technology in Quanzhou Normal University (泉州師範學院陳守仁工商信息學院). Dr. Tan is the Honorary President of The Hong Kong Baptist University Foundation and the Permanent Director of the Board of the Huaqiao University (華僑大學) as well as the honorable president of the Hong Kong General Chamber of Textiles Limited. He is also the Honorary Consul of the Federated States of Micronesia in HKSAR. Dr. Tan holds an honorary Doctoral of Laws degree from the University of Guam.

Dr. TAN Henry, BBS, JP, aged 63, is the Chief Executive Officer of the Company and son of Dr. TAN Siu Lin. Dr. Tan joined the Group in January 1985 and has over 32 years of experience in apparel and logistics industries. Dr. Tan acts as committee member of the Chinese People's Political Consultative Conference in Fujian (中國人民政治協商會議福建省委員會委員). Dr. Tan also acts as the honourable chairman of the Hong Kong General Chamber of Textiles Limited, vice chairman of Textile Council of Hong Kong Limited, member of Advisory Committee of Institute of Textiles & Clothing, The Hong Kong Polytechnic University and the council member of Huaqiao University. Dr. Tan is also the Court Member of the Hong Kong Polytechnic University (香港理工大學大學顧問委員會成員) and Honorary Member of the Court, Hong Kong Baptist University (香港浸會大學諮議會榮譽委員). Dr. Tan is the past Chairman of Po Leung Kuk, an authorized charity organization in Hong Kong. Dr. Tan holds a Master's degree in Business Administration and a Bachelor's degree in Business Administration, and he was conferred with the honorary degree of Doctor of Humane Letters from the University of Guam. Dr. Tan resigned as an executive Director with effect from 15 February 2017.

TAN Cho Lung, Raymond, aged 55, is the President of Luen Thai International Group Limited and son of Dr. Tan Siu Lin. Mr. Tan joined the Group in 1989 and has over 27 years of experience in the industry. Mr. Tan was the recipient of the Young Industrialist Award of Hong Kong and the DHL/SCMP Owner-Operator award for 2003. In August 2012, Mr. Tan was awarded "Outstanding Entrepreneurship Award" 2012, Hong Kong region. In 2013, Mr. Tan was also awarded "Capital Leader of Excellence 2012" and "Entrepreneur of the Year 2013" which were organized respectively by Capital Magazine and Capital Entrepreneur Magazine. Mr. Tan is a co-founder and chairman of Chelsea Foundation (Hong Kong) Limited and a board member of Tuloy Foundation in the Philippines. Mr. Tan graduated with a Bachelor's degree in Business Administration from the University of Guam.

QU, Zhiming, aged 60, is an executive Director and a member of the Remuneration Committee. Mr. Qu is a senior economist who has been conferred an MBA degree by the Asia International Open University (Macau). In 1997, Mr. Qu began to serve as the general manager and board chairman at sizeable import and export trading companies and home textiles companies (such positions held until 2007), by way of which he familiarized himself with the operations across the entire industry chain of the textile industry. Mr. Qu became the assistant to the president of Shangtex Holding Co., Ltd. (上海紡織（集團）有限公司) upon joining the group in July 2007, and has been acting as its deputy chief economist since February 2014. Currently, Mr. Qu also serves as the vice board chairman of Shangtex (Hong Kong) Limited (上海紡織（香港）有限公司), an executive director of Shanghai Textile Decoration (Group) Co., Limited (上海紡織裝飾有限公司) and the board chairman of Wiseknit Factory Limited (慧聯織造廠有限公司), and is mainly responsible for the operations management of the group's foreign trade enterprises as well as the management of its overseas mergers and acquisitions projects. As an industry expert, Mr. Qu has penetrating market insight in the textile industry.

MOK Siu Wan, Anne, aged 64, is the President and Chief Merchandizing Officer of Luen Thai International Group Limited and the President of the Tien Hu Group. Ms. Mok is an accomplished industry professional with years of experience in key executive and board member positions out of which over 20 years were spent holding various management positions within the Swire Pacific Group Companies. Ms. Mok also held senior management positions with other prominent organizations including Li & Fung Limited and the Pentland Group plc, a London based international group which develops and owns some leading brands in Sports and Fashion. Ms. Mok graduated with a Bachelor of Arts degree from the University of Hong Kong. She has also been sponsored to continue with her executive education by attending various management programmes and courses organized by Harvard University, Tsinghua University and INSEAD Euro-Asia Centre. Ms. Mok was a member of the Board of Governors for the American Chamber of Commerce in Hong Kong from 1998 to 2003 and the Chairman of the Textiles Committee for the American Chamber of Commerce in Hong Kong in 1996 and 1997. Ms. Mok joined the Group in 2003 and was appointed to the Luen Thai Holdings Board as an Executive Director in June 2005. In 2013, Ms. Mok was awarded "Outstanding Business Woman of the Year" by Capital Entrepreneur magazine. On behalf of GJM, one of Ms. Mok's operating companies, she was also the proud recipient of the Leadership Award 2013 presented by Ann Inc, in recognition of GJM's achievements in CSR initiatives and continuous commitment to improving women's health and welfare in the workplace.

NON-EXECUTIVE DIRECTOR

HUANG Jie, aged 51, is a non-executive Director and a member of the Audit Committee. Mr. Huang is an economist and international business engineer who graduated from the China Textile University with a Bachelor of Engineering degree (upon completion of a full-time programme) in 1986, and who obtained an MBA degree from the China Europe International Business School as an on-the-job postgraduate student in 1998. Immediately upon graduating from the university, Mr. Huang joined Shangtex Holding Co., Ltd and its subsidiaries ("Shangtex Group") and has been serving at a number of the Shangtex Group's subsidiaries, including acting as the deputy general manager of Shanghai Shenda Co., Ltd. (上海申達股份有限公司) (an A-share listed company under the Shangtex Group) between 1995 and 2000 and as the deputy general manager of Shanghai Dragon Corporation (上海龍頭（集團）股份有限公司) (another A-share listed company under the Shangtex Group) between 2001 and 2010, taking charge of import and export trading. Since January 2014, Mr. Huang has been acting as the executive general manager of the trading and internationalisation division of Shangtex Holding Co., Ltd. (上海紡織（集團）有限公司) alongside his position as the general manager of Shangtex (Hong Kong) Limited (上海紡織（香港）有限公司), taking charge of the transformation and upgrading of the group's foreign trade business as well as the business operations of its overseas companies. Mr. Huang has profound knowledge and understanding of the upstream and downstream operations of the textile industry, coupled with his experience in corporate governance and a remarkable capability of conducting domestic and foreign businesses.

TAN Willie, aged 61, is the Chief Executive Officer Luen Thai Enterprises Limited and Vice Chairman of Tan Holdings Corporation, the privately held businesses of the Tan Family. Under Luen Thai Enterprises, he oversees several group of companies including Luen Thai Retail Group, Luen Thai Fishing Ventures, Luen Thai Leisure Co. Ltd., Luen Thai Real Estate. He is the Chief Executive Officer of Skechers China Limited, Skechers Hong Kong Limited and Skechers Southeast Asia Limited. Mr. Tan is the son of Dr. Tan Siu Lin and joined the apparel division in 1985 and has held the positions of Executive Vice President and later on Chief Operating Officer prior to his appointment to lead the privately held businesses. Mr. Tan obtained his Bachelor's Degree in Business Administration from the University of Guam. He is currently the External Vice President of the Philippine-China Business Council, Chairman of the Confederation of Garment Exporters of the Philippines and was appointed Honorary Ambassador-at-Large for Guam, USA in 2007. In 2015, Mr. Tan was awarded the highest honors of The Order of Lakandula by the President of the Philippines. Mr. Tan resigned as a non-executive Director with effect from 15 February 2017.

LU Chin Chu, aged 63, is the executive director and the Chairman of the board of the Yue Yuen Industrial (Holdings) Limited, whose shares are listed on The Stock Exchange of Hong Kong Limited. Mr. Lu is also the General Manager of Pouchen Industrial Co., Ltd. and being in charge of Global Supply Chain Management. Additionally, he is currently a director of Pou Chen Corporation, San Fang Chemical Industry Co. Ltd. and Evermore Chemical Industry Co. Ltd., companies being listed on the Taiwan Stock Exchange in Taiwan. Mr. Lu also holds several directorships in certain private companies established in Taiwan, Hong Kong, mainland China, the United States, Bermuda and the British Virgin Islands, which are engaged primarily in investment holding, production and marketing of non-apparel products. Mr. Lu is an accomplished industry professional with over 38 years of experience in the manufacturing of footwear and related components. Mr. Lu joined the Group in 2007 and resigned as a non-executive Director with effect from 15 February 2017.

INDEPENDENT NON-EXECUTIVE DIRECTORS

CHAN Henry, aged 51, is a member of the Audit Committee, Nomination Committee and the Remuneration Committee. Mr. Chan has over 29 years of experience in the financial market and is the Managing Director of Sanfull Securities Limited. He was a director of The Stock Exchange of Hong Kong Limited and was a member of the Advisory Committee of the Securities and Futures Commission. Mr. Chan is currently the Permanent Honorary President of Hong Kong Stockbrokers Association Limited, an independent non-executive director of Hengan International Group Company Limited, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited which engages in the manufacture and distribution of personal hygiene products. Mr. Chan is also a committee member of the Chinese People's Political Consultative Conference in Xiamen, Fujian Province, China. Mr. Chan obtained his Master's degree in Business Administration from Asia International Open University (Macau) and his Bachelor's degree in Arts from Carleton University in Canada. He joined the Group in 2004.

CHEUNG Siu Kee, aged 73, is a member of the Audit Committee, Nomination Committee and the Remuneration Committee. Mr. Cheung has extensive experience in the financial industry. Mr. Cheung was the Group Treasurer of Nam Tai Electronics, Inc. from 2004 to 2005. Mr. Cheung had also worked for the Hongkong and Shanghai Banking Corporation Limited in Hong Kong for 37 years when he retired in 2003 as a Senior Executive in the Corporate and Institutional Banking division. Mr. Cheung obtained his Bachelor's degree in Arts from the University of Hong Kong. He joined the Group in 2004.

SEING Nea Yie, aged 69, is the Chairman of the Audit Committee and the Remuneration Committee and a member of the Nomination Committee. Mr. Seing is the sole proprietor of both accounting firms Messrs. Chan, Seing & Co. and Messrs. Chen Yih Kuen & Co. Certified Public Accountants (Practising). Mr. Seing has over 40 years of audit experience and is currently holding CPA (Practising) at Hong Kong Institute of Certified Public Accountants. Mr. Seing is an active contributor to the charity activities in the community. He was the director of Po Leung Kuk, an authorized charity organization in Hong Kong, from 1987 to 1990 and became the Vice Chairman in 1990 and 1991. Mr. Seing was also a member of audit committee of Po Leung Kuk from 1996 to 2000. Currently, Mr. Seing is the honorary president of The Fukienese Association Limited. He joined the Group in January 2005.

SENIOR MANAGEMENT

TAN Sunny, aged 43, is the Chief Financial Officer of the Group and son of Dr. TAN Siu Lin. Mr. Tan joined the Group in 1999. Prior to joining the Group, Mr. Tan worked at the investment banking division of Merrill Lynch (Asia Pacific). Mr. Tan was appointed as the Executive Vice Chairman of the Hong Kong General Chamber of Textiles Limited in 2009. Mr. Tan also acts as Independent Non-executive Director of Hopewell Holdings Limited, Chairman of Group 12 and General Council Member of the Federation of Hong Kong Industries ("FHKI"), Executive Committee Member of the Hong Kong Shippers' Council, Member of Textile and Apparel Council, Council Member of the Hong Kong Productivity Council. As in social services, Mr. Tan is appointed as Vice Chairman of Tung Wah Group of Hospitals, Chairman of the Board of Governors of Tung Wah College, a tertiary education institution in Hong Kong, and Member of the Board of Trustees of Shaw College, The Chinese University Hong Kong. In 2013, Mr. Tan was awarded "Young Industrialist Award 2013" by FHKI. Mr. Tan obtained a Master of Science degree from Stanford University and Bachelor of Business Administration degree from the University of Wisconsin-Madison.

CHOI Suk Yan, Belinda, aged 68, is the Group Finance Controller and Treasurer. Ms. Choi has over 42 years of experience in various areas of the apparel manufacturing industry with over 30 years of experience in financial management. She joined the Group in 1967.

SAUCEDA Francisco, aged 58, is Executive Vice President of Luen Thai International Group, Ltd., and is responsible for the business units of Verte which manufactures garments in facilities of Philippines and Vietnam. He has been with the Group since 1994. Mr. Sauceda obtained his degree in Business Administration from Texas Southmost College. He is a member of the Hong Kong Chamber of Commerce and the Mexican Chamber of Commerce Hong Kong.

WONG, Sammy, aged 60, is the Managing Director of Tien-Hu Trading (Hong Kong) Limited, Tien-Hu Knitters Limited and Tien-Hu Knitting Factory (Hong Kong) Limited. Mr. Wong joined Tien-Hu in 1981 and has over 36 years of experience in sweater business. Mr. Wong obtained a Diploma in Architectural and Environmental Design of the OCAD University in Toronto, Canada.

COMPANY SECRETARY

CHIU Chi Cheung, aged 53, is the Vice President of Corporate Finance, Company Secretary of the Company. Mr. Chiu has over 24 years of experience in the field of auditing and accounting. He joined the Group in 2002. He was an auditing manager of an international auditing firm. Mr. Chiu is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. Mr. Chiu holds a Bachelor of Business Administration degree from the University of Hong Kong.

The board of directors of Luen Thai Holdings Limited (the "Directors") has the pleasure in presenting to the shareholders this annual report together with the audited consolidated financial statements of Luen Thai Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") for the year ended 31 December 2016.

GROUP PROFIT

The consolidated statement of profit or loss is set out on pages 55 to 56 and shows the Group's profit for the year ended 31 December 2016. A discussion and analysis of the Group's performance during the year and the material factors underlying its results and financial position are provided on pages 7 to 14 of the annual report.

DIVIDENDS

An interim dividend of US0.485 cent (or equivalent to HK3.76 cents) per share was paid to the shareholders during the year totaling approximately US$5,015,000. The Directors recommend the payment of a final dividend of US0.254 cent (or equivalent to HK1.97 cents) per share totaling to approximately US$2,627,000. The proposed final dividend, if approved by the shareholders at the annual general meeting on 26 May 2017 ("AGM"), will be paid on 23 June 2017 to shareholders whose names appear on the register of members on 7 June 2017.

A special dividend of HK82.0 cents per share was paid on 16 January 2017. Another special dividend of HK74.9 cents per shares was paid on 15 February 2017.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The activities of the principal subsidiaries are set out in note 10 to the consolidated financial statements. An analysis of the Group's performance for the year by operating segment is set out in note 5 to the consolidated financial statements.

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2016 together the future business development are set out in the section headed "Chairman's Statement" as well as the "Management Discussion and Analysis" on pages 4 to 6 and pages 7 to 14 of this annual report.

Environmental policies and social responsibilities

For the sake of minimization of the impact of our manufacturing activities to the environment, the Group has implemented policies in environmental protection. The Group is committed to adopt a clean production model and has engaged consultant to give advice on reducing carbon emission in our manufacturing activities. During the year ended 31 December 2016 and up to date of this report, the Group is in compliance with the applicable environmental laws and regulations of the jurisdictions where the factories are located.

Detail information regarding the environmental, social and governance practices adopted by the Group is set out in the Environmental, Social and Governance Report which will be disclosed in a separate report and published on the websites of the HKEX and the Company no later than three months after the publication of this annual report.

Compliance with laws and regulations

The Group's production and operations are mainly carried out by the Company's subsidiaries in mainland China and certain Southeast Asian countries including the Philippines, Vietnam, Cambodia and Indonesia, while the Company is listed on the Main Board of The Stock Exchange of Hong Kong Limited. Sufficient resources have been allocated to ensure the on-going compliance with applicable laws and regulations. During the year under review and up to the date of this report, the Board is not aware of any material non-compliance with the relevant laws and regulations in the countries where the Group is operating.

Principal risks and uncertainties

The business operations and results may be affected by various factors, some of which are external causes and some are inherent to the business. The principal risks and uncertainties are summarized below:

(i) Macroeconomic environment

The global economy and business environment remain full of uncertainties and consumer sentiment stays at low level. Such challenging environment could adversely affect the financial conditions of our customers and, which in turn could undermine the demand for our products. Thus, it is vital for the Group to closely monitor the changes of the macroeconomic environment and adjusts its business plan in a timely manner.

(ii) Intense competition

Increasingly tense competition in the apparel and accessories manufacturing industry is reflected in the continuous concentration and expanding scale in the industry. The nature of this competition has shifted from a focus on price to various new attributes such as product ranges and product development.

(iii) Strategic direction

The success of our future business development is heavily relied on achieving our strategic objectives, including but not limited to merger and acquisition and investment in joint ventures. The Group encounters risk in application of its capital and assets towards appropriate investments and grab the investment opportunities when such opportunities arise.

Relationship with key stakeholders

The success of the Group also depends on the support from key stakeholders which comprise customers, suppliers, employees and shareholders.

Customers

The Group's principal customers are companies selling branded apparels and bags. The Group has well established operational experience partnering with major global brands in apparel, offering competitive price, good quality and reliable delivery times. Efficient communications between the Group and the customers have been established through various means which enable the Group and the customers to achieve their profitability and sustainable growth.

Suppliers

Good relationship with suppliers constitutes one of the essential elements of the Group's success. To achieve positive business growth, the Group maintains close relationship with its suppliers in order to exploit the capability and capacity of the suppliers for reaching the Group's business goals.

Employees

Employees constitute one of the valuable assets of the Group. The key objective of the Group's human resource management is to recognize and reward performing staff by providing competitive remuneration packages and implementing an effective performance appraisal system with appropriate incentives. Sufficient training and development are provided to all the employees and equal opportunities are provided within the Group for career advancement.

Shareholders

One of the major goals of the Group is to maximize the return to the shareholders. The Group endeavors to foster the development of business for achieving sustainable profit growth and rewarding the shareholders with stable dividend payouts taking into account the business development needs and financial health of the Group.

PRINCIPAL SUBSIDIARIES, AN ASSOCIATED COMPANY AND JOINT VENTURES

Details of the principal subsidiaries, an associated company and joint ventures of the Company and the Group as at 31 December 2016 are set out in notes 10 to 12 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 18 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

The distributable reserves of the Company available for distribution as dividends amounted to approximately US$90,317,000 as at 31 December 2016, comprising retained earnings of approximately US$4,130,000, share premium and capital reserve amounting to approximately US$86,187,000. Under the Companies Law (Revised) of the Cayman Islands, the funds in the share premium account and the capital reserve account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debt as they fall due in the ordinary course of business.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 140 of the annual report.

PRINCIPAL PROPERTIES

Details of the principal properties held for development and for investment purposes are set out on pages 90 to 92 of this annual report.

RETIREMENT SCHEMES

Details of the retirement schemes are set out in note 21 to the consolidated financial statements.

DONATIONS

Charitable and other donations made by the Group during the year amounted to approximately US$51,000.

SHARE OPTIONS

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

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

(i) any director ("Group Director") of any member company with the Group ("Group Company") and any full-time employee for the time being of any Group Company ("Employee") (and any proposed Group Directors and Employees);

(ii) any customer, supplier or provider of services, landlord or tenant, agent, partner, consultant, or adviser of or a contractor to or person doing business with any Group Company;

(iii) the trustee of any trust the principal beneficiary of which is, or any discretionary trust the discretionary objects of which include, any person referred to in (i) or (ii) above;

(iv) a company controlled by any person referred to in (i) or (ii) above; and

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

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

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

(i) the closing price of a share of the Company as stated in the daily quotations sheet of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on the date of grant of the relevant option;

(ii) an amount equivalent to the average closing price of a share of the Company as stated in the Stock Exchange's daily quotation sheets for the 5 business days immediately preceding the date of grant of the relevant Option; and

(iii) the nominal value of a share of the Company.

The share option scheme will remain in force for ten years from 26 May 2014, unless otherwise determined in accordance with its term. An option may be exercised at any time during a period to be notified by the Board to each grantee. The Board may also provide restrictions on the exercise of an option during the period an option may be exercised.

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

During the year, no share option was granted under the share option scheme and there is no share option outstanding as at 31 December 2016.

As at the date of this report, the total number of shares available for issue under the share option scheme is 103,411,266, representing approximately 10% of the total issued share capital of the Company as at the date of this report.

MANAGEMENT CONTRACT

Sunny Force Limited and Dluxe Bags Limited, both are wholly owned subsidiaries of the Company have entered into a management contract with an independent third party for the provision of general management services in certain factories of the Group. The contract period is from 1 May 2011 till 31 December 2016.

DIRECTORS AND DIRECTORS' SERVICE AGREEMENTS

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

Executive Directors

SHEN Yaoqing (appointed on 15 February 2017)
TAN Siu Lin
TAN Henry (resigned on 15 February 2017)
TAN Cho Lung, Raymond
QU Zhiming (appointed on 15 February 2017)
MOK Siu Wan, Anne

Non-executive Directors

HUANG Jie (appointed on 15 February 2017)
TAN Willie (resigned on 15 February 2017)
LU Chin Chu (resigned on 15 February 2017)

Independent non-executive Directors

CHAN Henry
CHEUNG Siu Kee
SEING Nea Yie

DIRECTORS RETIRING BY ROTATION

In accordance with the Company's Articles of Association, Mr. Shen Yaoqing, Mr. Qu Zhiming, Ms. Mok Siu Wan, Anne, Mr. Huang Jie and Mr. Seing Nea Yie will retire from office at the forthcoming annual general meeting. All retiring Directors, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

PARTICULARS OF SERVICE AGREEMENTS

Except for Ms. Mok Siu Wan, Anne who has re-entered into a director's service contract with the Company for a fixed period of three years commencing from 1 January 2016, each of the executive Directors has renewed his service agreement with the Company for a fixed period of three years commencing from 27 June 2016, subject to the retirement and re-appointment provisions in the articles of association of the Company, unless terminated by either the Company or the Director giving three months' notice in writing to the other party. Under the director's service agreements for each of Messrs Tan Siu Lin, Tan Henry and Tan Cho Lung, Raymond, the remuneration payable to each of them shall be a fixed monthly salary, with such increase as the Board may from time to time determine in its absolute discretion. In addition, they will each be entitled to a bonus equivalent to one month's salary payable on or around each Chinese New Year. Each of them will also be entitled to an annual bonus in respect of each complete financial year of the Group. The annual bonus shall be of such amount as determined by the Board in its absolute discretion from time to time and will be paid in arrears after the audited consolidated financial statements of the Group in respect of the financial year have been published.

