ANNUAL REPORT 2017

Luenthai

Luen Thai Holdings Limited

聯 泰 控 股 有 限 公 司

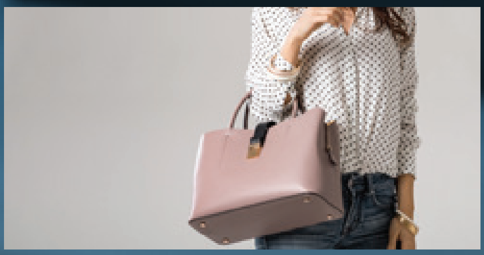
(Incorporated in the Cayman Islands with limited liability) (Stock Code: 311)

CONTENTS

An *Extraordinary* Company

Our History, our Culture and our People make us Extraordinary. We are one of the leading fashion and lifestyle and accessories manufacturers in the world.

Corporate Information



EXECUTIVE DIRECTORS

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

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

CHIEF FINANCIAL OFFICER

KORNBLUM Joerg

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

Rooms 1001–1005, 10/F,
Nanyang Plaza
57 Hung To Road
Kwun Tong, Kowloon
Hong Kong

WEBSITE

http://www.luenthai.com

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers 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

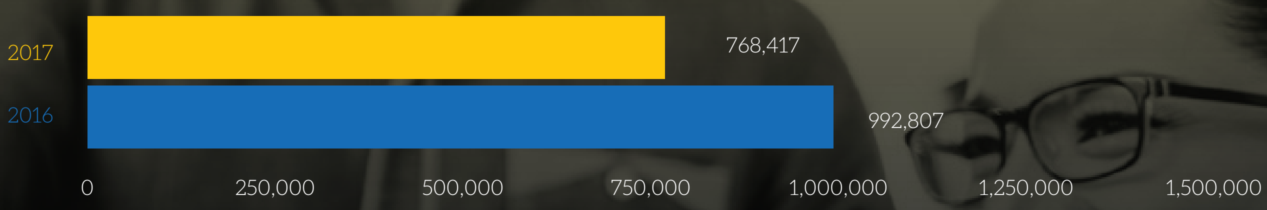
LEGAL ADVISORS

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

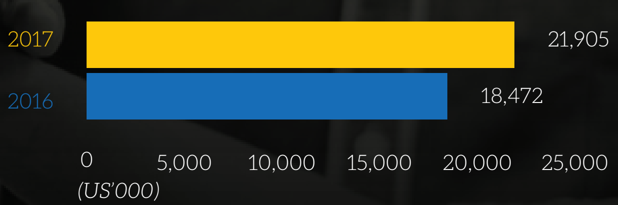
Key Financial Highlights

	2017 **US$'000**	2016 US$'000
Revenue		
— Continuing operations	**768,417**	908,765
— Discontinued operations	**—**	84,042
Gross Profit		
— Continuing operations	**118,317**	141,780
— Discontinued operations	**—**	28,724
Operating profit/(loss)		
— Continuing operations	**31,139**	14,910
— Discontinued operations	**—**	(9,074)
Profit Attributable to Owners of the Company *(including continuing and discontinued operations)*	**21,905**	18,472
As a percentage of revenue	**2.9%**	1.9%
Basic Earnings Per Share	**US2.1 cents**	US1.8 cents
Dividend Per Share		
— Final	**US0.747 cent**	US0.254 cent
— Interim	**US0.524 cent**	US0.485 cent
Capital and Reserves		
Attributable to owners of the Company	**190,317**	277,888

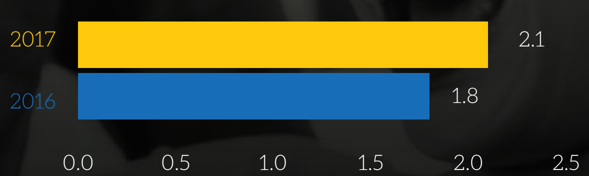
REVENUE (US$'000)
(including continuing and discontinued operations)



PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY



EARNINGS PER SHARE US CENT



CHAIRMAN'S STATEMENT

Luen Thai Holdings Limited ("Luen Thai" or "Company", and together with its subsidiaries, the "Group") 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 the People's Republic of China (the "PRC"), the Philippines, Cambodia, Vietnam and Indonesia.

OVERVIEW

On behalf of the board of directors of Luen Thai, I am pleased to present to all shareholders the annual report for the year ended 31 December 2017.

For the year ended 31 December 2017, our manufacturing business remained challenging due to intense competition among the apparel and accessories retailers. The total revenue (excluding discontinued operations) of the Group decreased by about 15.4% to approximately US$768,417,000. Despite the decline in revenue, the profit attributable to owners of the Company ("Net Profit") for the year under review recorded a year-on-year increase by about 18.6% to approximately US$21,905,000. Details of the results of the Company and the Group are set out in the "Management Discussion and Analysis" section of this Annual Report.

COLLABORATION

As disclosed in the announcement and circular of the Company dated 20 December 2017 and 17 January 2018 respectively, Luen Thai Overseas Limited (the "LTO", and together with its subsidiaries, the "LTO Group"), a wholly owned subsidiary of the Company, entered into a new master agreement (the "New Master Agreement") with the Luen Thai Enterprises Limited (the "LTE", and together with its subsidiaries, the "LTE Group"), a connected person of the Company. With the ratification and confirmation of the New Master Agreement by independent shareholders on 2 February 2018, the services in relation to the design, sourcing, and manufacturing of apparel (the "Services") will continue to be provided by the LTO Group to a joint venture of the LTE Group (the "JV") for the 3 years ending 31 December 2020.

The JV, being recognized as one of the most successful distributors of footwear products, commenced retailing of its own branded apparel (the "Apparel Business") since July 2015. The Apparel Business was expanding rapidly and the growth potential of the Apparel Business remained largely untapped. Taking into consideration of the (i) dramatic growth of the Apparel Business in the past three years; (ii) the expected significant growth in demand for the Services from LTE Group as indicated by the delivery schedules of potential transactions under the New Master Agreement; and (iii) strategic relationship between LTO Group and the LTE Group, the Group decided to enter into the New Master Agreement with the LTE Group to capture such business opportunities and continue the strategic relationship with LTE Group. The Directors believed that the transactions contemplated under the New Master Agreement would enhance the revenue streams of the Group and would help optimize the productivity of the design, sourcing and manufacturing workforce of the Group, which would be beneficial to the long-term development of the Group.

In recent years, some of the Group's customers have shifted their orders from the Group's PRC factories to the Group's factories in other countries, such as the Philippines and Cambodia, due to cost and duties considerations, resulting in a reduction in orders placed with the Group's PRC factories. The Directors consider that the opportunity to contemplated under the New Master Agreement, would help optimize the use of the Group's PRC production capacity and achieve a more balanced mix in the utilisation of the Group's production capacities in the PRC and other countries.

I believe that as the sole strategic partner of the JV, the Group's strong capability in design, development and manufacturing of apparel will allow the Group to produce apparel with high quality and lowered costs for the JV. Such collaboration between the Group and the JV is a win-win situation for both parties as it would help fortify the JV's presence in the apparel market, while broadening the revenue base of the Group. This is also conducive to any possible future cooperation with the JV in other aspects and is in the best interests of the Company and its shareholders as a whole.

DIVIDEND

The Board of Directors has resolved to declare a final dividend of US0.747 cent (or equivalent to HK5.81 cents) per share for the year ended 31 December 2017.

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 sincere appreciation and gratitude to all our customers, suppliers and shareholders for their dedicated support contributing to the stable operations of Luen Thai after Shangtex (Hong Kong) Limited ("Shangtex HK") became the major shareholder in February 2017. I would also like to take this opportunity to thank 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. My great gratitude is also extend to all our employees for their invaluable service, commitment and diligence throughout last year.

I would like to end by noting the appointment of Dr. Tan Siu Lin as Honorary Life Chairman of the Company. Such appointment recognizes the significant contribution of Dr. Tan Siu Lin has made over the past few decades to the Group. I thank Dr. Tan Siu Lin for his contribution on behalf of the Group.

SHEN Yaoqing
Chairman

Hong Kong, 28 March 2018

CEO MESSAGE

Raymond Tan

Sustainable Shared Success Through Reinvention

We are making deliberate investments on areas focusing on speed, flexibility, quality and overall costs which are all critical success factors in today's supply chain.

It is my honor and privilege to present my first CEO report to all of you, in particular to Shangtex HK, the major shareholder of the Company.

There are five main messages I would like to highlight in this report:

Transformation of Luen Thai from Family Enterprise to Enterprise Family;

Our drive to become an eXtraOrdinary company;

Implementing our new vision of Sustainable Shared Success through Reinvention;

Transformation from Smart Factory to Smart Supply Chain; and

Our Sustainability initiative.

FROM FAMILY ENTERPRISE TO ENTERPRISE FAMILY

2017 has been a year of significant change for Luen Thai. Firstly, Shangtex HK acquired a controlling interest in Luen Thai and replaced the Tan Family as the majority shareholder of the Group and secondly, the Board appointed me as Chief Executive Officer effective April 2017.

I am grateful to Shangtex HK for the confidence and trust they have bestowed upon me and I would also like to express my congratulations and thanks to my predecessor, Dr. Henry Tan. Under his leadership, Luen Thai grew steadily and became the respectable company it is today. It is my intention to build upon the strong foundation of the Group, continuing our core values of innovation, social responsibility, performance and partnership.

As I lead the Group as an *Enterprise Family*, I am positioning myself as *CEO-Partner* working alongside the management board and cross functional committees which comprise senior executives and leaders from the various Strategic Business Units ("SBU") and support teams. It is my intention that together with the Luen Thai Board, we execute our business strategy responsibly, governed by transparency, accountability and be accountable to all our stakeholders.

LUEN THAI, AN EXTRAORDINARY COMPANY

Nothing embodies triumph against adversity like the children of the Tuloy Foundation. I am lucky to have crossed paths with this charitable institution which has been helping underprivileged children in the Philippines for a quarter of century. In my encounters with these children, I have learned a very valuable lesson: "doing ordinary duties daily extraordinarily well". I believe that the same values should apply to our company.

Immediately after my appointment as CEO, I initiated the culture campaign for excellence which is called "*Be XO Daily*". In this campaign, we motivate our employees to *Do Better Daily, Change, Believe and Excel*. We have further strengthened our commitment to "*Be XO Daily*" when we officially launched it during the recent *Luen Thai Summit 2018* in Cebu, Philippines. This was attended by key executives, future leaders and partners; and was viewed by all Luen Thai operations world wide via video link.

As I look at our culture, our rich history, our people and our vision for the future, I truly believe that we are eXtraOrdinary.