Under the director's service contract of Ms. Mok Siu Wan, Anne with the Company, she is entitled to receive a director's fee of HK$150,000 per annum, payable annually in one lump sum. Ms. Mok Siu Wan, Anne has also entered into an employment contract dated 1 January 2010 with Luen Thai International Group Limited, a wholly owned subsidiary of the Company, pursuant to which she was appointed as the President and Chief Merchandising Officer of Luen Thai International Group Limited. Under the said employment contract as supplemented by a letter of salary increment dated 29 February 2012, Ms. Mok Siu Wan, Anne is entitled to receive a monthly salary of HK$280,000.

The respective monthly salaries of the executive Directors are set out below:

TAN Siu Lin	HK$67,500
TAN Henry	HK$277,808
TAN Cho Lung, Raymond	HK$202,096
MOK Siu Wan, Anne	HK$280,000

Pursuant to the letter of re-appointment dated 29 August 2016, Mr. Lu Chin Chu was re-appointed as a non-executive Director of the Company for a fixed period of three years from 17 September 2016 to 16 September 2019. Mr. Lu is entitled to an annual director fee of HK$150,000.

The directorship of Mr. Tan Willie was re-designated from an executive Director to a non-executive Director on 26 May 2006. Since then, Mr. Willie Tan continues to serve as non-executive Director of the Group. Under the director's service contract of Mr. Tan Willie dated 26 May 2015, he will continue to serve as a non-executive Director of the Company for a fixed period of three years commencing from the same date with an annual emolument and annual director's fee of US$162,500 and HK$150,000 respectively.

Pursuant to the letter of re-appointment from the Company to each of Mr. Seing Nea Yie, Mr. Cheung Siu Kee and Mr. Henry Chan dated 24 March 2016, the re-appointment of each of these independent non-executive Directors of the Company was for a term of another 3 years commencing from 16 April 2016. Each of the independent non-executive Directors shall be entitled to an annual fee of HK$150,000.

None of the Directors being proposed for re-election at the forthcoming AGM of the Company has a service contract which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

Save as disclosed under the paragraph headed "Connected Transactions and Directors' Interests in Contracts" below, no other transactions, arrangements and contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director and the Director's connected entities had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the paragraph headed "Directors and Chief Executives' Interests in Shares" and for the share option scheme adopted by the Company, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of an acquisition of shares or underlying shares in, or debentures of, the Company or any other body corporate.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of directors and senior management are set out in the section headed "Management Executives" on pages 15 to 18 of this annual report.

EQUITY-LINKED AGREEMENTS

Other than the share option scheme of the Company as disclosed above, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the year or subsisted at the end of the year.

PERMITTED INDEMNITY PROVISION

Pursuant to the Company's Articles of Association 167(1) provides that every Director or other officer of the Company shall be entitled to be indemnified and secured harmless out of the assets and profits of the Company against any liability, action, proceeding, claim, demand, costs, damages or expenses, including legal expenses as a result of any act or failure to act in carrying out his/her functions. The Company has also maintained Directors and officers liability insurance during the year.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 31 December 2016, the interests of the Directors and chief executives of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register maintained by the Company under Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") were as follows:

Long position in the Shares

Name of Director	Capacity	No. of Shares	Percentage of interests in the Company (Note a)
TAN Siu Lin	Trustee (note b)	6,500,000	0.63%
	Interest of controlled corporation (note b)	26,300,000	2.54%
TAN Henry	Interest of controlled corporation (note c)	689,600,000	66.69%
TAN Cho Lung, Raymond	Beneficial Owner (note d)	2,903,000	0.28%
MOK Siu Wan, Anne	Beneficial Owner (note e)	2,000,000	0.19%
TAN Willie	Beneficial Owner (note f)	1,000,000	0.10%

Notes:

a. The percentage has been compiled based on the total number of shares of the Company issued (i.e. 1,034,112,666) as at 31 December 2016.

b. Dr. Tan Siu Lin as a trustee indirectly controls the entire issued share capital of Wincare International Company Limited, which in turn holds directly 6,500,000 shares of the Company ("Shares"). Dr. Tan Siu Lin also controls and is a subscriber and founding member of Tan Siu Lin Foundation Limited, which in turn owns directly 26,300,000 Shares.

c. Dr. Tan Henry is the beneficial owner of 2,750 issued shares (representing 55% interest) in Helmsley Enterprises Limited ("Helmsley"), a company incorporated in the Commonwealth of the Bahamas. Dr. Tan Henry is also the settler of a trust which indirectly holds 750 issued shares (representing 15% interests) in Helmsley. Helmsley wholly owns Capital Glory Limited and indirectly owns Hanium Industries Limited ("Hanium"), which own 614,250,000 Shares and 60,750,000 Shares respectively.

Dr. Tan Henry also has a controlling interest in Double Joy Investment Limited, a company incorporated in the British Virgin Islands ("BVI"), which directly owns 14,600,000 Shares.

d. A total of 2,903,000 Shares were acquired by an associate of Mr. Tan Cho Lung, Raymond between 2006 to 2014. He is therefore deemed under Part XV of the SFO to be interested in all of the 2,903,000 Shares acquired by his associate.

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

f. A total of 1,000,000 Shares were acquired by an associate of Mr. Tan Willie in 2012. He is therefore deemed under Part XV of the SFO to be interested in all of the 1,000,000 Shares acquired by his associate.

CONNECTED TRANSACTIONS AND DIRECTORS' INTERESTS IN CONTRACTS

Connected Transaction

On 25 October 2016, Luen Thai Overseas Limited (the "Disposal Vendor"), a wholly-owned subsidiary of the Company and Torpedo Management Limited (the "Disposal Purchaser"), a connected person of the Company, entered into a sale and purchase agreement (the "Disposal Agreement") regarding the sale of the entire issued share capital of certain Group companies (the "Disposal Group") engaging in the non-core businesses of the Group, namely, the businesses of (i) retail sales and trading of apparel and accessories; (ii) footwear manufacturing; (iii) freight forwarding and logistics; and (iv) real estate development, at the consideration of US$110,344,883 (the "Disposal").

As certain applicable percentage ratios for the Disposal Agreement were higher than 25% but below 75%, the Disposal Agreement constituted a major transaction for the Company and was subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

In addition, the Disposal Purchaser is a wholly-owned subsidiary of Helmsley, which is in turn beneficially owned as to 55% by Dr. Tan Henry, an executive Director, the chief executive officer of the Company and a substantial shareholder of the Company interested in approximately 66.69% of the issued share capital of the Company, the Disposal Purchaser is therefore a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Disposal Agreement constituted a connected transaction for the Company and was subject to the reporting, announcement and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Immediately after the completion of the Disposal, the Disposal Group ceased to be the subsidiaries of the Company and became the subsidiaries of the Disposal Purchaser. The Disposal were approved by the independent shareholders on 31 December 2016 and completed on the same date.

Details of the Disposal were set out in the announcement and circular of the Company dated 26 October 2016 and 14 December 2016 respectively.

Continuing Connected Transactions

The Tan Private Group, comprising Helmsley and Tan Holdings Corporation ("THC") and their respective subsidiaries (other than the Group) and any other connected person of the Company (as defined in the Listing Rules), is engaged in a large variety of businesses, ranging from the distribution of office supplies, insurance, fisheries, technological support, property, advertising and printing, and production of packaging materials. Such operations are generally conducted with independent third parties not connected with the Company or any of its Directors, chief executives and substantial shareholders (such terms as defined under the Listing Rules). However, given the extensive scope of such non-apparel related business operations of the Company's substantial shareholders (with the same meaning ascribed thereto in the Listing Rules), Helmsley and THC, the Group has a number of continuing transactions with the Tan Private Group.

Dr. Tan Siu Lin, together with his sons Dr. Tan Henry, Mr. Tan Willie and Mr. Tan Cho Lung, Raymond, who are all Directors and members of the Tan's family, have or may have a material interest in the connected transactions and continuing connected transactions between the Group and the Tan Private Group.

Pursuant to the Listing Rules, members of the Tan Private Group are deemed associates and hence connected persons of the Company. Therefore, any transaction between any Group company and any member of the Tan Private Group may constitute a connected transaction of the Company for the purposes of Chapter 14A of the Listing Rules, and which may be subject to the reporting, announcement and/or independent shareholders' approval requirements contained in Chapter 14A of the Listing Rules.

The following table is a summary of the approximate aggregate value and the annual caps of each category of the non-exempt continuing connected transactions of the Group with the Tan Private Group pursuant to Chapter 14A of the Listing Rules for the year ended 31 December 2016. Details of these connected transactions are set out below in accordance with the Listing Rules.

Connected Party	Category	Approximate aggregate value for the year ended 31 December 2016 US$'000	Annual Cap for the year ended 31 December 2016 US$'000
Tan Private Group	Provision of technological support services (note a)	**1,921**	**2,400**
	Lease agreements (note b)		
	— Group as tenants	**1,427**	**1,900**
	— Tan Private Group as tenants	**66**	**100**
	Freight services by the Group (note c)	**419**	**650**
	Shipping agency services by the Group (note d)	**803**	**1,000**
	Provision of services (note e)	**11,747**	**13,000**

Notes:

(a) On 15 December 2015, Luen Thai Overseas Limited ("LTO"), a subsidiary of the Company, entered into an agreement with Helmsley for a term of 3 years from 1 January 2016 to 31 December 2018 pursuant to which Helmsley, through its indirectly wholly owned subsidiary, Integrated Solutions Technology Limited ("IST BVI"), shall continue to provide technological support services to the Group including but not limited to software and system development and maintenance services such as process mapping, analysis and design, process reengineering, scheduling, management reporting and analysis ("Technological Support Master Agreement").

IST BVI has been providing technological support services to the Group since the Company's listing on the Stock Exchange in 2004 (the "Listing"). The fees charged under the Technological Support Master Agreement were based on similar rates charged by service support consultants in the market. While the fees for such technological support services reflect normal commercial terms negotiated on an arm's length basis and are comparable to the terms given by independent third parties, the Directors believe that the Group will benefit from the continuation of such technological support services by IST BVI, which has a better understanding of the Group's existing systems due to its long-term service and has been providing smooth and efficient technological support services to the Group. Therefore, such transactions are beneficial to the Group as a whole as the Group is able to leverage on its long-established relationship with IST BVI. The Directors further believe that IST BVI's expertise and knowledge of the Group's operations, coupled with its development of various software and systems for the Group, should also warrant the continued engagement of IST BVI for provision of technical support services to the Group.

Given the quality services offered by IST BVI to the Group in the past and the benefits of continuity, the Directors (including the independent non-executive Directors) consider that such technological support services and their respective terms are on normal commercial terms, fair and reasonable and are in the interests of the Group and the Company's shareholders as a whole.

IST BVI is an indirectly wholly-owned subsidiary of Helmsley. Helmsley wholly owns Capital Glory Limited, the controlling shareholder of the Company. IST BVI is therefore deemed an Associate, and hence a Connected Person of the Company.

(b) On 15 December 2015, LTO entered into an agreement with the Tan Private Group in relation to the leasing of properties between the Group and the relevant members of the Tan Private Group, pursuant to which such leasing arrangements will be for a term of 3 years from 1 January 2016 to 31 December 2018. ("Properties Lease Master Agreement"). For the leasing arrangements, the relevant members of the Tan Private Group, including L&T Group of Companies, Ltd. ("L&T Group"), L&T (Guam) Corporation ("L&T (Guam)"), Quanzhou Luen Thai Real Estate Development Co Ltd and Luen Thai International Development Limited ("LTID").

The Tan Private Group, with a diverse and wide business network, has been leasing properties to the Group since the Listing. The Directors believe that such transactions are beneficial to the Group as a whole as the Group is able to leverage on its long-established relationship with the Tan Private Group.

The Group had historically rented warehouse facilities from L&T (Guam). The Directors believe that the Group would be able to enjoy better service quality, greater flexibility and certainty of tenure with L&T (Guam).

For the other leasing arrangements under the Master Agreement for Leasing Arrangements, the Directors believe that the Group will benefit from such leasing arrangements for cost efficiency and better utilization of the Group's office premises, which is beneficial to the Group as a whole.

The rentals under the Properties Lease Master Agreement were determined based on the prevailing market rentals for similar properties in the nearby locations of the leased properties. While the rentals payable by or to the Group pursuant to the Master Agreement for Leasing Arrangements reflect normal commercial terms negotiated on an arm's length basis and are comparable to the terms given to or by independent third parties, the Directors therefore consider that the Group will benefit from the continuity of the leasing arrangements and will save the relocation costs which may otherwise have to be incurred due to any discontinuation of the existing leasing arrangements. The Directors further believe that all the above leasing arrangements and their respective terms are on normal commercial terms, fair and reasonable and are in the interests of the Group and the Company's shareholders as a whole.

L&T Group and L&T (Guam) are wholly-owned subsidiaries and Associates of THC. Hence, L&T Group and L&T (Guam) are Connected Persons of the Company.

Quanzhou Luen Thai Real Estate Development Co Ltd is a subsidiary of Luen Thai Enterprises Limited ("LTE"), which is in turn wholly-owned by Helmsley. It is therefore an Associate and hence Connected Person of the Company.

LTID is indirectly owned by Dr. Tan Siu Lin, a Director of the Company. It is therefore an Associate and hence Connected Person of the Company.

(c) On 22 December 2014, Consolidated Transportation Services Inc., ("CTSI CNMI"), an indirect wholly owned subsidiary of the Company, entered into a freight master agreement (the "Freight Master Agreement") with the THC and Helmsley (on behalf of the Tan Private Group) in respect of the provision of freight services ("CTSI Transactions") to the Tan Private Group for a 3-year fixed term from 1 January 2015 to 31 December 2017.

CTSI CNMI, Consolidated Transportation Services Incorporated (Guam), Consolidated Transportation Services Inc. (Palau), CTSI Logistics Inc., and CTSI Logistics (Korea), Inc, are collectively referred to as CTSI Group. The CTSI Group is principally engaged in the provision of freight forwarding and logistics services and has been providing such services to the Tan Private Group before the Listing. In view of the high standard of quality service, reliability and experience of the CTSI Group, the Tan Private Group considered that it is in its interests to continue retaining the services of the CTSI Group. The CTSI Group, on the other hand, also considers that it is in its interests to continue its business relationship with the Tan Private Group as part of its strategy to increase its market share.

The CTSI Transactions involved the booking of freight space with third party airlines, in return for commissions paid by the airlines and additional premium charged by the Group above the airline published rates. For the CTSI Transactions, the Group as a shipping operator provides freight services directly to the relevant members of the Tan Private Group, including Luen Thai Fishing, Cosmos Saipan, Cosmos Guam, Marshall Island Fishing Venture and Palau International Traders. Commission and premium are determined with reference to the market prices of the similar types of services provided to independent third parties and after arm's length negotiations. The fees for the CTSI Transactions were determined with reference to the market prices of the same or similar types of services provided by independent third parties in the logistics industry in the local markets. Based on the industry practice and depending on the actual amount of work done and the various types of services rendered, fees for CTSI Transactions were charged at the market rates by the Group for the different types of services rendered in the CTSI Transactions, including but not limited to providing freight services and booking of freight space with third party airlines as well as other trucking and warehousing services. All of the CTSI Transactions are governed by provisions contained in written agreements (including airway bills and bills of lading). It is currently expected that such arrangements made between the Group and the Tan Private Group will continue. Payment of the fees by the relevant members of the Tan Private Group to the Group in relation to the CTSI Transactions is on a case by case basis, and is generally to be made within 45 days from the invoice date.

Helmsley is beneficially owned as to 55% by Dr. Tan Henry, an executive Director and the chief executive officer of the Company. Hence, Helmsley is a Connected Person of the Company.

THC is a Connected Person of the Company. It is owned as to 20% by Dr. Tan Henry and as to 39% by Leap Forward Limited, a company incorporated in the Bahamas. Dr. Tan Henry together with his father Dr. Tan Siu Lin, an executive Director and the chairman of the Board, control the board of Leap Forward Limited.

Luen Thai Fishing is a wholly-owned subsidiary of LTE, a company controlled by Dr. Tan Henry. It is therefore an Associate of Dr. Tan Henry and hence a Connected Person of the Company. On the other hand, Cosmos Saipan and Cosmos Guam are subsidiaries and Associates of THC. Hence Cosmos Saipan and Cosmos Guam are Connected Persons of the Company.

Marshall Island Fishing Venture is a subsidiary of Luen Thai Fishing and is therefore Connected Persons of the Company. Palau International Traders is a wholly-owned subsidiary of IASS Trading, Inc., which is in turn a wholly-owned subsidiary of THC. It is therefore a Connected Person of the Company.

(d) On 22 December 2014, CTSI CNMI entered into an agreement with Mariana Express Lines Ltd ("MELL") in respect of the Group's provision of shipping agency services to the Tan Private Group for a 3-year fixed duration from 1 January 2015 to 31 December 2017 ("Shipping Master Agreement"). MELL is owned as to 45% by LTE which in turn is controlled by Dr. Tan Henry, an executive director and the chief executive officer of the Company. Therefore, MELL is a connected person of the Company.

The Group has been providing shipping agency services to MELL since and prior to the Listing. The Directors believe that such transactions are beneficial to the Group as a whole as the Group is able to leverage on its relationship with MELL to establish new client contacts for its logistics business.

The fees for the MELL Shipping Transactions were determined with reference to the market prices of the same or similar types of services provided by independent third parties in the shipping agency industry in the local markets. Based on the industry practice and depending on the actual amount of work done and the various types of services rendered, shipping agency fees were charged at the market rates by the Group for the different types of services rendered in the MELL Shipping Transactions, including providing cargo solicitation, market reports, preparation of shipping documentation, cargo loading and discharge, vessel husbanding, container monitoring and control as well as customer services. Payment of the fees by MELL to the Group in relation to the MELL Shipping Transactions is on a case by case basis, and is generally to be made within 45 days from the invoice date.

(e) On 9 September 2015, LTO entered into the services master agreement (the "Services Master Agreement") with LTE in relation to the provision of design, sourcing and manufacturing of apparel and/or the related advance payment of the expenses ("Services") by the LTO Group to the LTE Group.

Retail and distribution of footwear is one of the key businesses of the LTE Group. Since July 2015, LTE Group commenced to test the market's receptivity by selling small quantity of branded apparels. In order to seize the opportunities of this new business, the Group decided to enter into the Services Master Agreement with the LTE Group. The Directors believe that the transactions contemplated under the Services Master Agreement will enhance the revenue streams of the Group and will help optimize the productivity of the design, sourcing and manufacturing workforce of the Group, which is beneficial to the long term development of the Group. In addition, the Directors believe that the transactions with the LTE Group under the Services Master Agreement would be a less risky option for the Group to take part in the retail business, as the Group may otherwise need to incur additional time and cost in due diligence exercise.

As disclosed in the announcement dated 20 December 2016, the annual caps for the provision of services under the Services Master Agreement were to be revised for the year ended 31 December 2016 and the year ending 31 December 2017 respectively. Taking into account the continuous increase in the demand for the Services by the LTE Group resulting from the unanticipated rapid growth of the LTE Group's business and the actual transaction amounts for the Services received by the LTO Group for the year ended on 31 December 2015 and the 11 months ended 30 November 2016, the annual caps for the Services were revised to US$13,000,000 and US$20,300,000 respectively for the year ended 31 December 2016 and the year ending 31 December 2017.

The determination of the above annual caps in respect of the Services under the Master Agreement is based on: (a) the economic indicators which are applicable to the garment manufacturing industry, (b) the business plans of the relevant members of the Group in response to the current economic condition; (c) the anticipated organic growth of the business under the Master Agreement; (d) payment and credit terms for the potential transactions under the Master Agreement; and (e) delivery schedules for the potential transactions under the Master Agreement.

LTE is controlled by Dr. Tan Henry, an executive Director and the chief executive officer of the Company. Hence LTE is a connected person of the Company for the purpose of the Listing Rules and the transactions contemplated under the Master Agreement will constitute continuing connected transactions of the Company pursuant to the Listing Rules.

The aforesaid continuing connected transactions have been reviewed by the directors (independent non-executive directors) of the Company.

Pursuant to Rule 14A.55 of the Listing Rules, the independent non-executive Directors have reviewed the aforesaid continuing connected transactions and have confirmed that these continuing connected transactions (a) were entered into in the ordinary and usual course of business of the Group; (b) were either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and (c) were in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor of the Company confirmed that the above transactions were approved by the Board, were in accordance with the pricing policies of the Company, and were entered into under respective agreements that regulate such transactions and did not exceed any of the relevant caps as mentioned in the relevant agreements and announcements of the Company. The auditor has issued an unqualified letter containing the findings and conclusions in respect of the continuing connected transactions disclosed by the Group on pages 26 to 30 of the Annual Report in accordance with paragraph 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

Save as disclosed above:

(i) no contracts of significance subsisted to which the Company or any of its subsidiaries was a party and in which any one of the Directors of the Company had a material interest, whether directly or indirectly at the end of the year or at any time during the year; and

(ii) there were no transactions which need to be disclosed as connected transactions in accordance with the requirements of the Listing Rules.

RELATED-PARTY TRANSACTIONS

Details of the significant related-party transactions undertaken in the normal course of business are set out in note 34 to the consolidated financial statements. None of the related party transaction constitutes a discloseable connected transaction as defined under the Listing Rules.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 31 December 2016, the register of substantial shareholders maintained pursuant to Section 336 of Part XV of the SFO showed that other than the interest disclosed in "Directors' and Chief Executives' Interests in Shares", the following shareholders had notified the Company of their relevant interests in the issued capital of the Company.

Long position in the shares

Name of shareholder	Note	Capacity	Number of ordinary shares beneficially held	Approximate percentage of interests in the Company (Note a)
Hanium	(b & c)	Beneficial owner	60,750,000	5.87%
Torpedo Management Limited	(b & c)	Interest of controlled corporation	60,750,000	5.87%
Capital Glory Limited	(d)	Beneficial owner	614,250,000	59.40%
Helmsley	(b & c & d)	Interest of controlled corporation	675,000,000	65.27%
Pou Chen Corporation	(e)	Interest of controlled corporation	100,746,666	9.74%
Wealthplus Holdings Limited	(e)	Interest of controlled corporation	100,746,666	9.74%
Yue Yuen Industrial (Holdings) Limited	(e)	Interest of controlled corporation	100,746,666	9.74%
Pou Hing Industrial Co. Ltd.	(e)	Interest of controlled corporation	100,746,666	9.74%
Great Pacific Investments Limited	(e)	Beneficial owner	100,746,666	9.74%

Notes:

(a) The percentage has been complied based on the total number of shares of the Company in issue (i.e. 1,034,112,666) as at 31 December 2016.

(b) 60,750,000 Shares are registered in the name of Hanium. Hanium is wholly owned by Torpedo Management Limited ("Torpedo"), a company incorporated in BVI with limited liability, which in turn is wholly owned by Helmsley. Helmsley is therefore deemed to be interested in the interests of Hanium held in the Company.

(c) Both of Dr. Tan Siu Lin and Dr. Tan Henry are directors in each of Capital Glory, Torpedo and Helmsley, companies which have interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

(d) Capital Glory Limited ("Capital Glory"), a company incorporated in the BVI with limited liability, is a wholly owned subsidiary of Helmsley. Helmsley is therefore deemed to be interested in the interests of Capital Glory held in the Company.

(e) Based on the information recorded in the register required to be kept under section 336 of the SFO, Great Pacific Investments Limited directly holds 100,746,666 Shares. Great Pacific Investments Limited is 100% directly owned by Pou Hing Industrial Co. Ltd. In turn, Pou Hing Industrial Co. Ltd. is 100% directly owned by Yue Yuen Industrial (Holdings) Limited. Wealthplus Holdings Limited directly holds approximately 46.88% interests in Yue Yuen Industrial (Holdings) Limited. In turn, Wealthplus Holdings Limited is 100% directly owned by Pou Chen Corporation.

Save as disclosed above, so far as is known to the Directors, there are no other person (not being a Director or chief executive of the Company) who has an interest or a short position in the Shares or underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the year ended 31 December 2016.

PUBLIC FLOAT

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

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

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Pursuant to Rule 8.10 of the Listing Rules, there were no competing business of which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year which is required to be disclosed.

MAJOR CUSTOMERS AND SUPPLIERS

The Group's top five customers accounted for approximately 53.1% (2015: 53.6%) of the total sales. The top five suppliers accounted for approximately 10.5% (2015: 11.8%) of the total purchases for the year. In addition, the Group's largest customer accounted for approximately 16.2% (2015: 16.0%) of the total sales and the Group's largest supplier accounted for approximately 3.1% (2015: 2.8%) of the total purchases for the year. During the year none of the Directors, their associates or any shareholders of the Company (which to the knowledge of the Directors own more than 5% of the Company's share capital) had any interest in these major customers and suppliers.

CORPORATE GOVERNANCE

The Corporate Governance Report of the Company is set out in pages 33 to 45 of this annual report.

AUDITOR

The consolidated financial statements for the year have been audited by Messrs. PricewaterhouseCoopers. A resolution will be submitted to the forthcoming AGM of the Company to re-appoint Messrs. PricewaterhouseCoopers as the auditor of the Company.

On behalf of the Board

Tan Cho Lung, Raymond
Director

28 March 2017

CORPORATE GOVERNANCE PRACTICES

Luen Thai Holdings Limited together with its subsidiaries (the "Group" or "Luen Thai") 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 taking care to identify practices designed to achieve effective oversight, transparency and ethical behavior.

Throughout the year ended 31 December 2016, 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, save and except for the deviation of code provision A.6.7 of the CG Code. The Company periodically reviews its corporate governance practices to ensure its continuous compliance.

Code provision A.6.7 of the CG Code stipulates that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Mr. Tan Willie and Mr. Lu Chin Chu, the non-executive Directors were unable to attend the annual general meeting of the Company held on 26 May, 2016 and Mr. Tan Willie was also unable to attend the extraordinary general meeting of the Company held on 31 December, 2016, as they had other business commitments.

This report includes key information relating to corporate governance practices of the Company during the year ended 31 December 2016 and significant events after that date and up to the date of this report.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standards set out in the Model Code as set out in Appendix 10 of the Listing Rules. After having made specific enquiry of all Directors of the Company, all the Directors are of the view that they have complied with the required standard set out in the Model Code and its code of conduct regarding securities transactions for the year ended 31 December 2016.

BOARD OF DIRECTORS

The Board

The Board is scheduled to meet at least four times a year to determine overall strategic direction and objectives and approve interim and annual results and other significant matters. Each of the Directors is required to give sufficient time and attention to the affairs of the Company. In 2016, four Board meetings were held with a very satisfactory average attendance rate of 88.9%, details of which are presented below.

Board Members	Meetings Attended/Held	Average Attendance Rate
Executive Directors		81.3%
TAN Siu Lin (Note a)	3/4	75%
TAN Henry* (Note b)	4/4	100%
TAN Cho Lung, Raymond*	3/4	75%
MOK, Siu Wan Anne	3/4	75%
Non-executive Directors		100%
TAN Willie* (Note c)	4/4	100%
LU Chin Chu (Note c)	4/4	100%
Independent non-executive Directors		91.7%
CHAN Henry	3/4	75%
CHEUNG Siu Kee	4/4	100%
SEING Nea Yie	4/4	100%

* Son of TAN Siu Lin

Notes:

a. Dr. Tan Siu Lin resigned as the Chairman of the Board with effect from 15 February 2017.

b. Dr. Tan Henry resigned as an executive Director with effect from 15 February 2017.

c. Mr. Tan Willie and Mr. Lu Chin Chu resigned as non-executive Directors with effect from 15 February 2017.

Directors are consulted to include any matter in the draft agenda. As part of our best practices, the agenda of Board meetings are finalized by the Chairman after taking into consideration any matters proposed by other Directors, including the independent non-executive Directors. The notice and agenda are generally released at least 14 days in advance. The Company's articles of association (the "Articles of Association") provide that a Board meeting shall be held in cases where a substantial shareholder or Director has a conflict of interest in a material matter, in which the substantial shareholder or Director is required to abstain from voting and shall not be counted in quorum. This is also in conformity with the requirements of the CG Code.

Up to the date of this report, the Chairman of the Company has held various meetings with the non-executive Directors (including the independent non-executive Directors) without the presence of the executive Directors.

The Company Secretary, Mr. Chiu Chi Cheung, is responsible for taking minutes of meetings of the Board and the Committees under the Board ("Board Committees"). Draft and final minutes are sent to all Directors for comments within a reasonable time. A final draft of each minutes of meetings is made available for inspection by Directors/ Committee Members.

All Directors have access to the Company Secretary who is responsible for ensuring that Board procedures are complied with and advises the Board on corporate governance and compliance matters. They are also encouraged to take independent professional advice at the Company's expense in performance of their duties, if necessary. If a substantial shareholder or a Director has a conflict of interest in a matter to be considered material by the Board, the matter will be dealt with in accordance with applicable rules and regulations and, if appropriate, an independent Board committee will be set up to deal with the matter. Furthermore, all the Directors are covered by the Directors' & Officers' Liability Insurance.

Board responsibilities

The Board acknowledges its responsibility for the management of the Group and is collectively responsible to ensure sound and effective internal control systems are maintained so as to safeguard the Group's assets and the interest of the shareholders. The Board is responsible to formulate the overall strategies of the Group, monitors operating and financial performance, reviews the effectiveness of the internal control system and determines the corporate governance policy of the Group. The Board members have separate and independent access to the senior management, and are provided with complete and timely information about the conduct of the business and development of the Company, including monthly reports and recommendations on significant matters.

Regarding our Group's corporate governance, the Board as a whole is responsible to perform the following corporate governance duties including:

(i) to review and monitor the Company's policies and practices in compliance with legal and regulatory requirements;

(ii) to develop and review the Company's policies and practices on corporate governance;

(iii) to review and monitor the training and continuous professional development of directors and management;

(iv) to review the Company's compliance with the CG Code and disclosure in the Corporate Governance report; and

(v) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors.

During the year ended 31 December 2016, for the corporate governance functions, the Board reviewed and monitored the training and continuous professional development of Directors and management, reviewed the Company's compliance with the CG Code and disclosure in the Corporate Governance report.

Chairman and CEO

During the year ended 31 December 2016, Dr. Tan Siu Lin is the Chairman of the Board and Dr. Tan Henry is the Chief Executive Officer of the Company. Dr. Tan Henry is the son of Dr. Tan Siu Lin.

The Chairman of the Board is responsible for overseeing the strategic planning and leadership of Luen Thai. The Chief Executive Officer, on the other hand, is responsible for the strategic development and maintaining the Group's relationship with outside companies of the Group. Senior management is responsible for effective implementation of the Board's decisions and the day-to-day operations of the Company.

The Chairman ensures that the entire Board members are properly briefed on issues at the Board meetings and receive adequate and reliable information on a timely basis.

Composition

During the year ended 31 December 2016, there were four executive Directors, including the Chairman of the Board, two non-executive Directors and three independent non-executive Directors. The number of independent non-executive Directors constitute one-third of the Board which is in compliance with the requirement under Rule 3.10(A) of the Listing Rules. Hence, there has a strong independence element in the composition of its Board. Each of the Directors has the relevant experience, competencies and skills appropriate to the requirements of the business of the Group. The independent non-executive Directors are expressly identified as such in all corporate communications that disclose the names of Directors of the Company.

Balance of Executive Directors and Non-executive Directors 31 December 2016

Independent non-executive Directors

The roles of the independent non-executive Directors include the following:

(i) provision of independent judgment at the Board meeting;

(ii) take the lead where potential conflicts of interests arise;

(iii) serve on committees if invited; and

(iv) scrutinize the performance of the Group as necessary.

Pursuant to the letter of re-appointment from the Company to each of Mr. Seing Nea Yie, Mr. Cheung Siu Kee and Mr. Henry Chan dated 24 March 2016, the re-appointment of each of these independent non-executive Directors was for a term of another 3 years commencing from 16 April 2016. Each of the independent non- executive Directors shall be entitled to an annual director fee of HK$150,000.

The independent non-executive Directors and their immediate family receive no payment from the Company or its subsidiaries (except the director fee). No family member of any independent non-executive Directors is employed as an executive officer of the Company or its subsidiaries, or has been so in the past three years. The independent non-executive Directors are subject to retirement and re-election at the annual general meeting in accordance with the provisions of the Articles of Association. Each independent non-executive Director has provided a written annual confirmation of his independence with reference to the independence guidelines as set out in Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors to be independent.

Supply of and access to information

In respect of regular Board meetings, an agenda and accompanying board papers of the meeting are sent in full to all Directors at least 3 days before the intended date of a meeting. The management has the obligation to supply the Board and the various committees with adequate information in a timely manner to enable the members to make informed decisions. All board papers and minutes are also made available for inspection by the Board and its Committees.

Continuing professional development

Directors are committed to comply with Code Provision A.6.5 of the CG Code on Directors' training so as to ensure that their contribution to the Board will be informed and relevant. All Directors have participated in appropriate continuous professional development to develop and refresh their knowledge and skills and provided the Company their record of training they received for the year ended 31 December 2016.

Individual directors had also attended seminars and/or conferences or workshops or forums relevant to his profession and duties as directors.

A summary of training record of each Director received for the year ended 31 December 2016 is summarized below:

Board Members	Type of training
Executive Directors	
TAN Siu Lin	B
TAN Henry*	B
TAN Cho Lung, Raymond*	B
MOK, Siu Wan Anne	A, B
Non-executive Directors	
TAN Willie*	B
LU Chin Chu	A, B
Independent non-executive Directors	
CHAN Henry	B
CHEUNG Siu Kee	B
SEING Nea Yie	A, B

* Son of TAN Siu Lin

A: attending seminars/conferences/workshops/forums

B: reading newspapers/journals and updates relating to their profession and director's responsibilities

During the year ended 31 December 2016, Mr. Chiu Chi Cheung, the Company Secretary, has undertaken no less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules.

Board Diversity Policy

The Board adopted a board diversity policy (the "Policy") in August 2013 which sets out the approach by the Company to achieve diversity on the Board. Pursuant to the Policy, the Company recognizes and embraces the benefits of having a diverse Board, and sees increasing diversity at Board level as an essential element in maintaining a competitive advantage. A truly diverse Board will include and make good use of differences in the skills, regional and industry experience, background, race, gender and other qualities of Directors. These differences will be considered in determining the optimum composition of the Board and when possible should be balanced appropriately. All Board appointments are made on merit and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

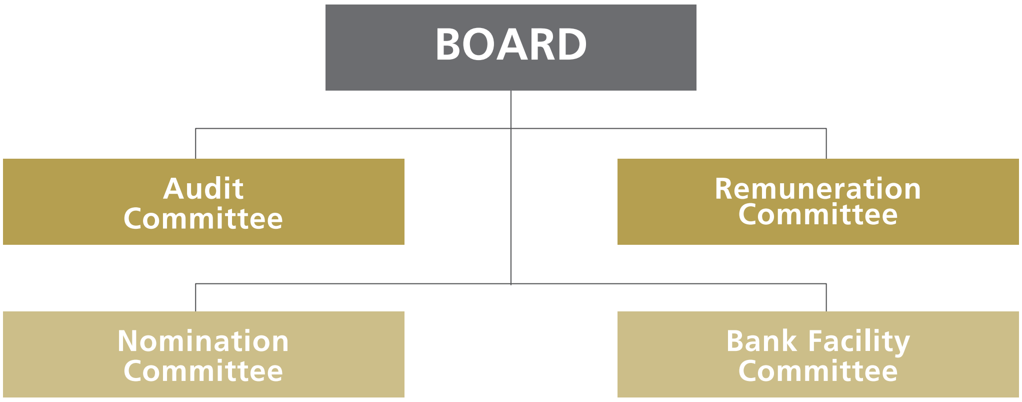
The Nomination Committee will discuss annually for achieving diversity from a number of aspects, including but not limited to gender, age, ethnicity, skills, cultural and educational background, professional experience and knowledge. The Nomination Committee will also conduct a review of the Policy periodically which will include an assessment of the effectiveness of the Policy and recommend any proposed changes to rectify identified deficiencies for the Board approval.

BOARD COMMITTEES

For the year ended 31 December 2016, the Board is supported by four committees, including the Audit Committee, Remuneration Committee, Nomination Committee and Bank Facility Committee. Except for the Bank Facility Committee, all Board committees (all chaired by an independent non-executive Director) are established with defined terms of reference which are posted on the website of the Company and the Stock Exchange.

All Board Committees are provided with sufficient resources to discharge their duties, including access to management or professional advice if considered necessary. The following chart illustrates the structure of the Board committees as at 31 December 2016.

On 15 February 2017, the Board resolved to cancel the Bank Facility Committee, and terminate the power granted to the Bank Facility Committee. All offices of the Bank Facility Committee formerly taken by the executive Directors (i.e. Dr. Tan Siu Lin and Dr. Tan Henry) were terminated simultaneously. Details are set out in the announcement of the Company dated 10 February 2017.



AUDIT COMMITTEE

The Audit Committee was established with written terms of reference that sets out the authorities and duties of the Committee adopted by the Board. The functions of risk management and corporate governance was adopted into the terms of reference of Audit Committee in compliance with the amendments to the Main Board Listing Rules, Appendix 14 with effect from 1 January 2016.

The Audit Committee currently comprises three independent non-executive Directors and one non-executive Director, none of which is a former partner of the external auditor. The Audit Committee must meet not less than two times a year with the Company's external auditor and meetings shall be held at such other times on an ad hoc/as-needed basis. It meets with the external auditor and the management of the Group, to ensure that the audit findings are addressed properly. The Audit Committee is authorized to take independent professional advice at Company's expense. The principal responsibilities of the Audit Committee include the following:

(i) To review the relationship with the external auditor by reference to the work performed by the auditor, their fees and terms of engagement, and make recommendation to the Board on the appointment, re-appointment and removal of external auditor.

(ii) To review the financial statements and reports and consider any significant or unusual items raised by the external auditor or qualified accountant before submission to the Board.

(iii) To review the effectiveness and adequacy of the Company's financial reporting system, internal control systems and associated procedures, risk management and corporate governance matters.

(iv) To review the resources, qualifications, experience, training programs and budget of the staff of the Group's financial reporting and accounting and internal audit functions are adequate.

The Audit Committee held three meetings during the year to review the financial results and reports, financial reporting and compliance procedures, internal control and risk management systems, corporate governance matters and the re-appointment of the external auditor. The Audit Committee recommended to the Board that, subject to the shareholders' approval at the forthcoming AGM of the Company, Messrs. PricewaterhouseCoopers be re-appointed as the external auditor of the Group for 2017.

In 2016, three Audit Committee meetings were held and the attendance is presented below:

Audit Committee Members	Meeting Attended/Held
CHAN Henry	2/3
CHEUNG Siu Kee	3/3
SEING Nea Yie	3/3
HUANG Jie (Note a)	N/A

Note:

a. Mr. Huang Jie was appointed as the member of the Audit Committee with effect from 15 February 2017.

The consolidated financial statements for the year have been audited by PricewaterhouseCoopers. During the year, remuneration of approximately US$847,000 was payable to PricewaterhouseCoopers for the provision of audit services. In addition, approximately US$524,000 was payable to PricewaterhouseCoopers for other non-audit services. The non-audit services mainly consist of tax compliance, tax consultancy and transaction services in connection to the major disposal and general offer.

REMUNERATION COMMITTEE

The Remuneration Committee was set up with the responsibility of recommending to the Board the remuneration policy of all the Directors and the senior management. In addition, the Remuneration Committee provides effective supervision and administration of the Company's share option scheme. The authorities and duties of the Remuneration

Committee are set out in its written Terms of Reference (the "RC Terms of Reference"), which are available on the Company's website: http://www.luenthai.com. The Remuneration Committee comprises one executive Director and three independent non-executive Directors.

The Committee Chairman is required to report to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.

A meeting of the Remuneration Committee is required to be held at least once a year to coincide with key dates within the financial reporting and audit cycle.

The attendance record for the Remuneration Committee's meeting during the year ended 31 December 2016 is as follows:

Remuneration Committee Members	Meeting Attended/Held
Independent non-executive Directors	
CHAN Henry	1/1
CHEUNG Siu Kee	1/1
SEING Nea Yie	1/1
Executive Director	
TAN Henry (Note a)	1/1
QU Zhiming (Note b)	N/A

Notes:

a. Dr. Tan Henry resigned as the member of the Remuneration Committee with effect from 15 February 2017.

b. Mr. Qu Zhiming was appointed as the member of the Remuneration Committee with effect from 15 February 2017.

The Remuneration Committee is authorized to investigate any matter within the RC Terms of Reference and seek any information it requires from any employee and obtain outside legal or other independent professional advice at the cost of the Company if it considers necessary. The Remuneration Committee shall make recommendations to the Board on the Company's remuneration policy and structure for all Directors' and senior management. The Remuneration Committee has reviewed the compensation of the Directors and senior executives for 2016.

Pursuant to code provision B.1.5 of the CG Code, the emolument of the members of the senior management (other than the emoluments of Directors and five highest paid individuals disclosed in notes 26(b) and 37(a) pursuant to Appendix 16 to the Listing Rules) paid by the Group by band for the year ended 31 December 2016 is set out below:

Emolument band	Number of individuals
US$193,549 to US$258,064 (equivalent to HK$1,500,001 to HK$2,000,000)	1
US$322,581 to US$387,096 (equivalent to HK$2,500,001 to HK$3,000,000)	1
US$387,097 to US$451,612 (equivalent to HK$3,000,001 to HK$3,500,000)	1

In 2016, total Directors' remuneration amounted to approximately US$3,505,000 (2015: US$3,268,000). The executive Directors and senior management's compensation, including the long-term incentive, shall be based on the corporate and individual performance. Details of the remunerations of the Directors are set out in note 37(a) of the consolidated financial statements.

NOMINATION COMMITTEE

The Nomination Committee was established in March 2012 with written terms of reference in compliance with the requirements of the Listing Rules and the CG Code, which is published on the website of the Stock Exchange and the Company. The Nomination Committee comprises one executive Director and three independent non-executive Directors.

Upon acceptance of appointment, a new Director is provided with sufficient orientation package, including introduction to Group's activities (when necessary), induction into their responsibilities and duties, and other regulatory requirements, to ensure that he has a proper understanding of the business and his responsibilities as a Director.

The Nomination Committee reviews regularly the structure, size and composition of the Board and may make recommendations to the Board on the nominees for appointment as Directors for their consideration and approval. During the year ended 31 December 2016, one Nomination Committee meeting was held. During the year ended 31 December 2016, the Nomination Committee reviewed the structure, size and composition of the Board. There was no nomination of Directors for the year ended 31 December 2016.

The attendance record for the Nomination Committee's meeting during the year ended 31 December 2016 is as follows:

Nomination Committee Members	Meeting Attended/Held
Independent non-executive Directors	
CHAN Henry	1/1
CHEUNG Siu Kee	1/1
SEING Nea Yie (Note a)	1/1
Executive Director	
TAN Henry (Note b)	1/1
SHEN Yaoqing (Note c)	N/A

Notes:

a. Mr. Seing Nea Yie ceased to act as the chairman of the Nomination Committee with effect from 15 February 2017.

b. Dr. Tan Henry resigned as the member of the Nomination Committee with effect from 15 February 2017.

c. Mr. Shen Yaoqing was appointed as the chairman of the Nomination Committee with effect from 15 February 2017.

ACCOUNTABILITY AND AUDIT

Financial reporting

The Directors are responsible for the preparation of financial statements for each financial period which give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing the financial statements for the year ended 31 December 2016, the Directors have selected suitable accounting policies and applied them consistently; adopted appropriate Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards; made adjustments and estimates that are prudent and reasonable; and have prepared the financial statements on the going concern basis. Accordingly, the Directors have prepared the financial statements on a going concern basis. The Directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company. In addition, an explanation of the basis on which the Company generates or preserves value over the longer term and the strategy for delivering the Company's objective is included in the Chairman's Statement and the Management Discussion and Analysis sections on pages 4 to 14.

Risk Management and Internal Control

The Board has overall responsibility for the system of risk management and internal controls of the Company and for reviewing its effectiveness through the Audit Committee. The Board is committed to the management, identification and monitoring of risks associated with its business activities and has implemented an effective and sound risk management and internal controls systems to safeguard the interests of the shareholders and the Group's assets.

The internal control procedures of the Group feature a comprehensive budgeting and financial/management reporting system to facilitate management's ongoing review and monitoring. Business strategic plans and budgets are prepared on an annual basis by the management of individual business and subject to review and approval by the executive Directors. During the budget setting process, the likelihood and potential financial impact of fundamental business risk have been identified, evaluated and reported by the management. Certain procedures and guidelines have been established for management approval and control including but not limited to capital expenditures, mergers and acquisitions, unbudgeted items and operating expenses.

The executive Directors review the monthly management reports on major business units and the financial results and hold periodic meetings with senior finance and operational management team to review and discuss the business performance against budget, market outlooks, and to address deficiencies of any key issues on a timely basis.