SUSTAINABLE SHARED SUCCESS THROUGH REINVENTION

The apparel and accessories business is undergoing its biggest change yet. Internet sales and supply chain connectivity have affected the competitive advantage of all world branded customers, as well as our own edge in making them successful. In such a business environment, the Group has made considerable progress across a range of strategic initiatives beginning with our corporate vision of "*Sustainable Shared Success through Reinvention*".

We are investing significantly in areas that focus on *speed, flexibility, quality and overall cost*, which are all critical success factors in today's supply chain. Under this initiative it is our goal to maximize the returns to our shareholders, produce products that satisfy the needs of our customers and ultimately the needs of the end consumers, and also partner with them together with our suppliers, our people and our immediate community to create a more sustainable future.

FROM SMART FACTORY TO SMART SUPPLY CHAIN

Key to our own competitive advantage is being able to compete in a market where "everyone competes everywhere". To assure our future, we made investments in "smart" technology and built the "factory of the future" in Cebu, Philippines. This factory is a proof of concept of our strategy of automation, digitalization and sustainability. The factory of the future boasts the following key attributes:

Environmentally friendly building construction

Integration of vertical supply chain set-up through its waterless dyeing

Rail transport, tunnel steaming and automated folding and packing

Smart technology that connects all key work processes in real time with artificial intelligence (AI) planning features.

In this initial effort we will see to it that we reach our end goal of our next reinvention: "Smart Everywhere", a roll out of the technology to other SBUs, and ultimately connecting the entire supply chain making us much more competitive.

LUEN THAI SUSTAINABILITY

In Luen Thai, sustainability goes beyond economic prosperity. We show eXtraOrdinary care for our employee, our community and the environment, and we try to become better daily.

To embed sustainability in the core of our business, we launched the Luen Thai Sustainability Framework which identifies our sustainability strategy and goals under the "XO CARE" banner. We are also committed to a yearly sustainability report which will track our progress against our targets.

In addition, we recognize that we are a people-intensive business and have the significant responsibility to provide XO CARE for our People through talent management, competitive remuneration and promotion of healthy work-life integration. We support the important values of equality and diversity.

Under the XO CARE for the Community, we lead and support diverse programs especially focusing on children's welfare through sports activities, education, and fine arts training. As they become adults, we help prepare them to integrate into the community by providing them with a skills and employment opportunities.

From taking care of our people and our community, we then take our responsibility to expand this care to a larger scale — the environment. Under the platform of XO CARE for Environment, we have put in place green initiatives that reduce our environmental footprint while increasing our handprint through various means such as use of technology for more efficient use of resources, management of waste, and massive environmental campaigning for preservation and conservation of the environment.

CLOSING

Today, Luen Thai is one of the leading fashion and lifestyle apparel and accessories manufacturers in the world, and I am very privileged to lead this company of great people who share with me an aspiration for an even more amazing future.

I believe that as we continue to reinvent ourselves; adapt to changing time; and look ahead and prepare for the future, we have better control of our destiny, and make us always ready to seize opportunities.

I am optimistic and look forward to more years of eXtraOrdinary success.

TAN Cho Lung, Raymond
Chief Executive Officer and Executive Director

Hong Kong, 28 March 2018

EXTRAORDINARY CULTURE

We strive for excellence and try to do better on a daily basis.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULT REVIEW

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

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

SEGMENTAL REVIEW

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

Continuing Operations

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

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

Discontinued Operations

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

MANAGEMENT DISCUSSION AND ANALYSIS

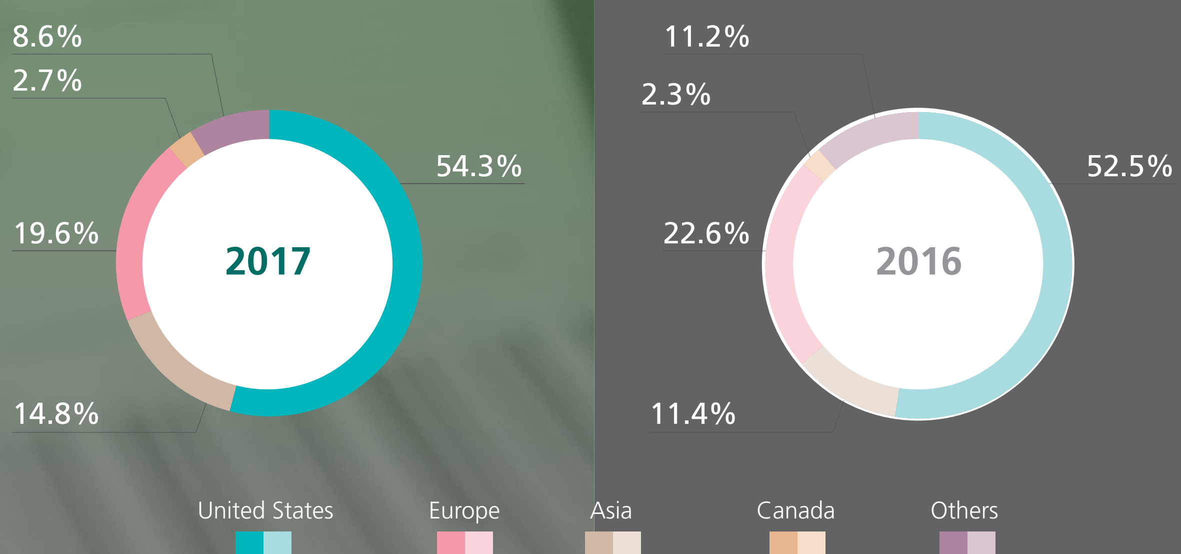
MARKETS

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

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

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

SALES BY GEOGRAPHICAL SEGMENT



ACQUISITIONS AND JOINT VENTURES

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

On 31 July 2017, Fortune Investment Overseas Limited ("Fortune Investment"), a wholly-owned subsidiary of the Company, entered into a Sale and Purchase Agreement ("SPA") with Trumpinvest Holdings Limited ("Trumpinvest"). Pursuant to the SPA, Fortune Investment acquired 5% of the entire issued share capital ("Sale Shares") of Partner Joy Group Limited ("Partner Joy") at the total consideration of US$1,645,448 ("Acquisition"). Upon completion of the Acquisition on 31 July 2017, Partner Joy became wholly-owned by Fortune Investment and an indirect wholly-owned subsidiary of the Company. The Board believes that the Acquisition can simplify the reporting structure and reduce the overall management costs of the Group, and that the Group will enjoy the full benefit arising from the potential growth of the Partner Joy in the future.

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

FUTURE PLANS AND PROSPECT

Trade Preference Update

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

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

Looking Ahead

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

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

INVESTOR RELATIONS AND COMMUNICATIONS

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

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

CONTINGENT LIABILITIES

As at 31 December 2017, the Group had no material contingent liabilities.

LIQUIDITY AND FINANCIAL RESOURCES

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

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

Gearing ratio of the Company is defined as the net debt (represented by bank borrowings net of cash and bank balances) divided by shareholders' equity. As at 31 December 2017, the gearing ratio of the Group was approximately 10.9%.

MANAGEMENT DISCUSSION AND ANALYSIS

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 and accessories manufacturing industry.

With over 36,000 employees around the world, Luen Thai continuously strives to foster open communications with employees through various channels. Under its employee care initiatives, Luen Thai has provided safe and enjoyable work and living environments, equitable compensation and benefit schemes, and opportunities for career growth through a variety of formal and informal learning and development programmes; and a strong corporate culture where employees' contributions are recognized and rewarded.

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

SUSTAINABILITY

Extraordinary Care for our employees,
the community and the environment.

MANAGEMENT EXECUTIVES

EXECUTIVE DIRECTORS

SHEN Yaoqing, aged 60, 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 87, is the founder and Honorary Life Chairman 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 Honorary University Fellow of The Hong Kong Baptist University. He is 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.

TAN Cho Lung, Raymond, aged 56, is the Chief Executive Officer of the Company, Chairman of Financing and Banking Committee and son of Dr. Tan Siu Lin. Mr. Tan joined the Group in 1989 and has over 28 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 chairman 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 61, is an executive Director and a member of the Remuneration Committee and Financing and Banking 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) the vice chairman of The Hong Kong General Chamber of Textiles Limited, the General Manager of Orient International Holdings Hong Kong Co. Ltd 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.

MANAGEMENT
EXECUTIVES

MOK Siu Wan, Anne, aged 65, is the President of the Company and Chief Merchandizing Officer of Luen Thai International Group Limited. 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.

Dr. TAN Henry, BBS, JP, aged 64, is the son of Dr. TAN Siu Lin. Dr. Tan joined the Group in January 1985 and has over 33 years of experience in apparel and logistics industries. Dr. Tan is a Hong Kong Deputy to the National People's Congress of the People's Republic of China. He acts as Honorable Chairman of the Hong Kong General Chamber of Textiles Limited and Vice Chairman of Textile Council of Hong Kong Limited.

He is Honorary Fellow and Court Member of the Polytechnic University of Hong Kong as well as Chairman of Advisory Committee of its College of Professional and Continuing Education. Dr. Tan also is Court Member of the Hong Kong Baptist University and a 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 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.

NON-EXECUTIVE DIRECTOR

HUANG Jie, aged 52, is a non-executive Director and a member of the Audit Committee. Mr. Huang is an economist and international business expert who graduated from China Textile University with a Bachelor Degree of Engineering in the year of 1986 (upon completion of a four year full-time programme), and obtained his MBA degree in the year of 1998 by attending an 1996 EMBA programme at China Europe International Business School as an on-the-job postgraduate student. 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 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 vice president and head of international business 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 president of international business unit of Shangtex Holding Co., Ltd. (上海紡織(集團)有限公司) alongside his position as the president 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 rich experience in corporate governance and a remarkable capability of conducting domestic and foreign businesses.

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TAN Willie, aged 62, is the Chief Executive Officer of 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 64, 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 52, is a member of the Audit Committee, Nomination Committee and the Remuneration Committee. Mr. Chan has over 30 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 74, 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.

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SEING Nea Yie, aged 70, 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 41 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 44, is the Executive Vice President of the Company, responsible for Accessories Division. Prior to joining the Group in 1999, Mr. Tan worked at the investment banking division of Merrill Lynch (Asia Pacific). Mr. Tan is appointed as Independent Non-executive Director of Hopewell Holdings Limited (0054.HK), Executive Vice Chairman of the Hong Kong General Chamber of Textiles Limited, Deputy Chairman of the Federation of Hong Kong Industries ("FHKI"), Executive Committee Member of the Hong Kong Shippers' Council, Member of the Textiles Advisory Board on Trade and Industry Department, Council Member of the Hong Kong Productivity Council. As in public services, Mr. Tan is currently serving as a member of the Board of Trustees of Shaw College, The Chinese University Hong Kong, Member of the Action Committee Against Narcotics of the Security Bureau. Mr. Tan also served as Member of Hebei Province Chinese People's Political Consultative Conference and Vice Chairman/Director of Tung Wah Group of Hospitals ("TWGHs"), the largest social services organization in Hong Kong, from 2013–17 and Chairman/member of the Board of Governors of Tung Wah College, a tertiary education institution in Hong Kong from 2014–17. In 2013, Mr. Tan was awarded "Young Industrialist Award" 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.