The Group has adopted a principle of minimizing financial and capital risks. Details of our financial and capital risk management covering market risk (including foreign exchange risk, cash flow interest rate risk), credit risk and liquidity risk are set out in Note 3 to the consolidated financial statements on pages 78 to 84.

All major operations are governed by its standard operating procedures with authorization matrix and supplemented by written policies and procedures tailored to the respective business units and support functions. These policies and procedures are aimed to provide guidelines on key risk management and control standards for our global operations and are updated on a regular and timely basis.

The Internal Audit Team ("IA Team") was established in May 2005 with an Internal Audit Charter approved and adopted by the Audit Committee. The IA Team is an independent unit established within the Group, which provides the Board with an independent appraisal of the Group's systems of internal controls and evaluation of the adequacy and effectiveness of the controls established to safeguard shareholders' investment and the Group's assets on an ongoing basis. The Head of Internal Audit has a direct reporting line to the Audit Committee.

The IA Team independently reviews compliance with Group policies and guidelines, legal and regulatory requirements, risk management and internal controls and evaluates their adequacy and effectiveness.

The Internal Audit plan is risk-based that covers the Group's significant operations over a cycle and recurring basis. The annual internal audit review plan is reviewed and endorsed by the Audit Committee. The internal audit scope covers significant controls including financial, operational and compliance controls, and risk management policies and procedures. Major findings and recommendations including the implementation status of agreed recommendations are reported at the Audit Committee meetings, no major issues but areas of improvement have been identified. Directors and the Audit Committee considered that the major areas of the internal control systems of the Group are reasonably and adequately implemented.

As part of the annual review of the effectiveness of the Group's risk management and internal control systems for 2016, management teams of business units conducted an internal control self-assessment of business operations and relevant accounting functions, and considered that sound risk and internal control practices were in place for 2016.

Our external auditor performs independent statutory audits of the Group's consolidated financial statements. The external auditor also reports to the Audit Committee any significant weaknesses in our internal control which come to notice during the course of the audit. Responsible management have been responded and followed up recommendations from the external auditor.

Over the years, the Company has adopted a code of business ethics which requires all Directors and employees to conform with a set of high ethical standards in conducting the business. The Company has also adopted the inside information policy setting out the guidelines to the Directors and employees of the Group in accordance with the applicable laws and regulations.

Up to the date of approval of the Company's 2016 Annual Report based on the respective assessments made by management and the IA Team, and also taking into account the results of the audit conducted by the external auditors, the Audit Committee and the Directors considered that:

(i) the risk management, internal controls and accounting systems of the Group are designed to provide reasonable but not absolute assurance that material assets are protected, business risks attributable to the Group are identified and monitored, material transactions are executed in accordance with management's authorization and the financial statements are reliable for publication;

(ii) the risk management and internal controls systems of the Group have been implemented with room for improvement and the IA Team has actively conducted follow-up audit for any improvements which were identified; and

(iii) there is an on-going process in place for identifying, evaluating and managing significant risks faced by the Group.

External Auditors

PricewaterhouseCoopers has been appointed as the external auditor of the Company. The Audit Committee has been notified of the nature and the service charges of non-audit services performed by PricewaterhouseCoopers and considered that such services have no adverse effect on the independence of the external auditor.

COMMUNICATION WITH SHAREHOLDERS

Communication with shareholders is considered an effective way to enable the shareholders of the Company (the "Shareholders") to have a clear assessment of the Group's performance as well as accountability of the Board. Major means of communication with the Shareholders are as follows:

Disclosure of information on corporate website

All material information in both English and Chinese about the Group is made available on the Company's website (www.luenthai.com). The Company regularly updates its corporate information such as annual reports, interim reports, corporate governance practices, business development and operations to all concerned parties on a timely basis. Announcements made through the Stock Exchange, the same information will be made available on the Company's website.

General meetings with shareholders

The Company's general meeting acts as a useful platform for direct communication between the Shareholders and the Board. Separate resolutions are proposed on each substantially separate issue at the general meetings.

The 2016 annual general meeting ("2016 AGM") and extraordinary general meeting ("2016 EGM") were held on 26 May 2016 and 31 December 2016 respectively. The attendance record of the Directors at the 2016 AGM and 2016 EGM are set out below:

Board Members	Meeting Attended/Held
Executive Directors	
TAN Siu Lin	2/2
TAN Henry*	2/2
TAN Cho Lung, Raymond*	1/2
MOK, Siu Wan Anne	1/2
Non-executive Directors	
TAN Willie*	0/2
LU Chin Chu	1/2
Independent non-executive Directors	
CHAN Henry	2/2
CHEUNG Siu Kee	2/2
SEING Nea Yie	2/2

* Son of TAN Siu Lin

The Company's independent external auditor also attended the 2016 AGM.

Voting by poll

Resolutions put to vote at the general meetings of the Company are taken by poll. Procedures regarding the conduct of the poll are explained to the Shareholders at the commencement of each general meeting, and questions from Shareholders regarding the voting procedures are answered. The poll results are posted on the websites of the Stock Exchange and the Company respectively on the same day as the poll.

SHAREHOLDERS' RIGHTS

Pursuant to the mandatory disclosure requirement under paragraph O of the CG Code, a summary of certain rights of the Shareholders is set out below:

Procedures for Shareholders to convene Extraordinary General Meeting ("EGM")

Pursuant to Article 58 of the Articles of Association, any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require an EGM to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

The written requisition must state the objects of the EGM and must be signed by the requisitionists concerned and deposited at the registered office of the Company at 5th Floor, Nanyang Plaza, 57 Hung To Road, Kwun Tong, Kowloon, Hong Kong for the attention of the Company Secretary. The requisition may consist of several documents in like form, each signed by one or more of the requisitionists concerned.

The EGM convened by the requisitionists shall be convened in the same manner, as nearly as possible, as that in which general meetings are to be convened by the Board.

Procedures for directing Shareholders' enquiries to the Board

Shareholders may at any time send their enquiries to the Board in writing through the Company Secretary of the Company whose contact details are as follows:

5th Floor, Nanyang Plaza,
57 Hung To Road, Kwun Tong, Kowloon,
Hong Kong
Email: corporate_communications@luenthai.com

The Company Secretary shall forward the Shareholders' enquiries and concerns to the Board and/or relevant board committees of the Company, where appropriate, to answer the Shareholders' questions.

In addition, Shareholders may also make enquiries to the Board at the general meetings of the Company.

Procedures for Shareholders to propose a person for election as a Director

Subject to applicable laws, rules and regulations, including the Listing Rules and the Articles of Association as amended from time to time, if any Shareholder(s) intends to propose a person other than a Director for election as a Director at any general meeting, the following procedures shall apply:

- a notice signed by a Shareholder (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also a notice signed by the person to be proposed of his willingness to be elected shall have been lodged at the head office or at the Hong Kong Branch Share Registrar of the Company;

- such notice(s) shall be given within seven (7) days after the day of dispatch of the notice of the meeting (or such other period, being a period of not less than seven (7) days, commencing no earlier than the day after the dispatch of the notice of such meeting and ending no later than seven (7) days prior to the date of such meeting, as may be determined by the Board from time to time); and

- in order for the Company to inform Shareholders of that proposal, such notice(s) for the nomination of a director must state the full name of the person nominated for election as a Director and include the person's biographical details as required by the Listing Rules.

For Shareholders who would like to nominate a person for election as a Director at the forthcoming AGM, please refer to the notice of the AGM to be published for further information on the relevant nomination period.

Constitutional documents

During the year, there were no changes in any of the Company's constitutional documents.

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TO THE SHAREHOLDERS OF LUEN THAI HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of Luen Thai Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 53 to 139, which comprise:

- the consolidated statement of financial position as at 31 December 2016;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

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KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarized as follows:

1. Impairment assessment of customer relationships and goodwill relating to the cash-generating units of Casual and fashion and Sweaters; and

2. Potential tax exposures of the Group.

Key Audit Matter	How our audit addressed the Key Audit Matter
1. Risk of impairment of customer relationships and goodwill relating to the cash-generating units of Casual and fashion and Sweaters	
Refer to notes 4 and 9 to the consolidated financial statements As at 31 December 2016, the Group has written off customer relationships of US$7,145,000 and US$1,106,000 in relation to Casual and fashion and Sweaters businesses, respectively. With the decrease in sales to certain customers, the risk of impairment of customer relationships has increased. Management has therefore, using the fair value less costs of disposal calculations, performed impairment assessments of the respective customer relationships that were tested separately at individual cash-generating unit. As at 31 December 2016, the Group had goodwill related to the Casual and fashion segment of US$17,697,000 and the Sweaters segment of US$16,029,000. Annual impairment assessments were also performed where the fair value less costs of disposal calculation was used to determine the recoverable amounts. After taking into account the results of the impairment assessments of customer relationships, provision for impairment of goodwill amounted to US$2,242,000 was made in respect of the cash-generating units of the Sweaters segment (nil for the Casual and fashion segment).	We tested management's impairment assessments of customer relationships and goodwill, and our procedures focused on assessing the reasonableness of assumptions used in determining the respective recoverable amounts. Our procedures performed are as follows: • We reviewed and evaluated management's assessments on impairment indicators; • With respect to the review of management's impairment assessments which included the determination of the recoverable amount, the following were performed: o involved our internal valuation specialist to assess the appropriateness of the methodologies used in determining the recoverable amount and the reasonableness of the assumptions used; o compared the assumptions used, mainly the revenue growth and gross profit margin, within the impairment assessment to the approved budgets for the first year of the discounted cash flow model;

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Key Audit Matter	How our audit addressed the Key Audit Matter
We considered this as a key audit matter as judgements are required to be made in determining whether or not there are any impairment triggering events and in determining the recoverable amount which is calculated based on fair value less costs of disposal using a discounted cash flow model. Significant judgement is also required in relation to the assumptions made in such discounted cash flow model and the corresponding calculation and these assumptions are as follows: • Average revenue growth; • Average gross profit margin; • Terminal growth rate; and • Discount rate.	o evaluated the assumptions used, mainly average revenue growth, average gross profit margin and terminal growth, within the impairment assessment by comparing them to historical results and economic and industry forecast; o benchmarked the discount rate range which was used in determining the recoverable amount against certain internal and external data; o performed sensitivity analysis over key assumptions in the model in order to assess the potential impact of a range of possible outcomes; and o reviewed the inclusion of all appropriate assets and liabilities in the cash-generating units. For the aforementioned key assumptions, mainly average revenue growth, average gross profit margin, terminal growth rate and discount rate, used in determining the recoverable amount, we found them to be consistent and in line with our expectations.

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Key Audit Matter	How our audit addressed the Key Audit Matter

2. Potential tax exposures of the Group

Refer to notes 4 and 28 to the consolidated financial statements

During the year ended 31 December 2016, certain subsidiaries of the Group were being enquired or audited by their respective local tax authorities. In response to these enquiries and audits, the Group recorded prepayments and tax provisions in respect of the following as at 31 December 2016:

- The eligibility of a Hong Kong incorporated subsidiary's 50% to 100% off shore profits claim;
- The business and operations of a Macao incorporated subsidiary on the basis of where its operations were carried out;
- The tax position undertaken by overseas subsidiaries; and
- The transfer pricing position undertaken by a subsidiary established in China.

We focused on this area because the Group is subject to taxation in many jurisdictions and, in many cases, the ultimate tax treatment is uncertain and cannot be finally determined until resolved with the relevant tax authorities. Consequently, management makes judgements about the incidences and quantum of tax liabilities which are subject to the future outcome of assessments by the relevant tax authorities and potentially associated legal processes. During the year ended 31 December 2016, the aforementioned matters continued to be in dispute or being enquired by the corresponding tax authorities.

With respect to these potential tax exposures, we performed the following procedures:

- discussed with management the advice and action they had taken with regards to the enquiries and reviewed any associated documents;
- examined the correspondences between the Group and the relevant tax authorities and between the Group and its external tax advisers; and
- examined the matters in dispute, used our knowledge of the law of the relevant tax jurisdictions and other similar taxation matters and involved our PwC tax specialists to assess the available evidence and the provisions made by management.

As set out in the notes to the consolidated financial statements, the settlement of the Group's tax position is subject to future negotiation with relevant tax authorities, and the calculations of the provisions are currently based on management's interpretation of the relevant law of the respective tax jurisdictions. Based on the aforementioned procedures performed, we found management's assessments to be supported by available evidence.

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OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Cheung Kin Bong, Sherman.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 28 March 2017

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Note	As at 31 December 2016 US$'000	2015 US$'000
ASSETS			
Non-current assets			
Land use rights	6	**5,355**	10,695
Property, plant and equipment	7	**59,899**	104,351
Investment properties	8	**—**	6,504
Intangible assets	9	**34,423**	47,513
Interest in an associated company	11	**—**	412
Interests in joint ventures	12	**13,697**	14,590
Amount due from a joint venture	34	**—**	7,747
Deferred income tax assets	13	**889**	938
Other non-current assets		**4,611**	6,681
Total non-current assets		**118,874**	199,431
Current assets			
Inventories	14	**64,717**	92,778
Trade and other receivables	16	**156,055**	207,436
Prepaid income tax		**8,157**	6,080
Derivative financial instruments	23	**229**	78
Cash and bank balances	17	**291,533**	178,275
Restricted cash	17	**2,302**	—
Total current assets		**522,993**	484,647
Total assets		**641,867**	684,078
EQUITY			
Equity attributable to owners of the Company			
Share capital	18	**10,341**	10,341
Other reserves	19	**17,149**	131,867
Retained earnings		**250,398**	238,432
		277,888	380,640
Non-controlling interests	10	**708**	1,927
Total equity		**278,596**	382,567

As at 31 December 2016

	Note	As at 31 December 2016 US$'000	2015 US$'000
LIABILITIES			
Non-current liabilities			
Borrowings	20	—	2,459
Other payables	22	811	1,593
Retirement benefit obligations	21	9,160	9,338
Deferred income tax liabilities	13	2,408	5,519
Total non-current liabilities		12,379	18,909
Current liabilities			
Trade and other payables	22	162,124	201,731
Dividend payable		109,416	—
Borrowings	20	70,184	73,469
Derivative financial instruments	23	—	17
Current income tax liabilities		9,168	7,385
Total current liabilities		350,892	282,602
Total liabilities		363,271	301,511
Total equity and liabilities		641,867	684,078

The consolidated financial statements on pages 53 to 139 were approved by the Board of Directors on 28 March 2017 and signed on its behalf by:

Tan Cho Lung, Raymond
Director

Qu Zhiming
Director

The notes on pages 60 to 139 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2016

	Note	**2016 US$'000**	2015 US$'000 (Restated)
Continuing operations			
Revenue	5	**908,765**	1,047,286
Cost of sales	25	**(766,985)**	(901,267)
Gross profit		**141,780**	146,019
Other losses — net	24	**(2,082)**	(2,206)
Selling and distribution expenses	25	**(2,940)**	(3,305)
General and administrative expenses	25	**(111,355)**	(118,551)
Impairment loss on goodwill and write-off of customer relationships	9	**(10,493)**	—
Operating profit		**14,910**	21,957
Finance income	27	**416**	875
Finance costs	27	**(1,726)**	(1,950)
Finance costs — net	27	**(1,310)**	(1,075)
Share of losses of joint ventures		**(2,160)**	(1,691)
Profit before income tax		**11,440**	19,191
Income tax expense	28	**(2,385)**	(3,875)
Profit for the year from continuing operations		**9,055**	15,316
Discontinued operations			
Gain/(loss) for the year from discontinued operations	35	**9,526**	(1,854)
Profit for the year		**18,581**	13,462
Profit attributable to:			
Owners of the Company		**18,472**	12,769
Non-controlling interests		**109**	693
		18,581	13,462
Profit attributable to owners of the Company arises from:			
— Continuing operations		**9,000**	14,661
— Discontinued operations		**9,472**	(1,892)
		18,472	12,769

For the year ended 31 December 2016

	Note	2016 US$'000	2015 US$'000 (Restated)
Earnings per share from continuing and discontinued operations attributable to owners of the Company for the year (expressed in US cents per share)			
Basic earnings per share	29		
From continuing operations		0.9	1.4
From discontinued operations		0.9	(0.2)
From profit for the year		1.8	1.2
Diluted earnings per share	29		
From continuing operations		0.9	1.4
From discontinued operations		0.9	(0.2)
From profit for the year		1.8	1.2

The notes on pages 60 to 139 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Note	2016 US$'000	2015 US$'000
Profit for the year		**18,581**	13,462
Other comprehensive income/(loss):			
Item that will not be reclassified subsequently to profit or loss:			
Actuarial gains on retirement benefit obligations	21	**1,346**	684
Item that may be reclassified to profit or loss:			
Currency translation differences		**(3,771)**	(737)
Exchange reserve released upon disposal of subsidiaries	35	**(2,756)**	—
Total comprehensive income for the year, net of income tax		**13,400**	13,409
Attributable to:			
Owners of the Company		**13,303**	12,715
Non-controlling interests		**97**	694
Total comprehensive income for the year		**13,400**	13,409
Total comprehensive income attributable to owners of the Company arises from:			
Continuing operations		**6,820**	12,217
Discontinued operations		**6,483**	498
		13,303	12,715

The notes on pages 60 to 139 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	Attributable to owners of the Company						
	Share capital US$'000	Share premium (Note 19) US$'000	Other reserves (Note 19) US$'000	Retained earnings US$'000	Total US$'000	Non-controlling interests US$'000	Total Equity US$'000
Balance at 1 January 2015	10,341	124,039	11,713	234,402	380,495	2,312	382,807
Profit for the year	—	—	—	12,769	12,769	693	13,462
Other comprehensive (loss)/income:							
Currency translation differences	—	—	(731)	—	(731)	(6)	(737)
Actuarial gains on retirement benefit obligations (Note 21)	—	—	677	—	677	7	684
Total comprehensive (loss)/income	—	—	(54)	12,769	12,715	694	13,409
Total contributions by and distributions to owners of the Company, recognized directly in equity							
Acquisition of additional interests in a subsidiary (Note 32)	—	—	(3,831)	—	(3,831)	(1,079)	(4,910)
Dividends paid	—	—	—	(8,739)	(8,739)	—	(8,739)
Total transactions with owners, recognized directly in equity	—	—	(3,831)	(8,739)	(12,570)	(1,079)	(13,649)
Balance at 31 December 2015	10,341	124,039	7,828	238,432	380,640	1,927	382,567
Balance at 1 January 2016	**10,341**	**124,039**	**7,828**	**238,432**	**380,640**	**1,927**	**382,567**
Profit for the year	**—**	**—**	**—**	**18,472**	**18,472**	**109**	**18,581**
Other comprehensive (loss)/income:							
Currency translation differences	**—**	**—**	**(3,750)**	**—**	**(3,750)**	**(21)**	**(3,771)**
Exchange reserve released upon disposal of subsidiaries	**—**	**—**	**(2,756)**	**—**	**(2,756)**	**—**	**(2,756)**
Actuarial gains on retirement benefit obligations (Note 21)	**—**	**—**	**1,337**	**—**	**1,337**	**9**	**1,346**
Total comprehensive (loss)/income	**—**	**—**	**(5,169)**	**18,472**	**13,303**	**97**	**13,400**
Total contributions by and distributions to owners of the Company, recognized directly in equity							
Disposal of subsidiaries (Note 35)	**—**	**—**	**(133)**	**133**	**—**	**(850)**	**(850)**
Dividends paid	**—**	**—**	**—**	**(6,639)**	**(6,639)**	**—**	**(6,639)**
Dividend declared to non-controlling interests	**—**	**—**	**—**	**—**	**—**	**(466)**	**(466)**
Special dividends declared (Note 30)	**—**	**(109,416)**	**—**	**—**	**(109,416)**	**—**	**(109,416)**
Total transactions with owners, recognized directly in equity	**—**	**(109,416)**	**(133)**	**(6,506)**	**(116,055)**	**(1,316)**	**(117,371)**
Balance at 31 December 2016	**10,341**	**14,623**	**2,526**	**250,398**	**277,888**	**708**	**278,596**

The notes on pages 60 to 139 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	Note	2016 US$'000	2015 US$'000
Cash flows from operating activities			
Cash generated from operations	31	61,880	63,253
Interest paid		(2,074)	(2,137)
Income tax paid		(5,076)	(5,136)
Net cash generated from operating activities		54,730	55,980
Cash flows from investing activities			
Purchases of property, plant and equipment	7	(10,801)	(15,330)
Decrease in bank deposits maturing beyond 3 months		2,346	350
Proceeds from disposals of property, plant and equipment	31	1,311	800
Repayment of consideration for the acquisition of additional interests in a subsidiary		(833)	(2,500)
Investment in a joint venture	12	(4,543)	(2,548)
Settlement of amount due from a joint venture		15,106	—
Repayment of shareholder's loan from a joint venture		581	—
Interest received		749	1,134
Decrease in other non-current assets		—	104
Proceeds from disposal of subsidiaries, net of cash disposal	35	69,778	—
Net cash generated from/(used in) investing activities		73,694	(17,990)
Cash flows from financing activities			
Net increase/(decrease) in trust receipt loans		6,579	(11,021)
Repayments of borrowings		(9,265)	(57,971)
Dividends paid to the Company's shareholders		(6,639)	(8,739)
Net cash used in financing activities		(9,325)	(77,731)
Net increase/(decrease) in cash and bank balances		119,099	(39,741)
Cash and bank balances at beginning of the year		175,835	214,494
Exchange (losses)/gains on cash and bank balances		(3,495)	1,082
Cash and bank balances at end of the year	17	291,439	175,835

The notes on pages 60 to 139 are an integral part of these consolidated financial statements.

1 GENERAL INFORMATION

Luen Thai Holdings Limited (the "Company") is principally 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 provision of freight forwarding and logistics services and real estate development. The Group has manufacturing plants in the People's Republic of China (the "PRC"), Cambodia, the Philippines, Vietnam and Indonesia.

The Company is a limited liability company incorporated in the Cayman Islands. The address of its registered office and principal place of business of the Company are Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and 5/F, Nanyang Plaza, 57 Hung To Road, Kwun Tong, Kowloon, Hong Kong, respectively.

The Company has its primary listing on the Main Board of The Stock Exchange of Hong Kong Limited.