KORNBLUM Joerg, aged 54, is the Chief Financial Officer of the Group. Mr. Kornblum has a Master's degree in Business Administration and Mechanical Engineering from the University of Darmstadt in Germany. From 1991 to 2002, he has held various senior management positions at The Freudenberg Group, including the position of General Manager of Freudenberg & Vilene International Limited in Hong Kong from 1997 to 2001. Mr. Kornblum joined TMS Group, a Business Division of Luen Thai, in the capacity of CFO in 2002 before heading the TMS Group as Executive Vice President. In April 2017 he was appointed as the Chief Financial Officer of the Group.

SAUCEDA Francisco, aged 59, is Executive Vice President of the Company, and is responsible for the business unit of Verte which manufactures brand name apparel in facilities of Philippines and Vietnam. He is also the chair of Sustainability Committee for Luen Thai and has been with the Group since 1994. Mr. Sauceda obtained his degree in Business Administration from Texas Southmost College. He is a board member of The American Apparel and Footwear Association (AAFA) and a member of the Hong Kong Chamber of Commerce and the Mexican Chamber of Commerce in Hong Kong.

WONG, Sammy, aged 61, 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 37 years of experience in sweater business. Mr. Wong obtained a Diploma in Architectural and Environmental Design of the OCAD University in Toronto, Canada.

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COMPANY SECRETARY

CHIU Chi Cheung, aged 54, is the Senior Vice President of Corporate Finance, Company Secretary of the Company. Mr. Chiu has over 25 years of experience in the field of company secretarial, 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.

REPORT OF THE DIRECTORS

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 2017.

GROUP PROFIT

The consolidated statement of profit or loss is set out on pages 61 to 62 and shows the Group's profit for the year ended 31 December 2017. 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 10 to 17 of the annual report.

DIVIDENDS

An interim dividend of US0.524 cent (or equivalent to HK4.07 cents) per share was paid to the shareholders during the year totaling approximately US$5,419,000. The Directors recommend the payment of a final dividend of US0.747 cent (or equivalent to HK5.81 cents) per share totaling to approximately US$7,724,000. The proposed final dividend, if approved by the shareholders at the annual general meeting on 25 May 2018 ("AGM"), will be paid on 22 June 2018 to shareholders whose names appear on the register of members on 6 June 2018.

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 2017 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 5 and pages 10 to 17 of this annual report respectively.

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 2017 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.

REPORT
OF THE DIRECTORS

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 apparel 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 AND JOINT VENTURES

Details of the principal subsidiaries and joint ventures of the Company and the Group as at 31 December 2017 are set out in notes 10 to 11 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 17 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 December 2017, the Company's reserves available for distribution to the Shareholders of the Company amounted to US$79,396,000. Details of the movements in the reserves of the Company are set out in note 35(a) to the consolidated financial statements. 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 152 of the annual report.

PRINCIPAL PROPERTIES

Details of the principal properties held for development and for investment purposes are set out on pages 98 to 99 of this annual report.

RETIREMENT SCHEMES

Details of the retirement schemes are set out in note 20 to the consolidated financial statements.

DONATIONS

Charitable and other donations made by the Group during the year amounted to approximately US$200,000.

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 2017.

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 CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Year.

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

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, Dr. Tan Siu Lin, Mr. Cheung Siu Kee and Mr. Henry Chan 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.

DIRECTOR'S SERVICE CONTRACTS

Each of the executive and non-executive Directors has entered into service contracts with the Company for a term of three years and is subject to termination by either party by giving not less than three months' written notice or compensation in lieu.

Each of the independent non-executive Directors has entered into a letter of appointment with the Company for a term of three years and is subject to termination by either party by giving not less than three months' written notice or compensation in lieu.

Save as disclosed above, no director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company 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 as at 31 December 2017 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 18 to 22 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 2017, 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)	1,840,757	0.18%
	Interest of controlled corporation (note b)	7,447,986	0.72%
MOK Siu Wan, Anne	Beneficial Owner (note c)	2,000,000	0.19%

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 2017.

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 1,840,757 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 7,447,986 Shares.

c. 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.

CONNECTED TRANSACTIONS AND DIRECTORS' INTERESTS IN CONTRACTS

Connected Transaction

On 31 July 2017, Fortune Investment Overseas Limited ("Fortune Investment"), a wholly-owned subsidiary of the Company, entered into a Sale and Purchase Agreement (the "SPA") with Trumpinvest Holdings Limited ("Trumpinvest"). Pursuant to the SPA, Fortune Investment acquired 5% of the entire issued share capital of Partner Joy Group Limited ("Partner Joy") at the total consideration of US$1,645,448 (the "Acquisition"). 50% of the consideration was paid at date of completion of the Acquisition ("Completion Date") and the remaining balance of the consideration shall be paid within one year after the Completion Date.

Partner Joy, through its wholly-owned subsidiaries, is principally engaged in the business of manufacturing and trading of sweaters. The Board considers that the Acquisition can simplify the reporting structure and reduce the overall management costs of the Group, and that the Group will enjoy the full benefit arising from the potential growth of the Partner Joy in the future.

Trumpinvest is wholly owned by Mr. Wong Chung Ping, a director of each of Partner Joy and certain wholly-owned subsidiaries of Partner Joy, all being subsidiaries of the Company. Accordingly, the Trumpinvest is a connected person of the Company and the SPA and the transactions contemplated thereunder constitute a connected transaction of the Company under Chapter 14A of the Listing Rules.

By virtue of Rule 14A.101 of the Listing Rules, as the Trumpinvest is a connected person of the Company at the subsidiary level and the Board (including all the independent non-executive Directors) has (i) approved the Sale and Purchase Agreement and the transactions contemplated thereunder and (ii) confirmed that the terms of the SPA are fair and reasonable; and the SPA and the transactions contemplated thereunder are on normal commercial terms and in the interests of the Company and its shareholders as a whole, the SPA and the transactions contemplated thereunder shall be exempt from the circular, independent financial advice and shareholders' approval requirements under Chapter 14A of the Listing Rules.

Immediately prior to completion of the Acquisition, the Fortune Investment and the Trumpinvest held 95% and 5% of the entire issued share capital of Partner Joy, respectively. Upon completion of the Acquisition on 31 July 2017, the Fortune Investment held 100% of the entire issued share capital of Partner Joy and Partner Joy became an indirect wholly-owned subsidiary of the Company.

Details of the Acquisition were set out in the announcement of the Company dated 31 July 2017.

Continuing Connected Transactions

The Tan Private Group, comprising Luen Thai Group Ltd. ("LT Group") and Tan Holdings Corporation ("THC") and their respective subsidiaries, 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), LT Group and THC, the Group has a number of continuing connected transactions with the Tan Private Group.

Dr. Tan Siu Lin and his son Dr. Tan Henry, Mr. Tan Willie and Mr. Tan Cho Lung, Raymond, have or may have a material interest in the connected transactions and continuing connected transactions between the Group and the Tan Private Group. Dr. Tan Siu Lin and Mr. Tan Cho Lung, Raymond are executive Directors of the Company and Mr. Tan Willie was a non-executive Director of the Company in the past 12 months. In addition, Dr. Tan Henry was the former Chief Executive Officer and an executive Director of the Company in the past 12 months. According to Rule 14A.07 of the Listing Rules, Dr. Tan Henry is a connected person of the Company. Dr. Tan Henry is also a substantial shareholder of the Company, through interest in controlled corporations owned as to 18.88% in the Company as at 31 December 2017.

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.

On the other hand, The Shangtex Group, comprising Shangtex Holdings Co. Ltd ("Shangtex") and its respective subsidiaries (other than the Group), is engaged in textile manufacturing and trading business in the People's Republic of China. Shangtex (Hong Kong) Limited ("Shangtex HK") is a controlling shareholder of the Company and Shangtex being the holding company of Shangtex HK, is an associate of Shangtex HK and hence a connected person of the Company. In order to strengthen the cooperation between the Group and the Shangtex Group, the Group has entered a number of continuing connected transactions with the Shangtex Group.

Pursuant to the Listing Rules, members of the Shangtex Group are deemed associates and hence connected persons of the Company. Therefore, any transaction between any Group company and any member of the Shangtex 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 and Shangtex Group pursuant to Chapter 14A of the Listing Rules for the year ended 31 December 2017. 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 2017 US$'000	Annual Cap for the year ended 31 December 2017 US$'000
Tan Private Group	Provision of technological support services (note a)	1,920	2,400
	Lease agreements		
	— Group as tenants of LT Group (note b)	871	1,900
	— Tan Private Group as tenants (note b)	22	100
	— Group as tenants of DGLT (note c)	2,845	3,240
	Logistics services to the Group (note d)	657	924
	Provision of services (note e)	825	20,300
Shangtex Group	Purchase of textile and related products (note f)	537	10,500
	Provision of Services (note g)	102	500

Notes:

(a) On 15 December 2015, Luen Thai Overseas Limited ("LTO"), a subsidiary of the Company, entered into an agreement with LT Group for a term of 3 years from 1 January 2016 to 31 December 2018 pursuant to which LT Group, 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.

REPORT OF THE DIRECTORS

IST BVI is an indirectly wholly-owned subsidiary of LT Group. LT Group wholly owns Capital Glory Limited, the substantial 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 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.

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.

Quanzhou Luen Thai Real Estate Development Co Ltd is a subsidiary of Luen Thai Enterprises Limited ("LTE"), which is in turn wholly-owned by LT Group. 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 25 October 2016, LTO entered into an agreement with Dongguan Luen Thai Garment Co. Ltd. ("DGLT") in relation to the leasing of certain factory premises ("Factory") between the Group and the DGLT ("Lease Agreement"), pursuant to which such leasing arrangement will be for a term of 3 years from 1 January 2017 to 31 December 2019, as the Lease Agreement was approved by the independent shareholders of the Company in the extraordinary general meeting on 31 December 2016.

The Factory was using by the Group as manufacturing premises and relocation of the manufacturing facilities and staff would involve costs and potential loss of labour, the Directors propose to continue its manufacturing operations in the Factory subject to the terms of the relevant leases being more favourable than or at least the same as those offered by other landlords and subject to the Group's needs and operation plans in the future.

DGLT is a subsidiary of Torpedo Management Limited, which is in turn wholly-owned by LT Group. DGLT is therefore deemed an Associate, and hence a Connected Person of the Company.

(d) On 25 October 2016, LTO entered into an agreement with CTSI Holdings Limited ("CTSI") in relation to the provision of freight forwarding and logistics services ("Logistics Master Agreement") by the CTSI and its subsidiaries ("CTSI Group"), pursuant to which such services will be for a term of 3 years from 1 January 2017 to 31 December 2019, as the Logistics Master Agreement was approved by the independent shareholders of the Company in the extraordinary general meeting on 31 December 2016.