On 25 October 2016, the Group entered into an agreement with Torpedo Management Limited, a wholly-owned subsidiary of Helmsley Enterprises Limited ("Helmsley") where as set out in Note 34, Helmsley is regarded as the ultimate holding company of the Company, to dispose certain of its business and properties through the disposal of certain of its subsidiaries. The disposed businesses are consisted of (i) retail sales and trading of apparel and accessories, (ii) footwear manufacturing, (iii) freight forwarding and logistics and (iv) real estate development. Upon completion of the disposal, the principal business of the Group will continue to be apparel and accessories manufacturing. As the disposed businesses are considered as separate major line of businesses, the corresponding operations had been classified as discontinued operations as a result of the completion of such disposal. Further details of the disposal and discontinued operations are set out in Note 35.

These consolidated financial statements are presented in United States dollars ("US$"), unless otherwise stated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

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

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

Changes in accounting policy and disclosures

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

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

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

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

(b) *New Standards and interpretation not yet adopted*

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries

2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognized amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognized in profit or loss.

Any contingent consideration to be transferred by the group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with HKAS 39 in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognized and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in the statement of profit or loss (Note2.11).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries (continued)

2.2.1 Consolidation (continued)

(a) Business combinations (continued)

Intra-group transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the group's accounting policies.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions — that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 Joint arrangements

The Group has applied HKFRS 11 to all joint arrangements. Under HKFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognized at cost and adjusted thereafter to recognize the group's share of the post-acquisition profits or losses and movements in other comprehensive income. Upon the acquisition of the ownership in a joint venture, any difference between the cost of the joint venture and the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is accounted for as goodwill. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealized gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income is reclassified to the consolidated statement of profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognized in the consolidated statement of profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount adjacent to "share of profit/(loss) of an associated company" in the consolidated statement of profit or loss.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognized in the Group's consolidated financial statements only to the extent of unrelated investor's interests in the associates. Unrealized losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group. Gains or losses on dilution of equity interest in associates are recognized in the consolidated statement of profit or loss.

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Company that make strategic decisions.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in US$, which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of profit or loss.

Foreign exchange gains and losses that relate to borrowings and cash and bank balances are presented in the consolidated statement of profit or loss within 'finance income — net'. All other foreign exchange gains and losses are presented in the consolidated statement of profit or loss within 'other losses — net'.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognized in the consolidated statement of profit or loss as part of the fair value gain or loss.

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) income and expenses for each statement of profit or loss are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting currency translation differences are recognized in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognized in other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Land use rights

Land use rights are stated at cost less accumulated amortization and impairment losses. Cost represents consideration paid for the rights to use the land on which various plants and buildings are situated for periods varying from 10 to 50 years. Amortization of land use rights is calculated on a straight-line basis over the period of the land use right.

2.8 Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the consolidated statement of profit or loss during the financial period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, where appropriate, as follows:

Buildings	20 years
Leasehold improvements	5–20 years or the remaining lease term, whichever is shorter
Plant and machinery	5–10 years
Furniture, fixtures and equipment	3–5 years
Motor vehicles	3–5 years

The assets' useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains or losses on disposals are determined by comparing the proceeds with carrying amount and are recognized within "general and administrative expenses" in the consolidated statement of profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Investment properties

Investment property, principally comprising land use rights and buildings, is held for long term rental yields or for capital appreciation or both, and that is not substantially occupied by the Group.

It is initially measured at cost, including related transaction costs and other costs incurred to bring the properties into their existing use, less accumulated depreciation and accumulated impairment losses, if any.

Depreciation of investment properties is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, where appropriate, as follows:

Land use rights	20–50 years
Buildings	20 years

Where the carrying amount of an investment property is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Subsequent expenditure is charged to the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the consolidated statement of profit or loss during the financial period in which they are incurred.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment. At the date of reclassification, its cost and accumulated depreciation are transferred to property, plant and equipment and become its cost and accumulated depreciation for accounting purposes. If an owner-occupied property becomes an investment property because its use has changed, it is reclassified as investment property. At the date of reclassification, its cost and accumulated depreciation are transferred to investment property and become its cost and accumulated depreciation for accounting purposes.

2.10 Construction-in-progress

Construction-in-progress represents buildings, plant and machinery under construction and pending installation and is stated at cost. Cost includes the costs of construction of buildings and the costs of plant and machinery. No provision for depreciation is made on construction-in-progress until such time as the relevant assets are completed and ready for intended use. When the assets concerned are brought into use, the costs are transferred to other property, plant and equipment and depreciated in accordance with the policy as stated in Note 2.8 in this Section.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Intangible assets

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries, and represents the excess of the consideration transferred, the amount of any non-controlling interests in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognized immediately as an expense and is not subsequently reversed.

(b) Contractual customer relationships

Contractual customer relationships acquired in a business combination are recognized at fair value at the acquisition date. The contractual customer relations have a finite useful life and are carried at cost less accumulated amortization and impairment losses. Amortization is calculated using the straight-line method over the expected life of the customer relationship of 5 to 14 years.

2.12 Impairment of non-financial assets

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Financial assets

2.13.1 Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "trade and other receivables" and "cash and bank balances" in the consolidated statement of financial position (Notes 2.17 and 2.18).

2.13.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognized on the trade-date — the date on which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the consolidated statement of profit or loss. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortized cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the consolidated statement of profit or loss within 'other losses — net' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognized in the consolidated statement of profit or loss as part of other income when the Group's right to receive payments is established.

2.13.3 Offsetting financial instruments

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Impairment of financial assets — assets carried at amortized cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the consolidated statement of profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the consolidated statement of profit or loss.

2.15 Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographic area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

When an operation is classified as discontinued, a single amount is presented in the statement of profit or loss, which comprises the post-tax profit or loss of the discontinued operation and the post-tax gain or loss recognized on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Derivative financial instruments

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair values. Changes in the fair value of these derivative instruments are recognized immediately in the consolidated statement of profit or loss within 'other losses — net'. The Group does not have any derivative that is designated as a hedging instrument.

2.17 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.18 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

2.19 Cash and bank balances

In the consolidated cash flow statement, cash and bank balances include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. In the consolidated statement of financial position, bank overdrafts are shown within borrowings in current liabilities.

2.20 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.21 Trade and other payables

Trade and others payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade and other payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Financial liabilities

Financial guarantee contracts

A financial guarantee contract is a contract that requires the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument. Such financial guarantees are given to banks on behalf of subsidiaries to secure loans, overdrafts and other banking facilities. The Group does not recognize liabilities for financial guarantee at inception, but perform a liability adequacy test at each reporting date by comparing its net liability regarding the financial guarantee with the amount that would be required if the financial guarantee would result in a present legal or constructive obligation. If the liability is less than its present legal or constructive obligation amount, the entire difference is recognized in the consolidated statement of profit or loss immediately.

2.23 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated statement of profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.24 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the consolidated statement of profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is also recognized in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the date of the consolidated statement of financial position in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the date of the consolidated statement of financial position and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference not recognized.

Deferred income tax assets are recognized on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilized.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25 Current and deferred income tax (continued)

(c) Offsetting

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

2.26 Employee benefits

(a) Pension obligations

The Group companies operate various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Group has both defined contribution and defined benefit pension plans.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan.

Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognized in the consolidated statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

The current service cost of the defined benefit plan, recognized in the statement of profit or loss in employee benefit expense, except where included in the cost of an asset, reflects the increase in the defined benefit obligation results from employee service in the current year, benefit changes, curtailments and settlements.

Past-service costs are recognized immediately in the consolidated statement of profit or loss.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the consolidated statement of profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.26 Employee benefits (continued)

(a) *Pension obligations (continued)*

Remeasurement arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) *Long service payments*

The Group's net obligation in respect of long service payments to its employees upon the termination of their employment or retirement when the employee fulfills certain circumstances under the Hong Kong Employment Ordinance is the amount of future benefit that employees have earned in return for their service in the current and prior periods.

The obligation is calculated using the projected unit credit method, discounted to present value and reduced by entitlements accrued under the Group's retirement plans that are attributable to contributions made by the Group. The discount rate is the yield at the end of reporting period on high quality corporate bonds which have terms to maturity approximating the terms of the related liability.

(c) *Termination benefits*

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognizes costs for a restructuring that is within the scope of HKAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(d) *Profit-sharing and bonus plans*

The Group recognizes a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the company's shareholders after certain adjustments. The Group recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(e) *Employee leave entitlements*

Employee entitlements to annual leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the date of the consolidated statement of financial position.

Employee entitlements to sick leave and maternity leave are not recognized until the time of leave.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.27 Share-based payments-Equity-settled share-based payment transactions

The Group operates an equity-settled share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognized as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save or holding shares for a specific period of time).

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing performance and service conditions. It recognizes the impact of the revision to original estimates, if any, in the consolidated statement of profit or loss, with a corresponding adjustment to equity.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognizing the expense during the period between service commencement period and grant date.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (and share premium.)

2.28 Provisions

Provisions for legal claims are recognized when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.29 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognized because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognized but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognized as a provision.

2.30 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts returns and value added taxes. The Group recognizes revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(i) Sale of goods

Sale of goods is recognized when products have been delivered to its customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.

(ii) Freight forwarding and logistics services income

Freight forwarding and logistics services income are recognized when services are rendered.

(iii) Interest income

Interest income is recognized using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans and receivables are recognized using the original effective interest rate.

(iv) Management and commission income

Management and commission income is recognized when services are rendered.

(v) Rental income

Rental income from investment properties is recognized in the consolidated statement of profit or loss on a straight-line basis over the term of the lease.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.31 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of profit or loss on a straight-line basis over the period of the lease.

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the consolidated statement of profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

2.32 Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by a central treasury department ("Group Treasury") under policies approved by the Board of Directors. Group Treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The board provides guidance for overall risk management and specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(a) Market risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US$, the Hong Kong dollar ("HK$"), the Euro ("Euro"), the Philippine Peso ("Peso") and the Chinese Renminbi ("RMB"). Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations.

To manage the foreign exchange risk arising from future commercial transactions and recognized assets and liabilities, the Group enters into foreign exchange forward contracts with external financial institutions to partially hedge against such foreign exchange risk. The Group also mitigates this risk by maintaining HK$, Euro, Philippine Peso and RMB bank accounts which are used by the Group to pay for the transactions denominated in these currencies.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.

The HK$ is pegged to the US$ and thus foreign currency exposure is considered as minimal and is not hedged. At 31 December 2016, if the US$ had weakened/strengthened by 7% (2015: 6%) against the Euro with all other variables held constant, the post-tax profit for the year would have been US$231,000 (2015: US$92,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of Euro-denominated trade receivables, payables and cash and bank balances.

At 31 December 2016, if the US$ had weakened/strengthened by 3% (2015: 3%) against the RMB with all other variables held constant, the post-tax profit for the year would have been US$244,000 (2015: US$54,000) lower/higher, mainly as a result of foreign exchange gains/losses on translation of RMB-denominated trade receivables, payables, borrowings and cash and bank balances.

At 31 December 2016, if the US$ had weakened/strengthened by 5% (2015: 4%) against the Philippine Peso with all other variables held constant, the post-tax profit for the year would have been US$195,000 (2015: US$116,000) lower/higher, mainly as a result of foreign exchange gains/losses on translation of Peso-denominated trade payables and cash and bank balances.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(ii) Cash flow interest rate risk

The Group's interest rate risk arises from bank borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk. During the year, the Group's borrowings at variable rate were denominated in the US$. Borrowings obtained at various rates expose the Group to cash flow interest rate risk which is partially offset by bank deposits held at various rates.

The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions and alternative financing. Based on these scenarios, the Group calculates the impact on consolidated statement of profit or loss of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies. The scenarios are run only for liabilities that represent the major interest-bearing positions.

At 31 December 2016, if interest rates on borrowings had been 50 basis points higher/lower (2015: 50 basis points) with all other variables held constant, post-tax profit for the year would have been US$393,000 (2015: US$357,000) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

(b) Credit risk

Credit risk of the Group mainly arises from deposits with banks and financial institutions, as well as credit exposures to customers such as trade receivables, amounts due from related companies, an associated company, and joint ventures and other receivables. The carrying amount of these balances in the consolidated statement of financial position represents the Group's maximum exposure to credit risk in relation to its financial assets.

Majority of the Group's bank deposits are placed in those banks and financial institutions which are independently rated with a high credit rating. Management does not expect any losses from non-performance by these banks and financial institutions as they have no default history in the past.

Debtors of the Group may be affected by the unfavorable economic conditions and the lower liquidity situation, which could in turn impact their ability to repay the amounts owed. Deteriorating operating conditions for debtors may also have an impact on management's cash flow forecasts and assessment of the impairment of receivables. To the extent that information is available, management has properly reflected revised estimate of expected future cash flows in their impairment assessments.

The credit quality of the customers is assessed based on its financial position, past experience and other factors. The Group has policies in place to ensure that sales of products are made to customers with appropriate credit history.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(b) *Credit risk (continued)*

As at 31 December 2016, the Group had a concentration of credit risk given that the top 5 customers account for 43% (2015: 50%) of the Group's total year end trade receivables balance. However, the Group concludes that the credit risk in relation to these customers is not significant because they have no history of default in recent years.

The Group performs periodic credit evaluations of its customers. For the trade and other receivables proved to be impaired, management has provided sufficient provision on those balances.

Management considers the credit risk on amounts due from related companies, an associated company and joint ventures, and other receivables is minimal after considering the financial conditions of these entities. Management has performed assessment over the recoverability of these balances and management does not expect any losses from non-performance by these companies.

(c) *Liquidity risk*

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of available credit facilities. The directors aim to maintain flexibility in funding by keeping credit lines available.

Management monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities (Note 20) at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Surplus cash held by Group entities over and above balances required for working capital management is invested in interest-bearing bank accounts and bank deposits with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts.

The following tables analyse the Group's non-derivative financial liabilities and net-settled derivative financial liabilities into relevant maturity grouping based on the remaining period at the date of the consolidated statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the date of the consolidated statement of financial position) and the earliest date the Group can be required to pay.

Specifically, for bank loans which contain a repayment on demand clause which can be exercised at the bank's sole discretion, the analysis shows the cash outflow based on the earliest period in which the entity can be required to pay, that is if the lenders were to invoke their unconditional rights to call the loans with immediate effect. The maturity analysis for other bank borrowings and finance lease liabilities is prepared based on the scheduled repayment dates.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

	On demand US$'000	Within 3 months US$'000	More than 3 months but less than 1 year US$'000	More than 1 year but less than 2 years US$'000	More than 2 years but less than 5 years US$'000	Total undiscounted cash outflows US$'000
Group						
At 31 December 2016						
Long term bank borrowings subject to a repayment on demand clause	36,000	—	—	—	—	36,000
Other bank borrowings	34,184	—	—	—	—	34,184
Trade and other payables	—	119,909	7,961	—	—	127,870
Dividend payable	—	109,416	—	—	—	109,416
	70,184	229,325	7,961	—	—	307,470

	On demand US$'000	Within 3 months US$'000	More than 3 months but less than 1 year US$'000	More than 1 year but less than 2 years US$'000	More than 2 years but less than 5 years US$'000	Total undiscounted cash outflows US$'000
Group						
At 31 December 2015						
Long term bank borrowings subject to a repayment on demand clause	45,020	—	—	—	—	45,020
Other bank borrowings	27,605	255	764	289	2,439	31,352
Trade and other payables	—	150,049	6,441	—	—	156,490
Derivative financial instruments	—	—	17	—	—	17
	72,625	150,304	7,222	289	2,439	232,879

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

The table below summarizes the maturity analysis of bank borrowings with a repayment on demand clause based on agreed scheduled repayments set out in the loan agreements. The amounts include interest payments computed using contractual rates. Taking into account the Group's financial position, the directors do not consider that it is probable that the bank will exercise its discretion to demand immediate repayment. The directors believe that such bank loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

	Maturity analysis — Bank borrowings subject to a repayment on demand clause based on scheduled repayments				
	Within 1 year	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total outflows
	US$'000	US$'000	US$'000	US$'000	US$'000
At 31 December 2016	**40,743**	**31,271**	**—**	**—**	**72,014**
At 31 December 2015	37,378	6,625	31,961	—	75,964

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Group monitors capital by maintaining a net cash position throughout the year.

3.3 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2)
- Inputs for the asset and liability that are not based on observable market data (that is, unobservable inputs) (level 3)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation (continued)

The following table presents the Group's assets/(liabilities) that are measured at fair value.

	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
At 31 December 2016				
Assets				
— Derivative financial instruments (Note i)	—	**229**	—	**229**
At 31 December 2015				
Assets				
— Derivative financial instruments (Note i)	—	78	—	78
Liabilities				
— Derivative financial instruments (Note i)	—	(17)	—	(17)

Notes:

(i) The fair values of financial instruments, that are not traded in an active market, which primarily represented the forward foreign exchange contracts, is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. As all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

(ii) There were no transfers between level 1 and level 2 during the year.

3.4 Offsetting financial assets and financial liabilities

No financial assets and financial liabilities were subject to offsetting, enforceable master netting arrangements and similar agreements as at 31 December 2016 and 2015.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

4.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made. Please refer to Note 28 for details.

(b) Useful lives of property, plant and equipment, investment properties and intangible assets (other than goodwill)

The Group's management determines the estimated useful lives, and related depreciation and amortization charges for its property, plant and equipment, investment properties and intangible assets (other than goodwill). This estimate is based on the historical experience of the actual useful lives of property, plant and equipment, investment properties and intangible assets of similar nature and functions. Management will increase the depreciation and amortization charges where useful lives are less than previously estimated lives. It will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in depreciable and amortization lives and therefore depreciation and amortization expense in future periods.

(c) Impairment of property, plant and equipment, investment properties, land use rights and intangible assets (other than goodwill)

Property, plant and equipment, land use rights and intangible assets (other than goodwill) are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable such as declines in asset's market value and significant increase in interest rates that may affect the discount rate used in calculating the asset's recoverable amount. The recoverable amounts have been determined based on the higher of fair value less costs of disposal calculations or value in use calculations. These calculations require the use of judgements and estimates.

During the year ended 31 December 2016, an amount totaling US$7,145,000 and US$1,106,000 were recognized in relation to the provision of impairment of customer relationship of the Group's casual and fashion business and sweaters business, respectively. No write-off has been recognized in the year ended 31 December 2015 (Note 9).

If the forecasted sales growth rate used in the fair value less costs of disposal for the sweater business had been 5% lower than management's estimates as at 31 December 2016, the Group would need to reduce the carrying value of customers relationships by US$258,000.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

4.1 Critical accounting estimates and assumptions (continued)

(c) *Impairment of property, plant and equipment, investment properties, land use rights and intangible assets (other than goodwill) (continued)*

If the forecasted gross margin used in the fair value less costs of disposal for the sweater business had been 0.5% lower than management's estimates as at 31 December 2016, the Group would need to reduce the carrying value of customers relationships by US$353,000.

(d) *Impairment of goodwill*

The Group tests annually whether goodwill has suffered any impairment. For the purposes of impairment reviews, the recoverable amount of goodwill is determined based on fair value less costs of disposal calculations. The fair value less costs of disposal calculations primarily use cash flow forecast based on financial budgets and forecasts covering a period of 5 years approved by management and estimated terminal value at the end of the budget period.

There are a number of assumptions and estimates involved in the preparation of cash flow forecast for the period covered by the approved budgets. Key assumptions include the growth rates and discount rates to reflect the risks involved. Management prepares the financial budgets and forecasts reflecting actual and prior year performance and market development expectations. Judgment is required to determine key assumptions adopted in the cash flow forecast and changes to key assumptions could affect these cash flow forecast and therefore the results of the impairment reviews.

During the year ended 31 December 2016, an impairment loss of US$2,242,000 arose in the sweater CGU, resulting in the carrying amount of the CGU being written down to its recoverable amount. If the forecasted sales growth rate used in the fair value less costs of disposal calculation for the sweater CGU had been 10% lower than management estimates at 31 December 2016, the Group would have recognized a further impairment of goodwill by US$986,000 and would result in a residual goodwill of US$15,043,000.

If the forecasted gross margin used in the fair value less costs of disposal calculation for the sweater CGU had been 0.25% lower than management's estimate, the Group would have recognized a further impairment against goodwill of US$966,000 and would result in a residual goodwill of US$15,063,000.

(e) *Pension benefits*

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension obligation.

Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in Note 21.

5 SEGMENT INFORMATION

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

The executive directors have been identified as the chief operating decision maker. The executive directors have determined the operating segments based on the reports reviewed by them that are used to make strategic decisions.

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

As discussed in Note 35, subsequent to the disposal, the Group no longer carried on the businesses of manufacturing and trading of footwear products, freight forwarding and logistics services, real estate development and retail sales and trading of apparel and accessories. The results of these businesses were classified as discontinued operation of the Group for the years ended 31 December 2016 and 2015.

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

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

5 SEGMENT INFORMATION (CONTINUED)

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

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

A reconciliation of total segment profit to the profit for the year is provided as follows:

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

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

5 SEGMENT INFORMATION (CONTINUED)

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

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

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

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

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

6 LAND USE RIGHTS

The Group's interests in land use rights represent prepaid operating lease payments and their net book values are analyzed as follows:

	2016 US$'000	2015 US$'000
At 1 January	10,695	11,205
Amortization of land use rights (Note 25)	(317)	(315)
Disposal of subsidiaries (Note 35)	(4,689)	—
Exchange differences	(334)	(195)
At 31 December	5,355	10,695

As at 31 December 2016, the Group was in the process of obtaining the land use rights certificate in respect of a piece of land located in the PRC with a carrying amount of US$997,000 (2015: US$1,027,000). Based on the Group's experience and after seeking legal consultation, the directors are of the view that such problem is unlikely to have a material effect on the carrying amounts of the land use rights and the property located on this land.

7 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings US$'000	Leasehold improvements US$'000	Plant and machinery US$'000	Furniture, fixtures and equipment US$'000	Motor vehicles US$'000	Construction-in-progress US$'000	Total US$'000
Year ended 31 December 2016							
Opening net book amount	50,870	14,381	29,592	6,622	1,230	1,656	104,351
Additions	215	896	3,655	3,263	397	2,375	10,801
Disposals/write-off	(274)	(478)	(224)	(904)	(366)	—	(2,246)
Disposals of subsidiaries (Note 35)	(19,380)	(5,048)	(5,894)	(2,569)	(275)	(258)	(33,424)
Transfer from construction-in-progress	—	361	2,873	106	78	(3,418)	—
Impairment	(233)	(207)	—	—	—	—	(440)
Depreciation (Note 25)	(4,694)	(1,910)	(6,697)	(2,747)	(428)	—	(16,476)
Exchange differences	(1,989)	(144)	(589)	76	17	(38)	(2,667)
Closing net book amount	24,515	7,851	22,716	3,847	653	317	59,899
At 31 December 2016							
Cost	45,344	32,460	92,017	39,815	2,773	317	212,726
Accumulated depreciation and impairment	(20,829)	(24,609)	(69,301)	(35,968)	(2,120)	—	(152,827)
Net book amount	24,515	7,851	22,716	3,847	653	317	59,899

7 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Land and buildings US$'000	Leasehold improvements US$'000	Plant and machinery US$'000	Furniture, fixtures and equipment US$'000	Motor vehicles US$'000	Construction-in-progress US$'000	Total US$'000
Year ended 31 December 2015							
Opening net book amount	56,729	15,543	29,944	6,809	1,271	1,048	111,344
Additions	739	676	7,135	2,376	402	4,002	15,330
Transfer to investment properties (Note 8)	(717)	—	—	—	—	—	(717)
Disposals/write-off	(21)	(83)	(525)	(263)	(3)	—	(895)
Transfer from construction-in-progress	662	750	1,287	386	15	(3,100)	—
Depreciation (Note 25)	(4,986)	(2,042)	(6,824)	(2,439)	(422)	—	(16,713)
Exchange differences	(1,536)	(463)	(1,425)	(247)	(33)	(294)	(3,998)
Closing net book amount	50,870	14,381	29,592	6,622	1,230	1,656	104,351
At 31 December 2015							
Cost	97,702	45,505	104,866	56,753	5,675	1,656	312,157
Accumulated depreciation and impairment	(46,832)	(31,124)	(75,274)	(50,131)	(4,445)	—	(207,806)
Net book amount	50,870	14,381	29,592	6,622	1,230	1,656	104,351

Notes:

(i) Depreciation expense of US$9,000,000 (2015: US$9,575,000) has been charged to the cost of sales, US$489,000 (2015: Nil) has been charged to selling and distribution expenses and US$6,987,000 (2015: US$7,138,000) has been charged to general and administrative expenses.

(ii) As at 31 December 2016, the Group has not yet obtained the building certificate for a building located in the PRC with a carrying amount of US$3,883,000 (2015: US$4,537,000). Please refer to Note 6 for details.

8 INVESTMENT PROPERTIES

	2016 US$'000	2015 US$'000
As at 1 January	**6,504**	6,827
Transfer in (Note a)	**—**	717
Depreciation and amortization (Note 25)	**(730)**	(801)
Disposal of subsidiaries (Note 35)	**(5,594)**	—
Exchange differences	**(180)**	(239)
As at 31 December	**—**	6,504

Notes:

(a) Certain properties were transferred from property, plant and equipment to investment properties during the year ended 31 December 2015, with a total net book value of US$717,000.

(b) The fair value of the investment properties at 31 December 2015 amounted to US$30,559,000. The estimate has been determined by the directors of the Company with reference to the current prices in an active market for properties of similar natures. Investment properties comprise factory premises located in the PRC.

(c) Rental income recognized in the consolidated statement of profit or loss for the year ended 31 December 2016 amounted to US$835,000 (2015: US$1,207,000).

(d) Depreciation and amortization expenses have been charged to general and administrative expenses.

9 INTANGIBLE ASSETS

	Goodwill US$'000	Customer relationships US$'000	Total US$'000
Year ended 31 December 2016			
Opening net book amount	**35,968**	**11,545**	**47,513**
Amortization (Note 25)	**—**	**(2,597)**	**(2,597)**
Write-off	**—**	**(8,251)**	**(8,251)**
Provision for impairment loss	**(2,242)**	**—**	**(2,242)**
Closing net book amount	**33,726**	**697**	**34,423**
At 31 December 2016			
Cost	**54,888**	**47,892**	**102,780**
Accumulated amortization, write-off and provision for impairment loss	**(21,162)**	**(47,195)**	**(68,357)**
Net book value	**33,726**	**697**	**34,423**
Year ended 31 December 2015			
Opening net book amount	35,968	14,142	50,110
Amortization (Note 25)	—	(2,597)	(2,597)
Closing net book amount	35,968	11,545	47,513
At 31 December 2015			
Cost	54,888	47,892	102,780
Accumulated amortization, write-off and provision for impairment loss	(18,920)	(36,347)	(55,267)
Net book value	35,968	11,545	47,513

Notes:

(i) For the year ended 31 December 2016, due to the unexpected deterioration in sales to certain customers, the Group has written off customer relationships of US$7,145,000 (2015: Nil) and US$1,106,000 (2015: Nil) for casual and fashion apparel and sweaters business, respectively, where each customer relationship is considered as the smallest identifiable group of assets that generate independent cash flows. In addition, the Group has made a provision for impairment of goodwill of US$2,242,000 (2015: Nil) for sweaters business.

(ii) Amortization of customer relationships of US$2,597,000 (2015: US$2,597,000) is included in general and administrative expenses.

9 INTANGIBLE ASSETS (CONTINUED)

Impairment tests for goodwill

Goodwill is allocated to the Group's CGUs identified according to operating segments.

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

2016	**Opening US$'000**	**Provision for impairment US$'000**	**Closing US$'000**
Sweaters	**18,271**	**(2,242)**	**16,029**
Casual and fashion apparel (note i)	**17,697**	**—**	**17,697**
	35,968	**(2,242)**	**33,726**

2015	Opening US$'000	Provision for impairment US$'000	Closing US$'000
Sweaters	18,271	—	18,271
Life-style apparel	11,177	—	11,177
Casual and fashion apparel	6,520	—	6,520
	35,968	—	35,968

Note:

(i) During the year ended 31 December 2016, life-style apparel and casual and fashion apparel have been combined into one operating segment (Note 5). The goodwill of life-style apparel, therefore, has been combined with the goodwill of casual and fashion apparel accordingly.

In accordance with HKAS 36 "Impairment of Assets", the recoverable amount of a CGU is determined based on fair value less costs of disposal calculations. The Group has made reference to the valuation reports issued by an independent valuer for the calculation of the recoverable amount of the CGUs. These calculations use post-tax cash flow forecast covering a five-year period. Cash flows beyond the five-year period are extrapolated using the terminal growth rate stated below.

Inherent in the development of the present value of future cash flow forecast are assumptions and estimates derived from a review of the expected revenue growth rates, gross profit margins, business plans, cost of capital and tax rates. Certain assumptions are made about future market conditions, market prices and interest rates. Changes in assumptions or estimates could materially affect the determination of the fair value of a CGU, and therefore could eliminate the excess of fair value over carrying value of a CGU entirely and, in some cases, could result in impairment.

The key assumptions and parameters used for fair value less costs of disposal calculations are as follows. In addition, where there has been an impairment loss in a CGU, the recoverable amount is also disclosed below.

9 INTANGIBLE ASSETS (CONTINUED)

Impairment tests for goodwill (continued)

	2016		2015			
	Sweaters	**Casual and fashion apparel**	Sweaters	Life-style apparel	Casual and fashion apparel	Accessories — footwear (note iv)
Average revenue growth (Note i)	**–3.9%**	**4.2%**	2.8%	8.3%	3.1%	8.0%
Average gross profit margin	**21.0%**	**15.4%**	20.5%	16.2%	13.8%	9.5%
Terminal growth rate (Note ii)	**3.0%**	**3.0%**	3.0%	3.0%	3.0%	3.0%
Discount rate (Note iii)	**13.5%**	**13.0%**	14.0%	14.1%	13.0%	14.0%
Recoverable amount (US$'000)	**35,332**	**N/A**	N/A	N/A	N/A	N/A

Notes:

(i) Average revenue growth rate covers the five-year forecast period. It is based on the past performance and management's expectations on market development.

(ii) The terminal growth rates do not exceed the long-term average growth rate of the business in which the CGUs operate.

(iii) Post-tax discount rate applied to the post-tax cash flow forecast.

(iv) The business of Accessories-footwear has been disposed during the year ended 31 December 2016. Please refer to Note 35 for details.

These assumptions and parameters have been used for the analysis of each CGU within the operating segment. Management determined the financial forecast based on past performance and its expectations for the market development. The discount rates used are post-tax and reflect specific risks relating to the relevant segments.

In casual and fashion apparel CGU, the recoverable amount calculated based on fair value less cost of disposal exceeded the carrying amount by US$84,731,000. A fall in annual net sales growth rate to –5.5%, a gross margin of 15.1%, a fall in long-term growth rate to –3.0% or a rise in discount rate to 16.8%, all changes taken in isolation, would remove the remaining headroom.

There was no subsequent change in the valuation method used for changes in key assumptions and parameters used in the valuation.

10 SUBSIDIARIES

The directors are of the opinion that a complete list of the particulars of all the subsidiaries will be of excessive length and therefore the following list contains only the particulars of the subsidiaries which materially affect the results or assets of the Group.

Particulars of the principal subsidiaries as at 31 December 2016 and 2015 are shown as follows:

Name	Place of incorporation/ establishment	Principal activities and place of operations	Particulars of issued share capital/registered capital	Proportion of ordinary shares held by parent (%)		Proportion of ordinary shares held by the Group (%)		Proportion of ordinary shares held by non-controlling interest (%)	
				2016	2015	**2016**	2015	**2016**	2015
Bright Sky Pte Ltd	Cambodia	Contractor manufacturing of garments in Cambodia	1,000 ordinary shares of US$1,000 each	—	—	**100%**	100%	—	—
Desk Top Bags Philippines, Inc.	Philippines	Manufacturing of bags in the Philippines	210,000 ordinary share of Philippine Peso 100 each	—	—	**100%**	100%	—	—
Dluxe Bags Philippines, Inc.	Philippines	Provision of subcontracting services in the Philippines	50,000,000 ordinary share of Philippine Peso 100 each	—	—	**100%**	100%	—	—
東莞天河針織有限公司+	PRC	Garment manufacturing in the PRC	Registered and total paid-in capital of HK$26,771,800	—	—	**100%**	100%	—	—
東莞通威服裝有限公司+	PRC	Trading and manufacturing of garment products in the PRC	Registered and total paid-in capital of US$2,500,000	—	—	**100%**	100%	—	—
東莞星浩手袋有限公司+	PRC	Manufacturing of bags in the PRC	Registered capital of HK$94,200,000 and total paid-in capital of HK$78,200,000	—	—	**100%**	100%	—	—
東莞星駿手袋有限公司+	PRC	Manufacturing of bags in the PRC	Registered capital of HK$10,014,600 and total paid-in capital of HK$9,930,000	—	—	**100%**	100%	—	—
Fortune Investment Overseas Limited	BVI	Investment holding in Hong Kong	1 ordinary share of US$1 each	—	—	**100%**	100%	—	—
Golden Dragon Apparel, Inc.	Philippines	Garment manufacturing in the Philippines	62,000 ordinary shares of Philippine Peso 100 each	—	—	**100%**	100%	—	—
廣州市捷進製衣廠有限公司+	PRC	Garment manufacturing in the PRC	Registered and total paid-in capital of US$7,200,000	—	—	**100%**	100%	—	—
Luen Thai Footwear Macao Commercial Offshore Co. Limited	Macao	Trading company in Macao	100,000 ordinary share of Macao Pataca ("MOP") 1 each	—	—	**100%**	100%	—	—
L & T International Group Phils., Inc.	Philippines	Garment manufacturing in the Philippines	20,000 ordinary shares of Philippine Peso 100 each	—	—	**100%**	100%	—	—

10 SUBSIDIARIES (CONTINUED)

Name	Place of incorporation/ establishment	Principal activities and place of operations	Particulars of issued share capital/registered capital	Proportion of ordinary shares held by parent (%)		Proportion of ordinary shares held by the Group (%)		Proportion of ordinary shares held by non-controlling interest (%)	
				2016	2015	**2016**	2015	**2016**	2015
Luen Thai International Group Limited	Hong Kong	Sourcing, manufacturing and trading of textile and garment products in Hong Kong	2 ordinary shares of HK$1 each	—	—	**100%**	100%	—	—
Luen Thai Macao Commercial Offshore Company Limited	Macao	Sourcing, manufacturing and trading of textile and garment products in Macao	25,000 ordinary shares of MOP1 each	—	—	**100%**	100%	—	—
Luen Thai Overseas Limited	Bahamas	Investment holding in Hong Kong	16,685,806 ordinary shares of US$1 each	**100%**	100%	**100%**	100%	—	—
Ocean Sky Apparel (VN) Limited	Vietnam	Processing and exporting garment products in Vietnam	Registered capital of US$6,000,000 with total paid-in capital of US$1,800,000	—	—	**100%**	100%	—	—
Ocean Sky Global Singapore (S) Pte Ltd	Singapore	Garment trading and sourcing overseas in Singapore	Registered and total paid-in capital of US$21,223,245	—	—	**100%**	100%	—	—
On Time International Limited	BVI	Investment holding in Hong Kong	500 ordinary shares of US$1 each	—	—	**100%**	100%	—	—
Philippine Luen Thai Holdings Corporation	Philippines	Investment holding in the Philippines	260,000 ordinary shares of Philippine Peso 100 each	—	—	**100%**	100%	—	—
Suntex Pte Ltd	Cambodia	Contract manufacturing of garments in Cambodia	1,200,000 ordinary shares of US$1 each	—	—	**100%**	100%	—	—
TellaS Ltd.	United States	Import and distribution of garments in the United States	100 ordinary shares with total paid-in capital of US$100,000	—	—	**100%**	100%	—	—
Tien-Hu Trading (Hong Kong) Limited	Hong Kong	Trading of garment products in Hong Kong	1,000,000 ordinary shares of HK$1 each	—	—	**95%**	95%	**5%**	5%
Tien-Hu Knitting Factory (Hong Kong) Limited	Hong Kong	Trading of garment products in Hong Kong	1,000,000 ordinary shares of HK$1 each	—	—	**95%**	95%	**5%**	5%
TMS Fashion (H.K) Limited	Hong Kong	Garment trading and investment holding in Hong Kong	3,000,000 shares of HK$1 each	—	—	**100%**	100%	—	—
TMS International Limited	Hong Kong	Garment trading in Hong Kong	2,000 ordinary shares of HK$500 each	—	—	**100%**	100%	—	—
Yuen Thai Philippines, Inc	Philippines	Garment manufacturing in the Philippines	1,000,000 shares of Philippine Peso 1 each	—	—	**100%**	100%	—	—

\+ The subsidiaries are established as wholly foreign-owned enterprises in the PRC

At 31 December 2016, the total non-controlling interests are US$708,000 (2015: US$1,927,000).

11 INTEREST IN AN ASSOCIATED COMPANY

	2016 US$'000	2015 US$'000
Share of net assets	—	412

The associated company has been disposed during the year as further discussed in Note 35.

There is no contingent liability in relation to the Group's interest in an associated company.

12 INTERESTS IN JOINT VENTURES

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

	2016 US$'000	2015 US$'000
Beginning of the year	14,590	12,847
Addition (Note ii and iii)	4,543	2,548
Disposal of subsidiaries (Note 35)	(3,814)	—
Elimination of intercompany transactions	(489)	(607)
Repayment of shareholder's loan	(581)	—
Share of post-tax losses of joint ventures	(432)	(269)
Exchange difference	(120)	71
End of the year	13,697	14,590

Notes:

(i) On 10 February 2015, the Group entered into a subscription agreement with Duc Hanh Garment Joint Stock Company ("DHG"), pursuant to which DHG had allotted and issued and the Group had subscribed for 3,122,450 common shares for a consideration of Vietnam Dong ("VND") 54,299,000,000 (equivalent to approximately US$2,500,000). DHG is incorporated in Vietnam and principally engaged in the manufacturing of garments and accessories. The transaction was completed on 16 June 2015. Upon completion, the Group held 51% of the total issued capital of DHG. The Group has joint control over this arrangement as under the contractual agreements, unanimous arrangement is required from all parties to the agreements for key operational and financial activities. Therefore, DHG is classified as a joint venture to the Group.

(ii) On 24 May 2016, the Group entered into an agreement to acquire additional 16.66% equity interest of Sunrise Luen Thai Joint Stock Company ("SLT") (formerly know as Thien Nam Sunrise Textile Joint Stock Company), a joint venture of the Group which is incorporated in Vietnam and principally engaged in fabric manufacturing in Vietnam, for a consideration of US$4,500,000 and recognized a goodwill of US$2,742,000 at the date of completion. The transaction was completed on 19 August 2016. Upon completion, the Group held 50% of the total issued capital of SLT. As any resolution will be approved by all members of the board of management, SLT is considered as a joint venture to the Group.

(iii) On 28 November 2016, the Group entered into an agreement to subscribe 50% equity interest of Golden Thread Investments Limited ("Golden"), a joint venture of the Group which is incorporated in the British Virgin Islands. Golden established a majority owned subsidiary, YTY Digital Print Corp., which is incorporated in the Philippines and principally engaged in the importation, printing and processing of fabric. The amounts contributed by both joint ventures are considered insignificant.

12 INTERESTS IN JOINT VENTURES (CONTINUED)

(a) Share of net assets

The directors are of the opinion that a complete list of the particulars of all the joint ventures will be of excessive length and therefore the following list contains only the particulars of the joint ventures which materially affect the results or assets of the Group.

Particulars of the principal joint ventures as at 31 December 2016 and 2015 are shown as follows:

Name	Place of incorporation	Principal activities and place of operations	Particulars of issued share capital	% of ownership interests 2016	% of ownership interests 2015	Measurement method
Continuing operations						
Sunrise Luen Thai Joint Stock Company (formerly known as "Thien Nam Sunrise Textile Joint Stock Company")	Vietnam	Manufacturing of fabrics in Vietnam	56,700,000 ordinary shares of VND10,000 each	**50%**	33.34%	Equity
Hong Kong Guangthai International Company Limited	Hong Kong	Investment holding in Hong Kong	2 ordinary shares of HK$1 each	**50%**	50%	Equity
Duc Hanh Garment Joint Stock Company	Vietnam	Manufacturing of garments and accessories in Vietnam	6,122,450 ordinary shares of VND10,000 each	**51%**	51%	Equity
Discontinued operations						
Chang Jia International Limited	British Virgin Islands	Real estate in the PRC	100 ordinary shares of US$1 each	**—**	24%	Equity

Set out below is the summarized financial information for the joint ventures that are material to the Group.

Name	Cash and bank balances US$'000	Other current assets US$'000	Non-current assets US$'000	Current liabilities US$'000	Non-current liabilities US$'000	Net assets/ (liabilities) US$'000	Capital commitments US$'000
Statement of financial position as at 31 December 2016							
Sunrise Luen Thai Joint Stock Company	**1,529**	**8,983**	**62,986**	**(30,707)**	**(33,250)**	**9,541**	**1,033**
Hong Kong Guangthai International Company Limited	**1,361**	**16,271**	**6,951**	**(21,017)**	**(9,420)**	**(5,854)**	**—**
Duc Hanh Garment Joint Stock Company	**312**	**13,203**	**3,188**	**(13,438)**	**—**	**3,265**	**—**

12 INTERESTS IN JOINT VENTURES (CONTINUED)

(a) Share of net assets (continued)

Note:

(i) Chang Jia International Limited has been disposed during the year as further discussed in Note 35.

Name	Cash and bank balances US$'000	Other current assets US$'000	Non-current assets US$'000	Current liabilities US$'000	Non-current liabilities US$'000	Net assets/ (liabilities) US$'000	Capital commitments US$'000
Statement of financial position as at 31 December 2015							
Sunrise Luen Thai Joint Stock Company	213	6,901	58,219	(14,756)	(33,756)	16,821	1,552
Hong Kong Guangthai International Company Limited	1,772	13,965	6,842	(18,241)	(10,232)	(5,894)	—
Duc Hanh Garment Joint Stock Company	128	6,678	3,492	(7,791)	(103)	2,404	—
Chang Jia International Limited	6,745	292,888	27,186	(228,581)	(46,200)	52,038	66,343

Name	Revenue US$'000	Depreciation and amortization US$'000	Interest income US$'000	Interest expense US$'000	(Loss)/profit before income tax US$'000	Income tax expense US$'000	(Loss)/profit and comprehensive (loss)/income for the year US$'000
Statement of comprehensive income for the year ended 31 December 2016							
Continuing operations							
Sunrise Luen Thai Joint Stock Company	**24,786**	**(6,950)**	**421**	**(2,640)**	**(7,280)**	**—**	**(7,280)**
Hong Kong Guangthai International Company Limited	**8,264**	**(394)**	**3**	**—**	**101**	**(15)**	**86**
Duc Hanh Garment Joint Stock Company	**15,535**	**(318)**	**43**	**(126)**	**905**	**—**	**905**
Discontinued operations							
Chang Jia International Limited	**143,771**	**(39)**	**270**	**(893)**	**12,675**	**(5,477)**	**7,198**
Statement of comprehensive income for the year ended 31 December 2015							
Continuing operations							
Sunrise Luen Thai Joint Stock Company	12,491	(228)	273	(304)	(4,725)	—	(4,725)
Hong Kong Guangthai International Company Limited	13,405	(418)	4	—	301	(38)	263
Duc Hanh Garment Joint Stock Company	6,983	(346)	58	(270)	(489)	—	(489)
Discontinued operations							
Chang Jia International Limited	107,301	(42)	145	(982)	10,871	(4,771)	6,100

12 INTERESTS IN JOINT VENTURES (CONTINUED)

(a) Share of net assets (continued)

Reconciliation of financial information of all joint ventures to the carrying amount of its interests in the joint ventures.

	2016 US$'000	2015 US$'000
Opening net assets at 1 January	**43,640**	40,034
Profits for the year	**847**	1,293
Addition of a joint venture	**86**	4,996
Disposal of a joint venture	**(25,165)**	—
Repayment of shareholders' loan from a joint venture	**(1,162)**	—
Elimination of inter-company transactions	**(2,038)**	(2,529)
Exchange difference	**622**	(154)
Closing net assets at 31 December	**16,830**	43,640
Interests in joint ventures	**10,955**	14,590
Goodwill	**2,742**	—
Carrying amount	**13,697**	14,590

(b) Capital commitments and contingent liabilities

As at 31 December 2016 and 2015, the Group's share of capital commitments of joint ventures is as follows:

	2016 US$'000	2015 US$'000
Contracted but not incurred	**517**	16,440

There is no contingent liability in relation to the Group's interests in joint ventures.