The Group was using the freight forwarding and logistics services provided by CTSI Group for transportation of its products. The Directors continue to use the freight forwarding and logistics services to be provided by CTSI Group for the purpose of transporting its apparel and bags products in Hong Kong, the Philippines, Cambodia, Vietnam and the United States of America, etc., subject to the relevant terms of such services being more favourable than or at least the same as those provided by other parties.

CTSI is a subsidiary of Torpedo Management Limited, which is in turn wholly-owned by LT Group. CTSI is therefore an Associate, and hence a Connected Person of the Company.

REPORT OF THE DIRECTORS

(e) On 9 September 2015, LTO entered into the services master agreement (the "Old 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 Old Services Master Agreement with the LTE Group. The Directors believe that the transactions contemplated under the Old 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 Old 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 Old Services Master Agreement were to be revised for the year ended 31 December 2016 and 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 2017.

The determination of the above annual caps in respect of the Services under the Old Services 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 ultimately owned by the family trust of Dr. Tan Siu Lin, being an executive Director. 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 Old Services Master Agreement expired on 31 December 2017 and the Company expects to continue this continuing connected transaction thereafter, to broaden its revenue stream. In this connection, on 20 December 2017, LTO entered into the services master agreement (the "New Services Master Agreement") with LTE in relation to the ongoing provision of Services by the LTO Group to the LTE Group, which was subject to the approval of the Independent Shareholder of the Company (the "Independent Shareholders") under Chapter 14A of the Listing Rules. The New Services Master Agreement was subsequently approved, confirmed and ratified by the Independent Shareholders on 2 February 2018. Pursuant to the New Services Master Agreement, the maximum aggregate fee to be received by the Group for each of the three years ending on 31 December 2020 will amount to US$70,000,000, US$120,000,000 and US$200,000,000, respectively.

(f) On 7 July 2017, LTO entered into an agreement with the Shangtex Group in relation to the purchase of textile and apparel related products by the Group from the relevant members of the Shangtex Group (the "Sale and Purchase Framework Agreement"), pursuant to which such transaction will be for a term of 2 years and 7 months from 1 June 2017 to 31 December 2019.

The Group is engaged in the manufacturing and trading of apparel and accessories and has a regular demand for the types of textile and apparel related products offered by the Shangtex Group. The Directors believe that the Shangtex Group, being a leading textile manufacturer and trader in the PRC, is able to offer quality textile and apparel related products that are suitable for the Group's business at competitive prices.

Shangtex HK is a controlling shareholder of the Company and Shangtex, being the holding company of Shangtex HK, is an associate of Shangtex HK and hence a connected person of the Company. Accordingly, the transactions under the Sale and Purchase Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

(g) On 7 July 2017, LTO entered into an agreement with the Shangtex Group in relation to provision of services including solicitation of customers for the Shangtex Group's products as well as custom clearance and logistics arrangement (the "Services Framework Agreement"), pursuant to which such services will be provided for a term of 2 years and 7 months from 1 June 2017 to 31 December 2019.

The Group is engaged in the manufacturing and trading of apparel and accessories. Through the collaboration of efforts by the Group and Shangtex Group, the Directors believe that Shangtex Group can expand its customer base for its products and the Group can benefit by providing the related services to the Shangtex Group.

Shangtex HK is a controlling shareholder of the Company and Shangtex, being the holding company of Shangtex HK, is an associate of Shangtex HK and hence a connected person of the Company. Accordingly, the transactions under the Services Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of 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 30 to 34 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 33 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 2017, 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)
Shangtex HK	(b)	Beneficial owner	770,461,936	74.50%
Shangtex	(b & c)	Interest of controlled corporation	770,461,936	74.50%
Capital Glory Limited	(d)	Beneficial owner	173,951,544	16.82%
LT Group (formerly known as Helmsley Enterprises Limited)	(d & e)	Interest of controlled corporation	191,155,543	18.48%
Dr. Tan Henry	(f)	Interest of controlled corporation	195,290,168	18.88%
Ms. Tan Chiu Joise	(g)	Interest of spouse	195,290,168	18.88%

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 2017.

(b) Shangtex HK, a company incorporated in Hong Kong with limited liability, is a wholly owned subsidiary of Shangtex Holdings Co. Ltd ("Shangtex"). Shangtex is therefore deemed to be interested in the interests of Shangtex HK held in the Company.

(c) Shangtex, a company incorporated in the People's Republic of China with limited liability.

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

(e) LT Group, a company incorporated in the Commonwealth of Bahamas.

(f) Dr. Tan Henry is the beneficial owner of 2,750 issued shares (representing 55% interest) in LT Group. Dr. Tan Henry is also the settler of a trust which indirectly holds 750 issued shares (representing 15% interests) in LT Group. LT Group wholly owns Capital Glory and indirectly owns Hanium Industries Limited, which own 173,951,544 Shares and 17,203,999 Shares respectively.

Dr. Tan Henry also has a controlling interest in Double Joy Investments Limited, a company incorporated in the BVI, which directly owns 4,134,625 Shares.

(g) Ms. Tan Chiu Joise is the wife of Dr. Tan Henry and is deemed to be interested in the shares which are interested by Dr. Tan Henry under Part XV of the SFO.

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 2017.

PUBLIC FLOAT

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

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

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

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

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 56.7% (2016: 53.1%) of the total sales. The top five suppliers accounted for approximately 14.7% (2016: 10.5%) of the total purchases for the year. In addition, the Group's largest customer accounted for approximately 17.1% (2016: 16.2%) of the total sales and the Group's largest supplier accounted for approximately 3.9% (2016: 3.1%) 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 38 to 51 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
Chief Executive Officer and Executive Director

28 March 2018

CORPORATE GOVERNANCE REPORT

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 2017, 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. This report includes key information relating to corporate governance practices of the Company during the year ended 31 December 2017 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 2017.

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 2017, four Board meetings were held with a very satisfactory average attendance rate of 97.2%, details of which are presented below.

Board Members	Meetings Attended/Held	Average Attendance Rate
Executive Directors		100%
SHEN Yaoqing (appointed on 15 February 2017)	4/4	100%
TAN Siu Lin	4/4	100%
TAN Cho Lung, Raymond*	4/4	100%
QU Zhiming (appointed on 15 February 2017)	4/4	100%
MOK, Siu Wan Anne	4/4	100%
TAN Henry* (resigned on 15 February 2017)	N/A	N/A
Non-executive Directors		100%
HUANG Jie (appointed on 15 February 2017)	4/4	100%
TAN Willie* (resigned on 15 February 2017)	N/A	N/A
LU Chin Chu (resigned on 15 February 2017)	N/A	N/A
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

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 2017, 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.

CORPORATE GOVERNANCE REPORT

Chairman and Chief Executive Officer

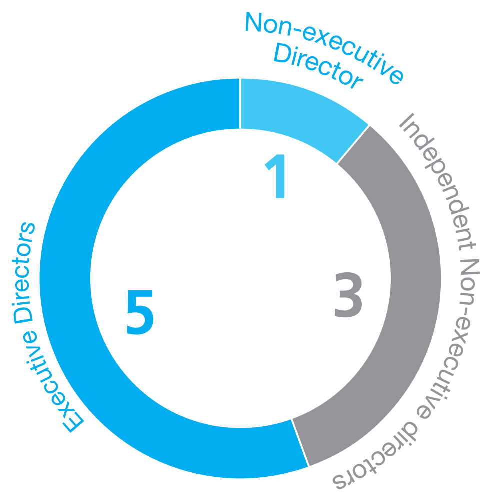
To ensure a balance of power and authority, the roles of the Chairman and the Chief Executive Officer should be separated and should not be performed by the same individual. Mr. Shen Yaoqing was appointed as the Chairman of the Company on 15 February 2017 in place of Dr. Tan Siu Lin. Mr. Tan Cho Lung was appointed as the Chief Executive Officer of the Company on 1 April 2017 in place of Dr. Tan Henry.

The Chairman provides leadership for the Board and ensures that there is clear division of responsibilities at the board level. The Chief Executive Officer is responsible for overseeing the day-to-day management of the Company, supervising the businesses of the Group and ensuring that the Board committees work smoothly and effectively.

Composition

During the year ended 31 December 2017, there were five executive Directors, including the Chairman of the Board, one non-executive Director 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 2017



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.

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 2017.

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

CORPORATE GOVERNANCE REPORT

A summary of training record of each Director received for the year ended 31 December 2017 is summarized below:

Board Members	Type of training
Executive Directors	
SHEN Yaoqing (appointed on 15 February 2017)	A
TAN Siu Lin	A
TAN Cho Lung, Raymond*	A
QU Zhiming (appointed on 15 February 2017)	A
MOK, Siu Wan Anne	A
TAN Henry* (resigned on 15 February 2017)	N/A
Non-executive Directors	
HUANG Jie (appointed on 15 February 2017)	A
TAN Willie* (resigned on 15 February 2017)	N/A
LU Chin Chu (resigned on 15 February 2017)	N/A
Independent non-executive Directors	
CHAN Henry	A
CHEUNG Siu Kee	A, B
SEING Nea Yie	A, B

* Son of TAN Siu Lin

A: attending training session arranged by the Company

B: attending seminars/conferences/workshops/forums

During the year ended 31 December 2017, 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

The Board has established the Audit Committee, Remuneration Committee and Nomination Committee (collectively, "Board Committees") in accordance with the CG Code and these Board Committees are mainly composed of independent non-executive Directors. Each of these Board Committees has specific written terms of reference which are posted on the website of the Company and the Stock Exchange. The Board Committees are provided with sufficient resources to discharge their duties, including access to management or professional advice if considered necessary.

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.

For the year under review, the Audit Committee comprised three independent non-executive Directors, namely, Mr. Henry Chan, Mr. Cheung Siu Kee and Mr. Seing Nea Yie, and a non-executive Director, namely, Mr. Huang Jie (appointed on 15 February 2017). The Audit Committee is chaired by an independent non-executive Director, Mr. Seing Nea Yie. None of the members of the Audit Committee 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 2018.

In 2017, three Audit Committee meetings were held and the attendance is presented below:

Audit Committee Members	Meeting Attended/Held
Independent non-executive Directors	
CHAN Henry	3/3
CHEUNG Siu Kee	3/3
SEING Nea Yie	3/3
Non-executive Director	
HUANG Jie (appointed on 15 February 2017)	3/3

The consolidated financial statements for the year have been audited by PricewaterhouseCoopers. During the year, remuneration of approximately US$792,000 was payable to PricewaterhouseCoopers for the provision of audit services. In addition, approximately US$120,000 was payable to PricewaterhouseCoopers for other non-audit services.