13 DEFERRED INCOME TAX

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

	2016 **US$'000**	2015 US$'000
Deferred income tax assets:		
— Deferred income tax assets to be recovered within 12 months	**(889)**	(938)
Deferred income tax liabilities:		
— Deferred income tax liabilities to be settled within 12 months	**137**	203
— Deferred income tax liabilities to be settled after more than 12 months	**2,271**	5,316
Deferred income tax liabilities — net	**1,519**	4,581

The gross movements in the deferred income tax account are as follows:

	2016 **US$'000**	2015 US$'000
At 1 January	**4,581**	4,574
(Credited to)/charged consolidated statement of profit or loss (Note 28)	**(1,911)**	7
Disposal of subsidiaries (Note 35)	**(1,151)**	—
At 31 December	**1,519**	4,581

The movements in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

Deferred income tax liabilities	**Accelerated tax depreciation** US$'000	**Intangible assets** US$'000	**Others** US$'000	**Total** US$'000
At 1 January 2015	1,848	2,384	1,476	5,708
Credited to consolidated statement of profit or loss	(83)	(106)	—	(189)
At 31 December 2015	1,765	2,278	1,476	5,519
Charged/(Credited) to consolidated statement of profit or loss	290	(2,250)	—	(1,960)
Disposal of subsidiaries (Note 35)	—	—	(1,151)	(1,151)
At 31 December 2016	**2,055**	**28**	**325**	**2,408**

13 DEFERRED INCOME TAX (CONTINUED)

Deferred income tax assets	Provision US$'000	Others US$'000	Total US$'000
At 1 January 2015	(769)	(365)	(1,134)
Charged to consolidated statement of profit or loss	48	148	196
At 31 December 2015	(721)	(217)	(938)
Charged to consolidated statement of profit or loss	37	12	49
At 31 December 2016	**(684)**	**(205)**	**(889)**

Deferred income tax assets are recognized for tax loss carry-forwards to the extent that the realization of the related tax benefit through the future taxable profits is probable. The Group did not recognize deferred income tax assets of US$4,523,000 (2015: US$4,648,000) in respect of losses amounting to US$22,585,000 (2015: US$22,804,000) that can be carried forward against future taxable income. These tax losses have expiry dates from 2017 to 2022.

Deferred income tax liabilities of US$3,703,000 (2015: US$9,729,000) have not been recognized for the withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries. Such amounts are permanently reinvested. Unremitted earnings totalled US$12,343,000 at 31 December 2016 (2015: US$66,733,000).

14 INVENTORIES

	2016 **US$'000**	2015 US$'000
Raw materials	**22,657**	38,120
Work in progress	**36,194**	39,365
Finished goods	**5,866**	15,293
	64,717	92,778

The cost of inventories recognized as expense and included in cost of sales amounted to US$625,280,000 (2015: US$719,650,000), which included provision for inventories obsolescence of US$84,000 (2015: US$1,669,000).

As at 31 December 2016, inventories amounting to US$34,184,000 (2015: US$27,605,000) were held under trust receipt bank loan arrangement (Note 20).

15 FINANCIAL INSTRUMENTS BY CATEGORY

	Assets at fair value through profit and loss US$'000	Loans and receivables US$'000	Total US$'000
31 December 2016			
Assets as per consolidated statement of financial position			
Trade and other receivables excluding prepayments	—	141,868	141,868
Cash and bank balances	—	291,533	291,533
Restricted cash	—	2,302	2,302
Derivative financial instruments	229	—	229
Total	229	435,703	435,932
31 December 2015			
Assets as per consolidated statement of financial position			
Trade and other receivables excluding prepayments	—	202,507	202,507
Cash and bank balances	—	178,275	178,275
Derivative financial instruments	78	—	78
Total	78	380,782	380,860

15 FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

	Liabilities at fair value through profit and loss US$'000	Other financial liabilities at amortized cost US$'000	Total US$'000
31 December 2016			
Liabilities as per consolidated statement of financial position			
Borrowings	—	**70,184**	**70,184**
Trade and other payables excluding non-financial liabilities	—	**127,870**	**127,870**
Dividends payable	—	**109,416**	**109,416**
Total	—	**307,470**	**307,470**
31 December 2015			
Liabilities as per consolidated statement of financial position			
Borrowings	—	75,928	75,928
Derivative financial instruments	17	—	17
Trade and other payables excluding non-financial liabilities	—	156,490	156,490
Total	17	232,418	232,435

16 TRADE AND OTHER RECEIVABLES

	2016 US$'000	2015 US$'000
Trade and bills receivable — net (Note a)	**124,529**	162,004
Deposits, prepayments and other receivables	**17,614**	19,103
Amounts due from related parties (Note 34)	**13,912**	26,329
	156,055	207,436

(a) Trade and bills receivable — net

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

The carrying amounts of trade and bills receivable approximate their fair 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 due date, net of provision, is as follows:

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

16 TRADE AND OTHER RECEIVABLES (CONTINUED)

(a) Trade and bills receivable — net (continued)

As at 31 December 2016, trade and bills receivable of US$12,873,000 (2015: US$40,577,000) were past due but not impaired relate to a number of independent customers for whom there is no significant financial difficulties and based on past experience, the overdue amounts can be recovered.

The impairment provision was approximately US$404,000 as at 31 December 2016 (2015: US$2,253,000). The provision made during the year has been included in general and administrative expenses in the consolidated statement of profit or loss.

Movements in provision for impairment of trade and bills receivable are as follows:

	2016 US$'000	2015 US$'000
At 1 January	**2,253**	2,547
Provision for impairment of trade and bills receivable (Note 25)	**421**	416
Write-off	**(2,270)**	(710)
At 31 December	**404**	2,253

The carrying amounts of the Group's trade and bills receivable are denominated in the following currencies:

	2016 US$'000	2015 US$'000
US$	**117,835**	151,390
Euro	**1,200**	679
RMB	**4,425**	5,634
Peso	**1,062**	3,454
Other currencies	**7**	847
	124,529	162,004

The maximum exposure to credit risk at the reporting date is the carrying values of the receivables mentioned above. The Group does not hold any collateral as security.

17 CASH AND BANK BALANCES

(a) Cash and cash equivalents

	2016 US$'000	2015 US$'000
Cash at bank and on hand	**101,477**	153,392
Short-term bank deposits	**189,962**	22,443
Bank deposits with a maturity period of over 3 months	**94**	2,440
Cash and bank balances	**291,533**	178,275
Less: bank deposits with a maturity period of over 3 months	**(94)**	(2,440)
Cash and bank balances in the consolidated cash flow statement	**291,439**	175,835

(b) Restricted cash

As at 31 December 2016, US$2,302,000 (2015: Nil), are restricted deposits held at bank as reserve for settling custom duties.

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

	2016 US$'000	2015 US$'000
US$	**258,249**	129,204
HK$	**11,819**	8,408
Euro	**3,088**	1,416
RMB	**17,581**	33,631
Peso	**1,746**	3,671
Other currencies	**1,352**	1,945
	293,835	178,275

The effective interest rate on short-term bank deposits was 0.54% (2015: 1.53%) per annum; these deposits have an average maturity period of 21 days (2015: 102 days).

Significant restrictions

At 31 December 2016, the Group's cash and cash equivalents and short-term bank deposits included balances of US$18,387,000 (2015: US$31,149,000), which were deposited with banks in the PRC and Vietnam. The remittance of such balances out of the PRC and Vietnam is subject to the rules and regulations of foreign exchanges control promulgated by corresponding governments.

18 SHARE CAPITAL

	Number of shares	Nominal value US$'000
Authorized — ordinary shares of US$0.01 each		
At 31 December 2015 and 2016	1,500,000,000	15,000
Issued and fully paid — ordinary shares of US$0.01 each		
At 1 January 2015, 31 December 2015 and 2016	1,034,112,666	10,341

Share option

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

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

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

Options may be exercised at any time within the relevant exercise period. The Group has no legal or constructive obligation to repurchase or settle the options in cash. The exercise price is determined by the highest of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares.

As at 31 December 2015 and 2016, there is no outstanding share option under the Option Schemes. No share options have been granted or vested during the year ended 31 December 2016.

19 OTHER RESERVES

	Share premium US$'000	Capital reserve (Note i) US$'000	Other capital reserves (Note ii) US$'000	Employment benefits reserve US$'000	Exchange reserve US$'000	Total US$'000
At 1 January 2015	124,039	11,722	(4,799)	(717)	5,507	135,752
Currency translation differences	—	—	—	—	(731)	(731)
Acquisition of additional interests in a subsidiary (Note 32)	—	(3,831)	—	—	—	(3,831)
Actuarial gains on retirement benefit obligations (Note 21)	—	—	—	677	—	677
At 31 December 2015	124,039	7,891	(4,799)	(40)	4,776	131,867
At 1 January 2016	**124,039**	**7,891**	**(4,799)**	**(40)**	**4,776**	**131,867**
Currency translation differences	**—**	**—**	**—**	**—**	**(3,750)**	**(3,750)**
Actuarial gains on retirement benefit obligations (Note 21)	**—**	**—**	**—**	**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**

Notes:

(i) The capital reserve of the Group represents the difference between the nominal value of the shares of the subsidiaries acquired pursuant to the Initial Public Offering ("IPO") reorganization and the nominal value of the Company's shares issued in exchange thereof.

(ii) Other capital reserves primarily represent (i) the initial recognition of the financial liabilities in relation to the put options granted to the non-controlling interests and the subsequent derecognition of such financial liabilities upon the put options are exercised, expired or terminated; and (ii) the difference between the amount by which the non-controlling interests are acquired and the fair value of the consideration paid.

20 BORROWINGS

	2016 US$'000	2015 US$'000
Non-current		
Bank borrowings	—	2,459
	—	2,459
Current		
Trust receipt bank loans	34,184	27,605
Portion of bank borrowings due for repayment within 1 year	5,500	9,267
Portion of bank borrowings due for repayment after 1 year which contain a repayment on demand clause	30,500	36,597
	70,184	73,469
Total borrowings	70,184	75,928
Non-current borrowings		
— Secured	—	2,459
Current borrowings		
— Secured	34,184	28,304
— Non-secured	36,000	45,165
	70,184	75,928

The interest-bearing borrowings, including the term loans repayable on demand, are carried at amortized cost.

As at 31 December 2016 and 2015, the Group's borrowings were repayable as follows:

	Trust receipt bank loans		Bank borrowings		Total	
	2016 US$'000	2015 US$'000	2016 US$'000	2015 US$'000	2016 US$'000	2015 US$'000
Within 1 year	34,184	27,605	5,500	9,267	39,684	36,872
Bank borrowings due for repayment after 1 year (Note):						
After 1 year but within 2 years	—	—	30,500	6,033	30,500	6,033
After 2 years but within 5 years	—	—	—	33,023	—	33,023
	—	—	30,500	39,056	30,500	39,056
	34,184	27,605	36,000	48,323	70,184	75,928
Representing:						
Maturity within 5 years	34,184	27,605	36,000	48,323	70,184	75,928

20 BORROWINGS (CONTINUED)

The carrying amounts of the borrowings are denominated in the following currencies:

	2016 US$'000	2015 US$'000
HK$	—	1,026
US$	70,184	74,902
	70,184	75,928

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

	As at 31 December 2016		As at 31 December 2015	
	US$	HK$	US$	HK$
Bank loans	2.53%	—	2.26%	2.23%
Trust receipt bank loans	1.74%	—	1.59%	1.31%

As at 31 December 2016, the Group had aggregate banking facilities of approximately US$386,187,000 (2015: US$387,236,000) for overdrafts, loans, trade financing and bank guarantees. Unused facilities as at the same date amounted to approximately US$293,439,000 (2015: US$291,504,000). These facilities are secured/guaranteed by:

(i) Floating charges over the Group's inventories amounting to US$34,184,000 (2015: US$27,605,000) held under trust receipt bank loan arrangements (Note 14); and

(ii) A corporate guarantee provided by the Company (Note 34).

The carrying amounts of the borrowings are approximately equal to their fair values.

21 RETIREMENT BENEFIT OBLIGATIONS

	2016 US$'000	2015 US$'000
Consolidated statement of financial position obligations for:		
Defined benefit plans (Note b)	**8,888**	8,856
Provision for long service payments (Note c)	**272**	482
	9,160	9,338
Consolidated statement of profit or loss charges included in operating profit for (Note 26(a)):		
Continuing Operations		
— Defined contribution plans (Note a)	**7,403**	4,989
— Defined benefit plans (Note b)	**2,624**	1,510
— Provision for long service payments (Note c)	**27**	26
	10,054	6,525
Discontinued Operations		
— Defined contribution plans (Note a)	**397**	365
— Defined benefit plans (Note b)	**35**	58
	432	423
	10,486	6,948
Remeasurements for:		
Continuing Operations		
Defined benefit plans (Note b)	**(1,180)**	(584)
Provision for long service payments (Note c)	**(43)**	(12)
	(1,223)	(596)
Discontinued Operations		
Defined benefit plans (Note b)	**(123)**	(88)
	(123)	(88)
	(1,346)	(684)

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

(a) Defined contribution plans

During the year, the Group maintained various defined contribution retirement schemes for its employees, which are managed by independent trustees. Employees' and employer's contributions are based on various percentages of employees' gross salaries and length of service. The total contributions to the defined contribution retirement schemes were approximately US$7,800,000 (2015: US$5,354,000) for the year ended 31 December 2016 (Note 26(a)).

21 RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

(b) Defined benefit plans

The assets of the defined benefit plans are held independently of the Group's assets in separate trustee administered funds. The Group's major plans are valued by Real Actuarial Consulting Limited, Actuarial Advisers, Inc., Actuarial Exponents, Inc. and Key Actuarial Intelligence, Inc., qualified actuaries, annually using the projected unit credit method. The amounts recognized in the consolidated statement of financial position are determined as follows:

	2016 US$'000	2015 US$'000
Present value of unfunded obligations	**5,250**	4,930
Present value of funded obligations	**3,875**	4,275
Fair value of plan assets	**(237)**	(349)
Liabilities in the consolidated statement of financial position	**8,888**	8,856

The movement in the present values of defined benefit obligations over the year is as follows.

	2016 US$'000	2015 US$'000
At 1 January	**9,205**	9,138
Continuing operations:		
Past service cost	**202**	—
Current service cost	**1,215**	1,060
Interest cost	**541**	459
Curtailment/settlement loss	**677**	—
Total — included in employee benefit expenses of continuing operations	**2,635**	1,519
Discontinued operations:		
Current service cost	**38**	49
Interest cost	**14**	14
Curtailment/settlement loss	**(12)**	—
Total — included in employee benefit expenses of discontinued operations	**40**	63
Total — included in employee benefit expenses in the year	**2,675**	1,582
Remeasurements:		
Continuing operations:		
— Gain from change in financial assumptions	**(754)**	(466)
— Gain from change in demographic assumptions	**(41)**	—
— Experience gain	**(382)**	(113)
	(1,177)	(579)

21 RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

(b) Defined benefit plans (continued)

	2016 US$'000	2015 US$'000
Remeasurements: (continued)		
Discontinued operations:		
— Gain from change in financial assumptions	**(96)**	(41)
— Loss from change in demographic assumptions	**—**	4
— Experience gain	**(34)**	(54)
	(130)	(91)
	(1,307)	(670)
Transfer in	**271**	—
Contribution paid	**(1,237)**	(242)
Exchange difference	**(300)**	(603)
Disposal of subsidiaries	**(182)**	—
At 31 December	**9,125**	9,205

The movement in the fair values of plan assets over the year is as follows.

	2016 US$'000	2015 US$'000
At 1 January	**(349)**	(348)
Interest income — included in employee benefit expenses	**(16)**	(14)
Remeasurements:		
— Gain/(loss) on plan assets, excluding amounts included in interest income	**4**	(2)
Contribution paid	**20**	15
Disposal of subsidiaries (Note 35)	**104**	—
At 31 December	**(237)**	(349)

21 RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

(b) Defined benefit plans (continued)

The principal actuarial assumptions used are as follows:

	2016	2015
Discount rate	5.34%–7.90%	5.00%–8.90%
Future salary increase rate	3.00%–14.00%	3.00%–17.00%

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

	Impact on defined benefit plan					
		2016			2015	
	Change in assumption	Increase in assumption	Decrease in assumption	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	1.0%	Decrease by US$1,379,000	Increase by US$1,469,000	1.0%	Decrease by US$1,479,000	Increase by US$1,811,000
Future salary increase rate	1.0%	Increase by US$1,640,000	Decrease by US$1,370,000	1.0%	Increase by US$1,772,000	Decrease by US$1,467,000

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligations to significant actuarial assumptions the same method (present value of the defined benefit obligations calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liabilities recognized within the consolidated statement of financial position.

(c) Long service payments

Provision for long service payments represents the Group's obligations for long service payments to its employees in Hong Kong on cessation of employment in certain circumstances under the Hong Kong Employment Ordinance.

The obligation is calculated using the projected unit credit method, discounted to its present value and reduced by entitlements accrued under the Group's retirement plans that are attributable to contributions made by the Group. Such long service payments obligations are valued by Real Actuarial Consulting Limited, an independent qualified actuary valuer.

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

	2016 US$'000	2015 US$'000
Present value of unfunded obligations	272	482

As at 31 December 2016 and 2015, there are no funded obligations and plan assets.

21 RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

(c) Long service payments (continued)

The movement in the long service payments over the year is as follows.

	2016 US$'000	2015 US$'000
At 1 January	**482**	399
Current service cost	**22**	21
Interest cost	**5**	5
Total — included in employee benefit expenses (Note 26(a))	**27**	26
Re-measurements:		
— Gain from change in financial assumptions	**(2)**	(12)
— Gain from change in demographic assumptions	**(41)**	—
Mandatory Provident Fund (payment)/refund	**(194)**	69
At 31 December	**272**	482

The principal actuarial assumptions used are as follows:

	2016	2015
Discount rate	**1.60%**	1.10%
Future salary increase rate	**3.00%**	2.50%

The sensitivity of the long service payments to changes in the weighted principal assumptions is:

	Impact on long service payments					
	2016			2015		
	Change in assumption	Increase in assumption	Decrease in assumption	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	**1.0%**	**Decrease by US$14,000**	**Increase by US$15,000**	1.0%	Decrease by US$19,000	Increase by US$20,000
Future salary increase rate	**1.0%**	**Increase by US$9,000**	**Decrease by US$8,000**	1.0%	Increase by US$11,000	Decrease by US$10,000

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligations to significant actuarial assumptions the same method (present value of the defined benefit obligations calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liabilities recognized within the consolidated statement of financial position.

21 RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

(d) Risks for defined benefit plans and long service payments

Through its defined benefit plans and long service payments, the Group is exposed to a number of risks, the most significant of which are detailed below:

(i) *Changes in discount rate*

A decrease in discount rate will increase plan liabilities.

(ii) *Inflation risk*

The Group's pension obligations are linked to inflation, and higher inflation will lead to higher liabilities.

(iii) *Life expectancy*

The majority of the plans' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plans' liabilities.

Expected contributions to defined benefit plans and provision for long service payments for the year ending 31 December 2017 are US$1,270,000 (2016: US$1,133,000).

The weighted average duration of the defined benefit obligations is 21.09 years (2015: 23.7 years).

An expected maturity analysis of undiscounted pension is as follows:

	2016 **US$'000**	2015 US$'000
Retirement benefits		
— No later than 1 year	**386**	295
— Later than 1 year and no later than 5 years	**1,243**	1,322
— Later than 5 years	**112,953**	115,964
	114,582	117,581

22 TRADE AND OTHER PAYABLES

	2016 US$'000	2015 US$'000
Trade and bills payable (Note a)	**70,795**	94,046
Other payables and accruals	**89,505**	103,919
Amounts due to related parties (Note 34)	**2,169**	5,359
Amounts due to non-controlling interests	**466**	—
	162,935	203,324
Less: Non-current (Note 32)	**(811)**	(1,593)
Trade and other payables, current	**162,124**	201,731

(a) Trade and bills payable

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

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

The carrying amounts of the Group's trade and bills payable are denominated in the following currencies:

	2016 US$'000	2015 US$'000
US$	**46,006**	66,519
HK$	**11,582**	10,746
Euro	**269**	22
RMB	**9,477**	12,151
Peso	**3,456**	4,603
Other currencies	**5**	5
	70,795	94,046

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

23 DERIVATIVE FINANCIAL INSTRUMENTS

	2016 **US$'000**	2015 US$'000
Forward foreign exchange contracts (Note i)	**229**	78
Interest rate swaps (Note ii)	**—**	(17)
	229	61

Notes:

(i) The notional principal amounts of the outstanding forward foreign exchange contracts as at 31 December 2016 were approximately US$5,312,000 (2015: US$6,451,000).

(ii) As at 31 December 2016, the Group did not have any interest rate swap contract. As at 31 December 2015, the notional principal amount of the outstanding interest rate swap contract was approximately US$2,250,000. Maturity of the interest rate swap matches with the maturity of the underlying fixed rate borrowings. The swap pre-determined the interest rate at 2.6% per annum.