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 comprised three independent non-executive Directors, namely, Mr. Henry Chan, Mr. Cheung Siu Kee and Mr. Seing Nea Yie, and an executive Director, Mr. Qu Zhiming (appointed on 15 February 2017 to replace Dr. Tan Henry who resigned as Remuneration Committee member on 15 February 2017). The Remuneration Committee is chaired by an independent non-executive Director, Mr. Seing Nea Yie.

The Chairman of the Remuneration Committee 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 2017 is as follows:

Remuneration Committee Members	Meeting Attended/Held
Independent non-executive Directors	
CHAN Henry	3/4
CHEUNG Siu Kee	4/4
SEING Nea Yie	4/4
Executive Directors	
QU Zhiming (appointed on 15 February 2017)	4/4
TAN Henry (resigned on 15 February 2017)	N/A

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 2017.

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 25(b) and 36(a) pursuant to Appendix 16 to the Listing Rules) paid by the Group by band for the year ended 31 December 2017 is set out below:

Emolument band	Number of individuals
US$516,129 to US$580,644 (equivalent to HK$4,000,001 to HK$4,500,000)	1
US$645,161 to US$709,677 (equivalent to HK$5,000,001 to HK$5,500,000)	1

In 2017, total Directors' remuneration amounted to approximately US$3,308,000 (2016: US$3,505,000). 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 36(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 comprised three independent non-executive Directors, namely, Mr. Henry Chan, Mr. Cheung Siu Kee and Mr. Seing Nea Yie, and an executive Director, Mr. Shen Yaoqing (appointed on 15 February 2017 to replace Dr. Tan Henry who resigned as Nomination Committee member on 15 February 2017). Mr. Seing Nea Yie ceased to act as the chairman of the Nomination Committee on 15 February 2017 and Mr. Shen Yaoqing was appointed as the chairman of the Nomination Committee on the same date.

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 2017, one Nomination Committee meeting was held. During the year ended 31 December 2017, the Nomination Committee reviewed the structure, size and composition of the Board. There was no nomination of Directors for the year ended 31 December 2017.

The attendance record for the Nomination Committee's meeting during the year ended 31 December 2017 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	1/1
Executive Director	
SHEN Yaoqing (appointed on 15 February 2017)	1/1
TAN Henry (resigned on 15 February 2017)	N/A

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 2017, 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 5 and pages 10 to 17 respectively.

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.

CORPORATE
GOVERNANCE REPORT

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 86 to 91.

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 head of Internal Audit attends meetings of the Audit Committee held during the year to report its progress in achieving the audit plan. 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 2017, 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 2017.

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 2017 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 2017 annual general meeting ("2017 AGM") was held on 26 May 2017. The attendance record of the Directors at the 2017 AGM are set out below:

Board Members	Meeting Attended/Held
Executive Directors	
SHEN Yaoqing	1/1
TAN Siu Lin	1/1
TAN Cho Lung, Raymond*	1/1
QU Zhiming	1/1
MOK, Siu Wan Anne	1/1
TAN Henry* (resigned on 15 February 2017)	N/A
Non-executive Directors	
HUANG Jie	1/1
TAN Willie* (resigned on 15 February 2017)	N/A
LU Chin Chu (resigned on 15 February 2017)	N/A
Independent non-executive Directors	
CHAN Henry	1/1
CHEUNG Siu Kee	1/1
SEING Nea Yie	1/1

* Son of TAN Siu Lin

The Company's independent external auditor also attended the 2017 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 Rooms 1001—1005, 10th 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:

Luen Thai Holdings Limited
Rooms 1001–1005, 10th 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.

INDEPENDENT AUDITOR'S REPORT

pwc 羅兵咸永道

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 (the "Group") set out on pages 59 to 151, which comprise:

- the consolidated statement of financial position as at 31 December 2017;
- 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 2017, 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.

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

羅兵咸永道

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 summarised as follows:

1. Risk of impairment of goodwill relating to the cash-generating unit of Casual and fashion apparel; and

2. Potential tax exposures of the Group.

Key Audit Matter	How our audit addressed the Key Audit Matter
1. Risk of impairment of goodwill relating to the cash-generating unit of Casual and fashion apparel *Refer to Notes 4 and 9 to the consolidated financial statements* During the year ended 31 December 2017, the Group combined the Casual and fashion apparel segment and Sweaters segment as one business segment, named Casual and fashion apparel, as a result of an internal reorganisation and therefore, as at 31 December 2017, the Group had goodwill related to the Casual and fashion apparel segment of US$33,726,000. Annual impairment assessment was performed based on the value in use calculation using the discounted cash flow model in order to determine the recoverable amount of the Casual and fashion apparel cash-generating unit ("CGU"). After taking into account the result of the impairment assessment performed, no provision for impairment of goodwill was made in respect of the CGU of the Casual and fashion apparel segment.	We tested management's impairment assessment of goodwill which focused on assessing the reasonableness of the key assumptions used in determining the recoverable amount. Our procedures performed included the following: • involved our internal valuation specialists to assess the appropriateness of the methodologies used in determining the recoverable amount; • tested the underlying calculations and compared the data used in the discounted cash flow to the latest approved budgets;

INDEPENDENT
AUDITOR'S REPORT

Key Audit Matter	How our audit addressed the Key Audit Matter

We considered this as a key audit matter as significant judgements are required in relation to the assumptions made in the discounted cash flow used under the value in use calculation. The key assumptions used are as follows:
 	
• Average revenue growth;
 	
• Average gross profit margin;
 	
• Terminal growth rate; and
 	
• Discount rate.
	• assessed the reasonableness of the key assumptions used as follows:
	
	  • 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;
	
	  • benchmarked the discount rate range which was used in determining the recoverable amount against certain market data and industry research;
	
	• performed sensitivity analysis over key assumptions in the model in order to assess the potential impact of a range of possible outcomes; and
	
	• reviewed the inclusion of all appropriate assets and liabilities in the cash-generating unit.
	
	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.

INDEPENDENT
AUDITOR'S REPORT

Key Audit Matter	How our audit addressed the Key Audit Matter
2. Potential tax exposures of the Group *Refer to Notes 4 and 27 to the consolidated financial statements* During the year ended 31 December 2017, certain subsidiaries of the Group continued to be 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 2017: • 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 2017, 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 correspondence 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 internal 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 and latest correspondence with the relevant tax authorities. Based on the procedures performed, we found management's assessments to be supported by available evidence.

INDEPENDENT
AUDITOR'S REPORT

羅兵咸永道

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.

pwc 羅兵咸永道

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.

INDEPENDENT
AUDITOR'S REPORT

羅兵咸永道

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.

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.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 28 March 2018

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Note	As at 31 December 2017 US$'000	2016 US$'000
ASSETS			
Non-current assets			
Land use rights	6	5,257	5,355
Property, plant and equipment	7	86,101	59,899
Intangible assets	9	34,074	34,423
Interests in joint ventures	11	9,139	13,697
Deferred income tax assets	12	873	889
Deposits, prepayments and other receivables	15	5,484	4,611
Total non-current assets		140,928	118,874
Current assets			
Inventories	13	65,490	64,717
Trade and other receivables	15	145,877	156,055
Prepaid income tax		9,421	8,157
Derivative financial instruments	22	–	229
Cash and bank balances	16	77,793	291,533
Restricted cash	16	4,668	2,302
Total current assets		303,249	522,993
Total assets		444,177	641,867
EQUITY			
Equity attributable to owners of the Company			
Share capital	17	10,341	10,341
Other reserves	18	1,228	17,149
Retained earnings		178,748	250,398
		190,317	277,888
Non-controlling interests	10	–	708
Total equity		190,317	278,596

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Note	As at 31 December 2017 US$'000	2016 US$'000
LIABILITIES			
Non-current liabilities			
Borrowings	19	9,000	–
Other payables	21	711	811
Retirement benefit obligations	20	10,902	9,160
Deferred income tax liabilities	12	2,228	2,408
Total non-current liabilities		22,841	12,379
Current liabilities			
Trade and other payables	21	129,598	162,124
Dividend payable		–	109,416
Borrowings	19	94,139	70,184
Derivative financial instruments	22	12	–
Current income tax liabilities		7,270	9,168
Total current liabilities		231,019	350,892
Total liabilities		253,860	363,271
Total equity and liabilities		444,177	641,867

The consolidated financial statements on pages 59 to 151 were approved by the Board of Directors on 28 March 2018 and signed on its behalf by:

Tan Cho Lung, Raymond
Director

Qu Zhiming
Director

The notes on pages 66 to 151 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2017

	Note	2017 US$'000	2016 US$'000
Continuing operations			
Revenue	5	768,417	908,765
Cost of sales	24	(650,100)	(766,985)
Gross profit		118,317	141,780
Other gains/(losses) — net	23	3,499	(2,082)
Selling and distribution expenses	24	(2,153)	(2,940)
General and administrative expenses	24	(88,524)	(111,355)
Impairment loss on goodwill and write-off of customer relationships	9	–	(10,493)
Operating profit		31,139	14,910
Finance income	26	454	416
Finance costs	26	(2,313)	(1,726)
Finance costs — net	26	(1,859)	(1,310)
Share of losses of joint ventures		(4,500)	(2,160)
Profit before income tax		24,780	11,440
Income tax expense	27	(2,934)	(2,385)
Profit for the year from continuing operations		21,846	9,055
Discontinued operations			
Gain for the year from discontinued operations	34	–	9,526
Profit for the year		21,846	18,581

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2017

	Note	2017 US$'000	2016 US$'000
Profit/(loss) attributable to:			
Owners of the Company		21,905	18,472
Non-controlling interests		(59)	109
		21,846	18,581
Profit attributable to owners of the Company arises from:			
— Continuing operations		21,905	9,000
— Discontinued operations		—	9,472
		21,905	18,472
Earnings per share from continuing and discontinued operations attributable to owners of the Company for the year (expressed in US cents per share)			
Basic earnings per share	28		
From continuing operations		2.1	0.9
From discontinued operations		—	0.9
From profit for the year		2.1	1.8
Diluted earnings per share	28		
From continuing operations		2.1	0.9
From discontinued operations		—	0.9
From profit for the year		2.1	1.8

The notes on pages 66 to 151 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Note	2017 US$'000	2016 US$'000
Profit for the year		**21,846**	18,581
Other comprehensive (loss)/income:			
Item that will not be reclassified subsequently to profit or loss:			
Actuarial (losses)/gains on retirement benefit obligations	20	**(231)**	1,346
Items that may be reclassified to profit or loss:			
Currency translation differences		**(1,400)**	(3,771)
Exchange reserve released upon disposal of subsidiaries	34	**–**	(2,756)
Total comprehensive income for the year, net of income tax		**20,215**	13,400
Attributable to:			
Owners of the Company		**20,274**	13,303
Non-controlling interests		**(59)**	97
Total comprehensive income for the year		**20,215**	13,400
Total comprehensive income attributable to owners of the Company arises from:			
Continuing operations		**20,274**	6,820
Discontinued operations		**–**	6,483
		20,274	13,303

The notes on pages 66 to 151 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Attributable to owners of the Company						
	Share capital US$'000	Share premium (Note 18) US$'000	Other reserves (Note 18) US$'000	Retained Earnings US$'000	Total US$'000	Non-controlling interests US$'000	Total Equity US$'000
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 20)	–	–	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 34)	–	–	(133)	133	–	(850)	(850)
Dividends paid	–	–	–	(6,639)	(6,639)	–	(6,639)
Dividend declared to non-controlling interests	–	–	–	–	–	(466)	(466)
Special dividends declared (Note 29)	–	(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
Balance at 1 January 2017	**10,341**	**14,623**	**2,526**	**250,398**	**277,888**	**708**	**278,596**
Profit/(loss) for the year	**–**	**–**	**–**	**21,905**	**21,905**	**(59)**	**21,846**
Other comprehensive loss:							
Currency translation differences	**–**	**–**	**(1,400)**	**–**	**(1,400)**	**–**	**(1,400)**
Actuarial losses on retirement benefit obligations (Note 20)	**–**	**–**	**(231)**	**–**	**(231)**	**–**	**(231)**
Total comprehensive (loss)/income	**–**	**–**	**(1,631)**	**21,905**	**20,274**	**(59)**	**20,215**
Total contributions by and distributions to owners of the Company, recognized directly in equity							
Dividends paid	**–**	**–**	**–**	**(8,045)**	**(8,045)**	**–**	**(8,045)**
Special dividend paid in relation to the general offer	**–**	**(14,623)**	**–**	**(85,319)**	**(99,942)**	**–**	**(99,942)**
Acquisition of additional interests in a subsidiary (Note 31)	**–**	**–**	**(996)**	**–**	**(996)**	**(649)**	**(1,645)**
Derecognition of an expired financial liability upon acquisition of non-controlling interests (Note 18)	**–**	**–**	**1,329**	**(191)**	**1,138**	**–**	**1,138**
Total transactions with owners, recognized directly in equity	**–**	**(14,623)**	**333**	**(93,555)**	**(107,845)**	**(649)**	**(108,494)**
Balance at 31 December 2017	**10,341**	**–**	**1,228**	**178,748**	**190,317**	**–**	**190,317**

The notes on pages 66 to 151 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	Note	2017 US$'000	2016 US$'000
Cash flows from operating activities			
Cash generated from operations	30	16,233	61,880
Interest paid		(2,313)	(2,074)
Income tax paid		(6,958)	(5,076)
Net cash generated from operating activities		6,962	54,730
Cash flows from investing activities			
Purchases of property, plant and equipment	7	(35,215)	(10,801)
Decrease in bank deposits maturing beyond 3 months		92	2,346
Proceeds from disposals of property, plant and equipment	30	1	1,311
Investment in a joint venture	11	–	(4,543)
Settlement of amount due from a joint venture		–	15,106
Repayment of shareholder's loan from a joint venture		–	581
Dividends received from a joint venture		58	–
Interest received		454	749
Prepayments for purchases of property, plant and equipment		(1,433)	–
Proceeds from disposal of subsidiaries, net of cash disposal	34	–	69,778
Net cash (used in)/generated from investing activities		(36,043)	74,527
Cash flows from financing activities			
Net (decrease)/increase in trust receipt loans		(2,545)	6,579
Proceeds from borrowings		45,935	–
Repayments of borrowings		(10,435)	(9,265)
Repayment of consideration for the acquisition of additional interests in a subsidiary		(833)	(833)
Acquisition of additional interests in a subsidiary	31	(823)	–
Dividends paid		(8,045)	(6,639)
Special dividend paid in relation to the general offer		(99,942)	–
Special dividend paid in relation to the disposal of non-core business		(109,416)	–
Net cash used in financing activities		(186,104)	(10,158)
Net (decrease)/increase in cash and cash equivalents		(215,185)	119,099
Cash and cash equivalents at beginning of the year		291,439	175,835
Exchange gains/(losses) on cash and bank balances		1,537	(3,495)
Cash and cash equivalents at end of the year	16	77,791	291,439

The notes on pages 66 to 151 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Luen Thai Holdings Limited (the "Company") is an investment holding company. The Company and its subsidiaries (together the "Group") are principally engaged in the manufacturing and trading of apparels and accessories. The Group has manufacturing plants in the People's Republic of China (the "PRC"), Cambodia, the Philippines, Vietnam 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 Rooms 1001–1005, 10/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.

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 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.

Changes in accounting policies and disclosures

(a) New and amended standards adopted by the Group

The following standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2017:

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

The adoption of these new and amended standards did not have any impact on the current period or any prior period, except for the amendments to HKAS 7 regarding disclosure of changes in liabilities arising from financing activities (Note 30(c)).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

Changes in accounting policies and disclosures (Continued)

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

A number of new and amended standards are effective for annual periods beginning on or after 1 January 2018 and have not been applied in preparing these consolidated financial statements.

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

Changes in accounting policies and disclosures (Continued)

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

HKFRS 15 Revenue from contracts with customers

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

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

HKFRS 16 Leases

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

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of US$21,832,000, see Note 32. The Group estimates that some of these relate to payments for short-term and low-value leases which will be recognized on a straight-line basis as an expense in the consolidated statement of profit or loss.

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

Changes in accounting policies and disclosures (Continued)

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

HKFRS 9 Financial instruments

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

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

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

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

2.2 Subsidiaries

2.2.1 Consolidation

Subsidiaries are all entities (including structured entities) 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 to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) Subsidiaries

The Group applies the acquisition method to account for business combinations.

Intercompany 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. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and consolidated statement of financial position, respectively.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries (Continued)

2.2.1 Consolidation (Continued)

(b) Business combinations

The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, liabilities incurred to the former owners of the acquired business and the equity interests issued by the Group, fair value of any asset or liability resulting from a contingent consideration arrangement, and fair value of any pre-existing equity interest in the subsidiary. 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 acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquired entity, and the acquisition-date fair value of any previous equity interest in the acquired entity, over the fair value of the identifiable net assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognized directly in the consolidated statement of profit or loss as a bargain purchase.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognized in the consolidated statement of profit or loss.

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

(c) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognized in a separate reserve within equity attributable to owners of the Company.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries (Continued)

2.2.1 Consolidation (Continued)

(c) *Changes in ownership interests (Continued)*

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognized in the consolidated statement of profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

If the ownership interest in a joint venture is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income are reclassified to profit or loss where appropriate.

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 (Note 2.10).

2.3 Joint arrangements

Under HKFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. 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, the investments are initially recognized at cost and adjusted thereafter to recognize the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from joint ventures are recognized as a reduction in the carrying amount of the investment.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Joint arrangements (Continued)

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the joint venture.

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 joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment (Note 2.10).

2.4 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.

2.5 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 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 of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized in 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 costs — net". All other foreign exchange gains and losses are presented in the consolidated statement of profit or loss within "other gains/(losses) — net".

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Foreign currency translation (Continued)

(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.

2.6 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.

2.7 Property, plant and equipment

Property, plant and equipment are 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 any component accounted for as a separate asset is derecognized when replaced. All other repairs and maintenance are charged to the consolidated statement of profit or loss during the reporting period in which they are incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Property, plant and equipment (Continued)

Freehold land is not depreciated. Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term 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' residual values and 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 (Note 2.10).

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.

2.8 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 2.7.

2.9 Intangible assets

(a) Goodwill

Goodwill is measured as stated in Note 2.10. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortized but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments (Note 5).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Intangible assets (Continued)

(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.

2.10 Impairment of non-financial assets

Goodwill and intangible assets that are not ready to use are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested 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 inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.11 Financial assets

2.11.1 Classification

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, and 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

The Group classifies financial assets at fair value through profit or loss if they are acquired principally for the purpose of selling in the short term, i.e. are held for trading. They are presented as current assets if they are expected to be sold within 12 months after the end of the reporting period; otherwise they are presented as non-current assets.

(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. If collection of the amounts is expected in one year or less they are classified as current assets. If not, they are presented 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 2.16 and 2.17).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Financial assets (Continued)

2.11.2 Recognition, derecognition and measurement

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the consolidated statement of profit or loss.

Loans and receivables are subsequently carried at amortized cost using the effective interest method. Financial assets at fair value through profit or loss are subsequently carried at fair value.

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

Details on how the fair value of financial instruments is determined are disclosed in Note 3.3.

2.11.3 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 amount, 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)

2.12 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.

For loans and receivables, 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.

2.13 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.

2.14 Derivative financial instruments

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair values at the end of each reporting period. Changes in the fair value of these derivative instruments are recognized immediately in the consolidated statement of profit or loss within 'other gains/(losses) — net'. The Group does not have any derivative that is designated as a hedging instrument.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Inventories

Raw materials, work in progress and finished goods are stated at the lower of cost and net realizable value. Cost comprises design costs, direct materials, direct labor and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. It excludes borrowing costs. Costs are assigned to individual items of inventory on the basis of weighted average costs. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2.16 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.

2.17 Cash and bank balances

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the consolidated statement of financial position.

2.18 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.

2.19 Trade and other payables

Trade and others payables represent liabilities for goods or services provided to the Group prior to the end of reporting period which are unpaid. 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)

2.20 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.

2.21 Borrowings

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured 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 capitalised as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

Borrowings are removed from the consolidated statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in the consolidated statement of profit or loss as other income or finance costs.

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.

2.22 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get 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)

2.23 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Current and deferred 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 end of the reporting period 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

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. Deferred income tax is also 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 end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Deferred tax liabilities and assets are not recognized for temporary differences between the carrying amount and tax bases of investments in subsidiaries and joint arrangements where the Group is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

(c) Offsetting

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 Employee benefits

(a) *Pension obligations*

The Group operates 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.

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.

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 approximating to the terms of the related 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 consolidated 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)

2.24 Employee benefits (Continued)

(a) Pension obligations (Continued)

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in the period in which they occur, directly in other comprehensive income. They are included in employment benefits reserve in the statement of changes in equity and in the consolidated statement of financial position.

(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)

2.24 Employee benefits (Continued)

(f) Other short-term obligations

Liabilities for wages and salaries, including non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the consolidated statement of financial position.

2.25 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.26 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 management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to passage of time is recognized as interest expense.

2.27 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.

2.28 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.28 Revenue recognition (Continued)

(ii) 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.

(iii) Management and commission income

Management and commission income is recognized when services are rendered.

(iv) Rental income

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

2.29 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.

Rental income from operating leases where the Group is a lessor is recognized in income on a straight-line basis over the lease term. The respective leased assets are included in the consolidated statement of financial position based on their nature.

2.30 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.