24 OTHER LOSSES — NET

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

25 EXPENSES BY NATURE

	Continuing operations		Discontinued operations	
	2016	2015	**2016**	2015
	US$'000	US$'000	**US$'000**	US$'000
Raw materials and consumables used	**574,166**	685,793	**40,730**	24,523
Changes in inventories of finished goods and work in progress	**10,062**	7,231	**238**	434
Employee benefit expenses (Note 26(a))	**206,880**	243,546	**23,451**	19,773
Losses on disposals of property, plant and equipment — net	**480**	80	**455**	15
Auditors' remuneration				
— Audit services	**785**	818	**62**	64
— Non-audit services	**524**	204	**—**	—
Amortization of land use rights (Note 6)	**140**	140	**177**	175
Amortization of intangible assets (Note 9)	**2,597**	2,597	**—**	—
Depreciation of property, plant and equipment (Note 7)	**11,615**	12,118	**4,861**	4,595
Impairment of property, plant and equipment (Note 7)	**440**	—	**—**	—
Depreciation and amortization of investment properties (Note 8)	**—**	—	**730**	801
Provision for/(reversal of) impairment of trade and bills receivable (Note 16(a))	**119**	(157)	**302**	573
Reversal of material claims	**—**	(2,961)	**—**	—
Provision for/(reversal of) inventory obsolescence (Note 14)	**125**	1,433	**(41)**	236
Operating leases				
— Office premises and warehouses	**6,008**	6,980	**4,113**	3,231
— Plant and machinery	**321**	278	**274**	306
Transportation expenses	**4,690**	5,216	**1,184**	1,076
Communication, supplies and utilities	**18,950**	25,314	**2,863**	3,302
Other expenses	**43,378**	34,493	**11,441**	9,989
	881,280	1,023,123	**90,840**	69,093
Cost of sales	**766,985**	901,267	**55,318**	42,047
Selling and distribution expenses	**2,940**	3,305	**4,090**	686
General and administrative expenses	**111,355**	118,551	**31,432**	26,360
	881,280	1,023,123	**90,840**	69,093

26 EMPLOYEE BENEFIT EXPENSES

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

	Continuing operations		Discontinued operations	
	2016	2015	**2016**	2015
	US$'000	US$'000	**US$'000**	US$'000
Wages, salaries and allowances	**191,338**	234,075	**20,356**	18,752
Termination benefits	**5,488**	2,946	**2,663**	598
Pension costs				
— Defined contribution plans (Note 21(a))	**7,403**	4,989	**397**	365
— Defined benefit plans (Note 21(b))	**2,624**	1,510	**35**	58
Long service payments (Note 21(c))	**27**	26	**—**	—
	206,880	243,546	**23,451**	19,773

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included three (2015: three) directors whose emoluments are reflected in the analysis presented in Note 37. The emoluments payable to the remaining two (2015: two) individuals during the year are as follows:

	2016	2015
	US$'000	US$'000
Basic salaries, other allowances and benefits in kind	**614**	575
Discretionary bonuses	**353**	1,094
Pension scheme contributions	**17**	15
Others	**220**	53
	1,204	1,737

26 EMPLOYEE BENEFIT EXPENSES (CONTINUED)

(b) Five highest paid individuals (continued)

The emoluments of the remaining two (2015: two) highest paid individuals fell within the following bands:

	Number of individuals	
	2016	2015
Emolument bands		
US$516,129 to US$580,644 (equivalent to HK$4,000,001 to HK$4,500,000)	**1**	—
US$580,645 to US$645,160 (equivalent to HK$4,500,001 to HK$5,000,000)	**1**	—
US$645,161 to US$709,677 (equivalent to HK$5,000,001 to HK$5,500,000)	**—**	—
US$709,678 to US$774,193 (equivalent to HK$5,500,001 to HK$6,000,000)	**—**	—
US$774,194 to US$838,709 (equivalent to HK$6,000,001 to HK$6,500,000)	**—**	1
US$838,710 to US$903,226 (equivalent to HK$6,500,001 to HK$7,000,000)	**—**	—
US$903,227 to US$967,742 (equivalent to HK$7,000,001 to HK$7,500,000)	**—**	1
	2	2

During the year, no emoluments have been paid to any of the directors of the Company nor the five highest paid individuals as an inducement to join or as compensation for loss of office.

27 FINANCE COSTS — NET

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

28 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

	Continuing operations		Discontinued operations	
	2016	2015	**2016**	2015
	US$'000	US$'000	**US$'000**	US$'000
Current income tax	**3,080**	3,927	**871**	190
Under/(over)-provision in prior years	**1,216**	(59)	**—**	—
Deferred income tax (Note 13)	**(1,911)**	7	**—**	—
Income tax expense	**2,385**	3,875	**871**	190

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

	Continuing operations		Discontinued operations	
	2016	2015	**2016**	2015
	US$'000	US$'000	**US$'000**	US$'000
Profit/(loss) before income tax	**11,440**	19,191	**10,397**	(1,664)
Tax calculated at domestic tax rates applicable to profits in the respective countries	**(3,175)**	(1,229)	**919**	(1,138)
Income not subject to tax	**(3,211)**	(977)	**(3,597)**	(1,030)
Expenses not deductible for tax purposes	**5,483**	4,177	**1,869**	1,846
Utilization of previously unrecognized tax losses	**(1)**	(412)	**—**	—
Tax losses for which no deferred income tax asset was recognized	**1,238**	1,396	**2,106**	940
Tax effect of taxable temporary difference not recognized — net	**155**	166	**—**	—
Tax effect of share of results of an associated company and joint ventures	**680**	813	**(426)**	(428)
Under/(over)-provision in prior years	**1,216**	(59)	**—**	—
Income tax expense	**2,385**	3,875	**871**	190

28 INCOME TAX EXPENSE (CONTINUED)

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 in particular 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 demanding tax in the amount of approximately 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 2010/11 based on this subsidiary's profit before taxation in the amount of approximately US$8,784,000 (equivalent to approximately HK$68,075,000).

These subsidiaries have lodged objections against the above assessments by the statutory deadlines and, pending settlement of the objections, they have paid a total sum of approximately US$7,088,000 (equivalent to approximately HK$54,932,000) 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 2009/10 for the Macao incorporated subsidiary and the amount paid was included in prepayments in the consolidated statement of financial position as at 31 December 2016. Objection in respect of the estimated assessment for the year of assessment 2010/11 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 2016 and 2015, an overseas tax authority performed tax assessments on overseas incorporated subsidiaries' tax position for the years ended 31 December 2011, 2012, 2013, 2014 and certain periods during the years ended 31 December 2015 and 2016 and issued tax assessments/revised tax assessments to demand additional tax payment of US$5,267,000. The subsidiaries have lodged objection letters to this overseas tax authority. With respect to these tax assessments, management believes that they have grounds to defend their tax position since there are various interpretations of tax rules in that country and this overseas subsidiary did not provide a clear calculation basis for the additional tax payment. Management considers the provision is adequate as at 31 December 2016.

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

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

29 EARNINGS PER SHARE

(a) Basic

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

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

(b) Diluted

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

30 DIVIDENDS

	2016 US$'000	2015 US$'000
Interim dividend paid of US 0.485 cent or equivalent to HK 3.76 cents (2015: US 0.213 cent) per ordinary share	5,015	2,203
Proposed final dividend of US 0.254 cent or equivalent to HK 1.97 cents (2015: US 0.157 cent) per ordinary share	2,627	1,624
Declared special dividend in relation to the disposal of non-core businesses of US 10.581 cents or equivalent to HK 82.0 cents (2015: nil) per ordinary share	109,416	—
Proposed special dividend in relation to the general offer of US 9.665 cents or equivalent to HK 74.9 cents (2015: nil) per ordinary share	99,942	—
	217,000	3,827

At a meeting held on 28 March 2017, the directors recommended the payment of a final dividend of US 0.254 cent per ordinary share, totaling US$2,627,000. Such dividend is to be approved by the shareholders at the annual general meeting of the Company on 26 May 2017. This proposed dividend is not reflected as dividends payable in these financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2016.

31 CASH GENERATED FROM OPERATIONS

	2016 US$'000	2015 US$'000
Profit before income tax including discontinued operations	**21,837**	17,527
Adjustments for:		
Share of losses of joint ventures	**432**	269
Share of profit of an associated company	**21**	(6)
Finance expense (Note 27)	**2,074**	2,137
Finance income (Note 27)	**(2,298)**	(3,056)
Impairment loss on goodwill and write off of customer relationship (Note 9)	**10,493**	—
Fair value gains on derivative financial instruments (Note 24)	**(229)**	(89)
Amortization of intangible assets (Note 9)	**2,597**	2,597
Amortization of land use rights (Note 6)	**317**	315
Depreciation of property, plant and equipment (Note 7)	**16,476**	16,713
Depreciation of investment properties (Note 8)	**730**	801
Losses on disposals of property, plant and equipment — net	**935**	95
Gain on disposal of subsidiaries	**(16,230)**	—
Impairment loss on fixed assets	**440**	—
Operating profit before working capital changes	**37,595**	37,303
Changes in working capital (excluding the effects of currency translation on consolidation):		
Inventories	**17,817**	17,492
Trade and other receivables	**15,611**	26,082
Trade and other payables	**(8,148)**	(18,542)
Derivative financial instruments	**61**	85
Retirement benefit obligations	**1,246**	833
Restricted cash	**(2,302)**	—
Cash generated from operations	**61,880**	63,253

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

	2016 US$'000	2015 US$'000
Net book amount (Note 7)	**2,246**	895
Losses on disposals of property, plant and equipment — net	**(935)**	(95)
Proceeds from disposals of property, plant and equipment	**1,311**	800

32 TRANSACTION WITH NON-CONTROLLING INTERESTS

Acquisition of additional interests in a subsidiary — On Time

On 15 June 2015, the Group acquired the remaining 40% of the issued shares of On Time International Limited and its subsidiaries (together, the "On Time") for a consideration of US$5,000,000. On Time became wholly-owned subsidiaries of the Group after the transaction.

Upon the date of acquisition, the Group derecognized the non-controlling interests of On Time amounting to US$1,079,000 and the difference between the consideration of US$4,910,000 (after the discounting effect) and the carrying amount of the non-controlling interests of US$3,831,000 was recorded in the equity attributable to the owners of the Company.

The total consideration payable has been presented on the consolidated statement of financial position as follows:

	As at 31 December 2016 US$'000	As at 31 December 2015 US$'000
Total consideration payable		
Current	**826**	817
Non-current (Note 22)	**811**	1,593
	1,637	2,410

33 COMMITMENTS

(a) Capital commitments

There is no capital commitments as at 31 December 2016 (2015: Nil).

33 COMMITMENTS (CONTINUED)

(b) Operating lease commitments — as lessee

The Group leases various land and buildings, property, plant and equipment under non-cancellable operating lease agreements. The lease terms are between 1 and 20 years and majority of lease agreements are renewable at the end of the lease period at market rate.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2016 US$'000	2015 US$'000
Land and buildings		
— No later than 1 year	**5,753**	5,697
— Later than 1 year and no later than 5 years	**9,631**	13,585
— Later than 5 years	**9,096**	11,589
	24,480	30,871
Property, plant and equipment		
— No later than 1 year	**79**	101
— Later than 1 year and no later than 5 years	**49**	46
	128	147

(c) Operating lease commitments — as lessor

The future aggregate minimum lease payments receivable under non-cancellable operating leases are as follows:

	2016 US$'000	2015 US$'000
Land and buildings		
— No later than 1 year	**—**	1,374
— Later than 1 year and no later than 5 years	**—**	4,573
— Later than 5 years	**—**	937
	—	6,884

The Company has no other material commitments as at 31 December 2016 and 2015.

34 RELATED-PARTY TRANSACTIONS

Capital Glory Limited, a company incorporated in the British Virgin Islands, owns 59.40% interest in the Company's shares. The directors regard the ultimate holding company of the Company to be Helmsley, a company incorporated in Bahamas. The ultimate controlling party of the Group is Dr. Tan Siu Lin and his close family members.

(a) Transactions with related parties

During the year, the Group had the following significant transactions with related companies, associated companies and joint ventures. Related companies are companies which are beneficially owned, or controlled, by Dr. Tan Siu Lin, Dr. Tan Henry and Mr. Tan Cho Lung, Raymond, Executive directors of the Company, individually, jointly or collectively, or together with their close family members (collectively referred to as the "Tan's Family").

(i) Provisions of goods and services

	2016 US$'000	2015 US$'000
Management fee income from related companies	**238**	178
Commission income from related companies	**806**	723
Freight forwarding and logistics service income from related companies	**1,007**	747
Rental income from related companies	**550**	504
Service income from		
— related companies	**443**	407
— joint ventures	**505**	130
	948	537
Recharge of material costs and other expenses to		
— related companies	**1,547**	1,108
— joint ventures	**9,248**	6,506
	10,795	7,614
Sales of apparels, textile products and accessories to a related company	**11,608**	2,919

34 RELATED-PARTY TRANSACTIONS (CONTINUED)

(a) Transactions with related parties (continued)

(ii) Purchases of goods and services

	2016 **US$'000**	2015 US$'000
Rental expenses for occupying office premises, warehouses and staff quarters charged by related companies	**1,413**	1,532
Professional and technological support service fees to related companies	**2,058**	2,719
Subcontracting fee charged by joint ventures	**—**	658
Freight forwarding and logistics services charged by related companies	**161**	5
Recharge of material costs and other expenses by		
— related companies	**707**	723
— joint ventures	**317**	413
	1,024	1,136
Purchase of materials from		
— related companies	**41**	35
— joint ventures	**7,922**	6,049
	7,963	6,084
Other services fee charged by joint ventures	**1,209**	1,158
Medical benefits & other employee related expenses charged by related companies	**378**	348

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

34 RELATED-PARTY TRANSACTIONS (CONTINUED)

(b) Year-end balances arising from sales/purchases of goods/services — current portion

	2016 US$'000	2015 US$'000
Amounts due from related parties (Note 16)		
— Joint ventures	**5,660**	24,328
— Related companies	**8,252**	2,001
Amounts due to related parties (Note 22)		
— Joint ventures	**1,757**	3,235
— Related companies	**412**	2,124

The amounts due from joint ventures and related parties arise mainly from non-trade transactions. They are unsecured, interest-free and repayable on demand.

The credit quality of these balances that are neither past due nor impaired can be assessed by reference to the historical information about counter party default rates. None of them have defaults or have been renegotiated in the past.

The amounts due to related parties are unsecured, interest-free and repayable on demand. The carrying amounts of these balances approximate their fair values and are denominated in US$.

(c) Amount due from a joint venture — non-current portion

	2016 US$'000	2015 US$'000
Loan to a joint venture:		
At 1 January	**7,747**	7,601
Effective interest income	**463**	466
Exchange loss	**(509)**	(320)
Disposal of subsidiary	**(7,701)**	—
At 31 December	**—**	7,747

As at 31 December 2016, the company did not have amount due from a joint venture as the joint venture was disposed during the year ended 31 December 2016. Refer to Note 35 for more details. Amount due from a joint venture as at 31 December 2015 is unsecured, non-interest bearing and not repayable within the next twelve months.

34 RELATED-PARTY TRANSACTIONS (CONTINUED)

(d) Key management compensation

	2016 US$'000	2015 US$'000
Basic salaries and allowance	4,447	5,336
Bonus	3,170	4,344
Pension scheme contributions	38	43
	7,655	9,723

(e) Banking facilities

As at 31 December 2016, certain banking facilities of the Group to the extent of US$482,057,000 (2015: US$476,107,000) were supported by corporate guarantees given by the Company.

(f) In accordance with the deed 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, any claims, actions, losses, damages, tax and charges against the Group in relation to periods prior to July 2004 would, subject to the terms contained in the deed, be indemnified and reimbursed by certain of the then shareholders of the Company.

35 DISCONTINUED OPERATIONS

On 25 October 2016, the Group entered into an agreement with Torpedo Management Limited, a wholly-owned subsidiary of Helmsley where as set out in Note 34, Helmsley is regarded as the ultimate holding company of the Company, to dispose certain of its business and properties through the disposal of certain of its subsidiaries. The disposed businesses are consisted of (i) retail sales and trading of apparel and accessories, (ii) footwear manufacturing, (iii) freight forwarding and logistics and (iv) real estate development. Upon completion of the disposal, the principal business of the Group will continue to be apparel and accessories manufacturing. As the disposed businesses are considered as separate major line of businesses, the corresponding operations had been classified as discontinued operations as a result of the completion of such disposal.

35 DISCONTINUED OPERATIONS (CONTINUED)

The carrying amounts of assets and liabilities as at 31 December 2016, the disposal date, were as follow:

	US$'000
Property, plant and equipment (Note 7)	33,424
Land use rights (Note 6)	4,689
Investment properties (Note 8)	5,594
Interest in a joint venture (Note 12)	3,814
Interest in an associated company	355
Other non-current assets	1,339
Inventories	10,244
Trade and other receivables	43,120
Amounts due from fellow subsidiaries	49,367
Cash and bank balances	40,567
Borrowings — non-current portion	(2,310)
Long term loan from fellow subsidiaries	(5,000)
Long term loan from related companies	(1,009)
Employee benefits obligation	(78)
Deferred tax liabilities	(1,151)
Trade and other payables	(33,568)
Amounts due to fellow subsidiaries	(110,500)
Borrowings — current portion	(748)
Income tax payable	(385)
Net Assets disposed of	37,764
Non-controlling interests	(850)
Net assets disposed of attributable to the owners of the Company	36,914
Net assets disposed of attributable to the owners of the Company	36,914
Settlement of intra-group balances (Note)	59,310
Less: Consideration	(110,345)
Transaction cost	647
	(13,474)
Release of exchange reserve and other reserves upon disposal of subsidiaries	(2,756)
Gain on disposal of subsidiaries	(16,230)

Note: Pursuant to the sales and purchase agreement, the consideration of US$110,345,000 would be used to settle a portion of balances between the Group and the subsidiaries to be disposed of amounting to US$59,310,000.

35 DISCONTINUED OPERATIONS (CONTINUED)

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

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

Cash flow

	2016 US$'000	2015 US$'000
Operating cash flows	11,134	7,188
Investing cash flows	10,742	(2,805)
Financing cash flows	(2,015)	(5,441)
Total cash flows	19,861	(1,058)

36 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

		2016 US$'000	2015 US$'000
ASSETS			
Non-current asset			
Investments in subsidiaries		**71,564**	208,176
Current assets			
Amounts due from a subsidiary		**139,823**	3,000
Deposits, prepayments and other current assets		**22**	31
Cash and bank balances		**784**	2,702
Total current assets		**140,629**	5,733
Total assets		**212,193**	213,909
EQUITY			
Equity attributable to owners of the Company			
Share capital		**10,341**	10,341
Other reserves	(a)	**86,187**	195,603
Retained earnings	(a)	**4,130**	6,260
Total equity		**100,658**	212,204
LIABILITY			
Current liability			
Other payables and accruals		**1,674**	1,705
Amount due to fellow subsidiaries		**445**	—
Dividends payable		**109,416**	—
Total liabilities		**111,535**	1,705
Total equity and liabilities		**212,193**	213,909

The statement of financial position of the Company has been approved by the Board of Directors on 28 March 2017 and has been signed on behalf.

Tan Cho Lung, Raymond
Director

Qu Zhiming
Director

36 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

(a) Reserve movement of the Company

	Retained earnings US$'000	Other reserves US$'000	Total US$'000
At 1 January 2015	10,108	195,603	205,711
Profit for the year	4,891	—	4,891
Dividends paid relating to 2014	(8,739)	—	(8,739)
At 31 December 2015	6,260	195,603	201,863
At 1 January 2016	**6,260**	**195,603**	**201,863**
Profit for the year	**4,509**	**—**	**4,509**
Dividends paid relating to 2015	**(6,639)**	**—**	**(6,639)**
Special dividends declared	**—**	**(109,416)**	**(109,416)**
At 31 December 2016	**4,130**	**86,187**	**90,317**

37 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and senior management's emoluments

The remuneration of every director for the year ended 31 December 2016 is set out below:

Name of director	Fees US$'000	Salary US$'000	Discretionary bonuses US$'000	Other benefits (Note i) US$'000	Employer's contribution to pension scheme US$'000	Total US$'000
Executive directors						
Dr. Tan Siu Lin *(Chairman)*	—	113	—	—	—	113
Dr. Tan Henry *(Chief Executive Officer)*	—	466	567	—	2	1,035
Mr. Tan Cho Lung, Raymond	—	339	473	—	2	814
Ms. Mok Siu Wan, Anne	19	470	794	—	2	1,285
Non-executive directors						
Mr. Tan Willie	19	—	—	163	—	182
Mr. Lu Chin Chu	19	—	—	—	—	19
Independent non-executive directors						
Mr. Chan Henry	19	—	—	—	—	19
Mr. Cheung Siu Kee	19	—	—	—	—	19
Mr. Seing Nea Yie	19	—	—	—	—	19

37 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

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

The remuneration of every director for the year ended 31 December 2015 is set out below:

Name of director	Fees US$'000	Salary US$'000	Discretionary bonuses US$'000	Other benefits (Note i) US$'000	Employer's contribution to pension scheme US$'000	Total US$'000
Executive directors						
Dr. Tan Siu Lin *(Chairman)*	—	113	—	—	—	113
Dr. Tan Henry *(Chief Executive Officer)*	—	466	372	—	2	840
Mr. Tan Cho Lung, Raymond	—	339	520	—	2	861
Ms. Mok Siu Wan, Anne	19	470	705	—	2	1,196
Non-executive directors						
Mr. Tan Willie	19	—	—	163	—	182
Mr. Lu Chin Chu	19	—	—	—	—	19
Independent non-executive directors						
Mr. Chan Henry	19	—	—	—	—	19
Mr. Cheung Siu Kee	19	—	—	—	—	19
Mr. Seing Nea Yie	19	—	—	—	—	19

Notes:

(i) Other benefits mainly include share options and other allowances.

During the year ended 31 December 2016, none of the directors of the Company waived any emoluments paid or payable by the Group companies during the year (2015: Nil) and there was no amounts paid or payable by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office (2015: Nil).

(b) Directors' retirement benefits and termination benefits

None of the directors received or will receive any retirement benefits or termination benefits during the financial year (2015: Nil).

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

During the year ended 31 December 2016, the Company did not pay consideration to any third parties for making available directors' services (2015: Nil).

(d) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and controlled entities with such directors

As at 31 December 2016, there are no loans, quasi-loans and other dealing arrangements in favour of directors, controlled bodies corporate by and controlled entities with such directors (2015: Nil).

(e) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the financial year (2015: Nil).

38 EVENTS AFTER THE REPORTING PERIOD

On 26 October 2016, Shangtex (Hong Kong) Limited (the "Offeror"), Capital Glory Limited, Hanium Industries Limited, Double Joy Investments Limited, Wincare International Company Limited, Tan Siu Lin Foundation Limited, Ms. Cynthia Yiu, Mr. Justin Tan, Hampton Asset Limited and Mr. Sunny Tan (the "Selling Shareholders") entered into an irrevocable undertaking where the Offeror agreed to purchase and the Selling Shareholders agreed to sell 520,849,598 shares of the Company which represented approximately 50.37% of the entire issued share capital of the Company. The offer price for each ordinary share of the Company was HK$1.80.

The transaction was completed on 14 February 2017, upon which the shareholding of the Selling Shareholders, its ultimate beneficial owners and their respective concerted parties in the Company has decreased from approximately 70.27% to 19.82%. Furthermore, a special dividend to all the shareholders of the Company of US9.665 cents (HK74.9 cents) per share, totalling approximately US$99,942,000, was approved upon the completion of the transaction.

FIVE YEAR FINANCIAL SUMMARY

	2012 (Restated)	2013	2014	2015	**2016**
Financial highlights (US$'000)					
Total assets	687,250	814,321	771,017	684,078	**641,867**
Total liabilities	344,276	428,967	388,210	301,511	**363,271**
Bank borrowings	113,058	176,776	145,183	75,928	**70,184**
Capital and reserves attributable to the owners of the Company	334,188	376,368	380,495	380,640	**277,888**
Working capital	131,495	160,453	192,749	202,045	**172,101**
Revenue	990,198	1,228,698	1,224,228	1,113,451	**992,807**
Profit attributable to the owners of the Company	38,718	48,221	21,574	12,769	**18,472**
Key ratios					
Current ratio	1.41	1.39	1.52	1.71	**1.49**
Gross profit margin	16.2%	17.3%	17.7%	15.3%	**17.2%**
Profit margin attributable to the owners of the Company	3.9%	3.9%	1.8%	1.1%	**1.9%**