(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, Peso and RMB bank accounts which are used by the Group to pay for the transactions denominated in these currencies.

The HK$ is pegged to the US$ and thus foreign currency exposure is considered as minimal and is not hedged. At 31 December 2017, if the US$ had weakened/strengthened by 5% (2016: 7%) against the Euro with all other variables held constant, the post-tax profit for the year would have been US$82,000 (2016: US$231,000) 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 2017, if the US$ had weakened/strengthened by 5% (2016: 3%) against the RMB with all other variables held constant, the post-tax profit for the year would have been US$90,000 higher/lower (2016: US$244,000 lower/higher), mainly as a result of foreign exchange gains/losses (2016: losses/gains) on translation of RMB-denominated trade receivables, payables and cash and bank balances.

At 31 December 2017, if the US$ had weakened/strengthened by 5% (2016: 5%) against the Peso with all other variables held constant, the post-tax profit for the year would have been US$258,000 (2016: US$195,000) lower/higher, mainly as a result of foreign exchange losses/gains 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 2017, if interest rates on borrowings had been 50 basis points (2016: 50 basis points) higher/lower with all other variables held constant, post-tax profit for the year would have been US$588,000 (2016: US$393,000) 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, 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.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) *Credit risk (Continued)*

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.

As at 31 December 2017, the Group had a concentration of credit risk given that the top 5 customers account for 45% (2016: 43%) 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, 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 19) 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.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

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.

	On demand	Within 3 months	More than 3 months but less than 1 year	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total undiscounted cash outflows
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Group						
At 31 December 2017						
Other bank borrowings	72,139	1,134	21,577	1,494	8,878	105,222
Trade and other payables	–	85,456	10,778	–	–	96,234
	72,139	86,590	32,355	1,494	8,878	201,456
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

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.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

	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	Total outflows
	US$'000	US$'000	US$'000
At 31 December 2017	**73,761**	**–**	**73,761**
At 31 December 2016	40,743	31,271	72,014

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 (liabilities)/assets that are measured at fair value.

	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
At 31 December 2017				
Liabilities				
– Derivative financial instruments (Note i)	**–**	**(12)**	**–**	**(12)**
At 31 December 2016				
Assets				
– Derivative financial instruments (Note i)	–	229	–	229

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 among level 1, level 2 and level 3 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 2017 (2016: same).

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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 27 for details.

(b) Useful lives of property, plant and equipment 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 and intangible assets (other than goodwill). This estimate is based on the historical experience of the actual useful lives of property, plant and equipment 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, 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.

(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 the higher of fair value less costs of disposal or value in use calculations. The recoverable amount 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.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

(d) Impairment of goodwill (Continued)

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.

No impairment has been recognized in the year ended 31 December 2017 (Note 9).

(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 20.

5 SEGMENT INFORMATION

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

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

Due to the continued development of the Group, management has changed certain of its internal organizational structure to align more with the Group's strategic decision and market dynamics to better serve its customers. As the executive directors no longer consider the performance of business of each type separately for the casual and fashion apparel segment and sweaters segment, these two operating segments are aggregated as "casual and fashion apparel", during the year ended 31 December 2017. Management considers the business from a product perspective whereby management assesses the performance of casual and fashion apparel and accessories separately as operating segments. Certain comparative figures have been restated to conform to current year presentation.

5 SEGMENT INFORMATION (CONTINUED)

As discussed in Note 34, subsequent to the disposal, the Group no longer carried on the businesses of manufacturing and trading of footwear products, freight forwarding and logistics services, real estate development and retail sales and trading of apparel and accessories. The results of these businesses were classified as discontinued operation of the Group for the year ended 31 December 2016.

The executive directors assess the performance of each segment based on a measure of segment profit primarily. Assets and liabilities of the Group are regularly reviewed on a consolidated basis. The segment information provided to the executive directors for the reportable segments for the years ended 31 December 2017 and 2016 is as follows:

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

5 SEGMENT INFORMATION (CONTINUED)

	Casual and fashion apparel US$'000 (Restated)	Accessories US$'000	Continuing operations sub-total US$'000	Discontinued operations US$'000	Total US$'000
For the year ended 31 December 2016					
Total segment revenue	658,389	251,322	909,711	84,743	994,454
Inter-segment revenue	(946)	–	(946)	(701)	(1,647)
Revenue (from external customers)	657,443	251,322	908,765	84,042	992,807
Segment profit for the year	4,453	14,395	18,848	9,526	28,374
Profit for the year includes:					
Depreciation and amortization	(10,964)	(3,388)	(14,352)	(5,768)	(20,120)
(Provision for)/reversal of inventory obsolescence	(112)	(13)	(125)	41	(84)
Provision for impairment of trade and bills receivable	(119)	–	(119)	(302)	(421)
Share of losses of an associated company	–	–	–	(21)	(21)
Share of (losses)/profits of joint ventures	(2,160)	–	(2,160)	1,728	(432)
Write-off of customer relationships	(8,251)	–	(8,251)	–	(8,251)
Impairment loss on goodwill	(2,242)	–	(2,242)	–	(2,242)
Impairment of property, plant and equipment	(440)	–	(440)	–	(440)
Finance income	398	18	416	1,882	2,298
Finance costs	(1,678)	(48)	(1,726)	(348)	(2,074)
Income tax expense	(1,375)	(1,010)	(2,385)	(871)	(3,256)

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

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

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

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

5 SEGMENT INFORMATION (CONTINUED)

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

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

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

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

For the year ended 31 December 2017, revenue of approximately US$131,207,000, US$97,549,000 and US$89,204,000 are derived from three single external customers whose sales account for more than 10% of the total year revenue. For the year ended 31 December 2016, revenue of approximately US$160,931,000 and US$133,434,000 are derived from two single external customers whose sales account for more than 10% of the total year revenue. These revenues are attributable to the segments of casual and fashion apparel and accessories.

5 SEGMENT INFORMATION (CONTINUED)

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

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

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:

	2017 US$'000	2016 US$'000
At 1 January	5,355	10,695
Amortization of land use rights (Note 24)	(167)	(317)
Disposal of subsidiaries (Note 34)	—	(4,689)
Exchange differences	69	(334)
At 31 December	5,257	5,355

As at 31 December 2017, 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$998,000 (2016: US$997,000). 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 2017							
Opening net book amount	24,515	7,851	22,716	3,847	653	317	59,899
Additions	26,647	317	6,741	897	65	1,988	36,655
Disposals/write-off	(137)	(111)	(202)	(27)	(72)	–	(549)
Transfer	264	76	971	149	84	(1,544)	–
Impairment	–	–	–	(2)	–	–	(2)
Depreciation (Note 24)	(2,287)	(1,443)	(5,875)	(814)	(189)	–	(10,608)
Exchange differences	584	(286)	2,495	(1,982)	3	(108)	706
Closing net book amount	49,586	6,404	26,846	2,068	544	653	86,101
At 31 December 2017							
Cost	72,953	33,031	118,987	17,322	2,446	653	245,392
Accumulated depreciation and impairment	(23,367)	(26,627)	(92,141)	(15,254)	(1,902)	–	(159,291)
Net book amount	49,586	6,404	26,846	2,068	544	653	86,101
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)
Disposal of subsidiaries (Note 34)	(19,380)	(5,048)	(5,894)	(2,569)	(275)	(258)	(33,424)
Transfer	–	361	2,873	106	78	(3,418)	–
Impairment	(233)	(207)	–	–	–	–	(440)
Depreciation (Note 24)	(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)

Notes:

(i) Depreciation expense of US$7,789,000 (2016: US$9,000,000) had been charged to the cost of sales, no depreciation expense (2016: US$489,000) has been charged to selling and distribution expenses and US$2,819,000 (2016: US$6,987,000) has been charged to general and administrative expenses.

(ii) As at 31 December 2017, the Group has not yet obtained the building certificate for a building located in the PRC with a carrying amount of US$3,723,000 (2016: US$3,883,000). Please refer to Note 6 for details.

8 INVESTMENT PROPERTIES

	2017 US$'000	2016 US$'000
As at 1 January	–	6,504
Depreciation and amortization (Note 24)	–	(730)
Disposal of subsidiaries (Note 34)	–	(5,594)
Exchange differences	–	(180)
As at 31 December	–	–

Notes:

(a) Rental income generated from the investment properties and recognized in the consolidated statement of profit or loss for the year ended 31 December 2016 amounted to US$835,000.

(b) 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 2017			
Opening net book amount	33,726	697	34,423
Amortization (Note 24)	–	(349)	(349)
Closing net book amount	33,726	348	34,074
At 31 December 2017			
Cost	54,888	47,892	102,780
Accumulated amortization, write-off and provision for impairment loss	(21,162)	(47,544)	(68,706)
Net book value	33,726	348	34,074

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9 INTANGIBLE ASSETS (CONTINUED)

	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 24)	—	(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

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 and US$1,106,000 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 for sweaters business. The recoverable amount of these customer relationships was determined based on fair value less costs of disposal calculations using a present value technique. The valuation was considered to be level 3 in the fair value hierarchy due to unobservable inputs used in the valuation. The key assumptions and parameters used in valuation and the recoverable amount are as follows.

	2016	
	Sweaters	Casual and fashion apparel
Average revenue growth	-14.2%	-17.3%
Average gross profit margin	19.4%	15.0%
Discount rate	15.5%	15.0%
Recoverable amount (US$'000)	636	25

No provision for impairment loss or write-off was made for the year ended 31 December 2017.

(ii) Amortization of customer relationships of US$349,000 (2016: 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.

2017	Opening US$'000	Provision for Impairment US$'000	Closing US$'000
Casual and fashion apparel (note i)	**33,726**	**–**	**33,726**

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

Notes:

(i) During the year ended 31 December 2017, casual and fashion apparel and sweaters have been combined into one operating segment as disclosed in Note 5. The goodwill of sweaters, 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 the higher of fair value less costs of disposal or value in use 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 pre-tax (2016: 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, if applicable, 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 recoverable amount of a CGU, and therefore could eliminate the excess of recoverable amount over carrying value of a CGU entirely and, in some cases, could result in impairment.

9 INTANGIBLE ASSETS (CONTINUED)

Impairment tests for goodwill (Continued)

The key assumptions and parameters used for value in use (2016: 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.

	2017	2016	
	Casual and fashion apparel	Sweaters	Casual and fashion apparel
Average revenue growth (Note i)	9.1%	–3.9%	4.2%
Average gross profit margin	15.0%	21.0%	15.4%
Terminal growth rate (Note ii)	3.0%	3.0%	3.0%
Discount rate (Note iii)	16.2%	13.5%	13.0%
Recoverable amount (US$'000)	N/A	35,332	N/A

For the year ended 31 December 2016, the valuation was considered to be level 3 in the fair value hierarchy due to unobservable inputs used in the valuation.

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) Pre-tax (2016: post-tax) discount rate applied to the pre-tax (2016: post-tax) cash flow forecast.

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 pre-tax (2016: post-tax) and reflect specific risks relating to the relevant segments.

In casual and fashion apparel CGU, the recoverable amount calculated based on value in use exceeded the carrying amount by US$63,039,000. A fall in annual net sales growth rate to 1.7%, a gross margin of 13.4% a fall in long-term growth rate to -19.7% or a rise in discount rate to 22.5%, 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 2017 and 2016 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 the Company (%)		Proportion of ordinary shares held by the Group (%)		Proportion of ordinary shares held by non-controlling interest (%)	
				2017	2016	**2017**	2016	**2017**	2016
Bright Sky Pte Ltd	Cambodia	Contractor manufacturing of garments in Cambodia	1,000 ordinary shares of US$1,000 each	–	–	**100%**	100%	–	–
Dluxe International Co., Ltd.	Cambodia	Manufacturing of bags in the Cambodia	100 ordinary shares of US$10,000 each	–	N/A	**100%**	N/A	–	N/A
Desk Top Bags Philippines, Inc.	Philippines	Manufacturing of bags in the Philippines	210,000 ordinary share of Peso 100 each	–	–	**100%**	100%	–	–
Dluxe Bags Philippines, Inc.	Philippines	Provision of subcontracting services in the Philippines	50,000,000 ordinary share of 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 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 Peso 100 each	–	–	**100%**	100%	–	–

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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 the Company (%) 2017	2016	Proportion of ordinary shares held by the Group (%) 2017	2016	Proportion of ordinary shares held by non-controlling interest (%) 2017	2016
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 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	–	–	100%	95%	–	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	–	–	100%	95%	–	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 Peso 1 each	–	–	100%	100%	–	–

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

At 31 December 2017, there are no non-controlling interests (2016: US$708,000).

11 INTERESTS IN JOINT VENTURES

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

	2017 US$'000	2016 US$'000
Beginning of the year	13,697	14,590
Addition (Notes i and ii)	–	4,543
Disposal of subsidiaries (Note 34)	–	(3,814)
Elimination of intercompany transactions	–	(489)
Repayment of shareholder's loan	–	(581)
Share of post-tax losses of joint ventures	(4,500)	(432)
Dividends received	(58)	–
Exchange difference	–	(120)
End of the year	9,139	13,697

Notes:

(i) 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 known 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 notional 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.

(ii) 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.

11 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 2017 and 2016 are shown as follows:

Name	Place of incorporation	Principal activities and place of operations	Particulars of issued share capital	% of ownership Interests 2017	% of ownership Interests 2016	Measurement Method
Sunrise Luen Thai Joint Stock Company (formerly known as "Thien Nam Sunrise Textile Joint Stock Company")	Vietnam	Manufacturing of fabrics in Vietnam	56.7 million ordinary shares of VND10,000 each	50%	50%	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

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 2017							
Sunrise Luen Thai Joint Stock Company	165	9,155	61,045	(43,437)	(24,967)	1,961	–
Hong Kong Guangthai International Company Limited	434	17,313	5,087	(19,594)	(9,304)	(6,064)	–
Duc Hanh Garment Joint Stock Company	777	10,421	2,776	(10,262)	–	3,712	–

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	–

11 INTERESTS IN JOINT VENTURES (CONTINUED)

(a) Share of net assets (Continued)

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 2017							
Sunrise Luen Thai Joint Stock Company	35,377	(7,987)	33	(2,800)	(7,580)	–	(7,580)
Hong Kong Guangthai International Company Limited	17,839	(238)	3	(2)	(223)	–	(223)
Duc Hanh Garment Joint Stock Company	18,756	(9)	2	(7)	993	(116)	877
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11 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.

	2017 US$'000	2016 US$'000
Opening net assets at 1 January	16,830	43,640
(Losses)/profits for the year	(8,975)	847
Addition of a joint venture	–	86
Disposal of a joint venture	–	(25,165)
Repayment of shareholders' loan from a joint venture	–	(1,162)
Elimination of inter-company transactions	–	(2,038)
Dividends paid	(114)	–
Exchange difference	(68)	622
Closing net assets at 31 December	7,673	16,830
Interests in joint ventures	6,397	10,955
Goodwill	2,742	2,742
Carrying amount	9,139	13,697

In addition to the interests in joint ventures disclosed above, the Group also has interests in a number of individually immaterial joint ventures that are accounted for using the equity method.

	2017 US$'000	2016 US$'000
Aggregate carrying amount of individually immaterial joint ventures	3,995	4,886
Aggregate amounts of the group's share of losses and total comprehensive losses for the year	(1,046)	(197)

11 INTERESTS IN JOINT VENTURES (CONTINUED)

(b) Capital commitments and contingent liabilities

As at 31 December 2017 and 2016, the Group's share of capital commitments of joint ventures is as follows:

	2017 US$'000	2016 US$'000
Contracted but not incurred	–	517

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

12 DEFERRED INCOME TAX

The analysis of deferred income tax (assets)/liabilities is as follows:

	2017 US$'000	2016 US$'000
Deferred income tax assets:		
– Deferred income tax assets to be recovered within 12 months	(873)	(889)
Deferred income tax liabilities:		
– Deferred income tax liabilities to be settled within 12 months	180	137
– Deferred income tax liabilities to be settled after more than 12 months	2,048	2,271
Deferred income tax liabilities – net	1,355	1,519

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

	2017 US$'000	2016 US$'000
At 1 January	1,519	4,581
Credited to consolidated statement of profit or loss (Note 27)	(164)	(1,911)
Disposal of subsidiaries (Note 34)	–	(1,151)
At 31 December	1,355	1,519

12 DEFERRED INCOME TAX (CONTINUED)

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 2016	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 34)	–	–	(1,151)	(1,151)
At 31 December 2016	2,055	28	325	2,408
(Credited)/charged to consolidated statement of profit or loss	(202)	(28)	50	(180)
At 31 December 2017	**1,853**	**–**	**375**	**2,228**

Deferred income tax assets	Provision US$'000	Others US$'000	Total US$'000
At 1 January 2016	(721)	(217)	(938)
Charged to consolidated statement of profit or loss	37	12	49
At 31 December 2016	(684)	(205)	(889)
Charged to consolidated statement of profit or loss	47	(31)	16
At 31 December 2017	**(637)**	**(236)**	**(873)**

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$2,255,000 (2016: US$4,523,000) in respect of losses amounting to US$13,704,000 (2016: US$22,585,000) that can be carried forward against future taxable income. Among the tax losses, US$6,711,000 (2016: US$16,097,000) have expiry dates from 2018 to 2023 (2016: 2017 to 2022). The remaining tax losses have no expiry date.

Deferred income tax liabilities of US$4,420,000 (2016: US$3,703,000) 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$21,133,000 (2016: US$12,343,000) at 31 December 2017.

13 INVENTORIES

	2017 US$'000	2016 US$'000
Raw materials	29,799	22,657
Work in progress	31,572	36,194
Finished goods	4,119	5,866
	65,490	64,717

The cost of inventories recognized as expense and included in cost of sales amounted to US$458,950,000 (2016: US$625,280,000), which included reversal of provision for inventories obsolescence of US$342,000 (2016: provision for inventories obsolescence of US$84,000).

As at 31 December 2017, inventories amounting to US$31,639,000 (2016: US$34,184,000) were held under trust receipt bank loan arrangement (Note 19).

14 FINANCIAL INSTRUMENTS BY CATEGORY

	Assets at fair value through profit and loss US$'000	Loans and Receivables US$'000	Total US$'000
31 December 2017			
Assets as per consolidated statement of financial position			
Trade and other receivables excluding prepayments	–	144,860	144,860
Cash and bank balances	–	77,793	77,793
Restricted cash	–	4,668	4,668
Total	–	227,321	227,321
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

14 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 2017			
Liabilities as per consolidated statement of financial position			
Borrowings	–	103,139	103,139
Trade and other payables excluding non-financial liabilities	–	118,898	118,898
Derivative financial instruments	12	–	12
Total	12	222,037	222,049
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

15 TRADE AND OTHER RECEIVABLES

(a) Trade and bills receivables — net

	2017 US$'000	2016 US$'000
Current portion		
Trade and bills receivables — net (Note a)	124,562	124,529
Deposits, prepayments and other receivables	16,015	17,614
Amounts due from related parties (Note 33)	5,300	13,912
	145,877	156,055
Non-current portion		
Prepayments for purchases of property, plant and equipment	1,433	–
Deposits	1,757	2,531
Others	2,294	2,080
	5,484	4,611

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

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

15 TRADE AND OTHER RECEIVABLES (CONTINUED)

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

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

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

As at 31 December 2017, trade and bills receivables of US$22,811,000 (2016: US$12,873,000) were past due but not impaired. These 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 ageing analysis of these trade and bills receivables is as follows:

	2017 US$'000	2016 US$'000
Current	101,751	111,656
1 to 30 days	14,678	8,101
31 to 60 days	5,358	2,148
61 to 90 days	1,043	1,851
91 to 120 days	764	—
Over 120 days	968	773
Amounts past due but not impaired	22,811	12,873
	124,562	124,529

The impairment provision was approximately US$234,000 as at 31 December 2017 (2016: US$404,000). The provision made during the year has been included in general and administrative expenses in the consolidated statement of profit or loss.

15 TRADE AND OTHER RECEIVABLES (CONTINUED)

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

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

	2017 US$'000	2016 US$'000
At 1 January	404	2,253
Provision for impairment of trade and bills receivables (Note 24)	114	421
Write-off	(138)	(2,270)
Reversal (Note 24)	(146)	—
At 31 December	234	404

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

	2017 US$'000	2016 US$'000
US$	119,966	117,835
RMB	3,944	4,425
Euro	632	1,200
Peso	—	1,062
Other currencies	20	7
	124,562	124,529

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.

16 CASH AND BANK BALANCES

(a) Cash and cash equivalents

	2017 US$'000	2016 US$'000
Cash at bank and on hand	74,788	101,477
Short-term bank deposits	3,003	189,962
Bank deposits with a maturity period of over 3 months	2	94
Cash and bank balances	77,793	291,533
Less: bank deposits with a maturity period of over 3 months	(2)	(94)
Cash and cash equivalents in the consolidated cash flow statement	77,791	291,439

The effective interest rate on short-term bank deposits was 0.20% (2016: 0.54%) per annum; these deposits have an average maturity period of 92 days (2016: 21 days).

Significant restrictions

At 31 December 2017, the Group's cash and cash equivalents and short-term bank deposits included balances of US$20,114,000 (2016: US$18,387,000), 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.

16 CASH AND BANK BALANCES (CONTINUED)

(b) Restricted cash

As at 31 December 2017, US$4,668,000 (2016: US$2,302,000), 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:

	2017 US$'000	2016 US$'000
US$	50,245	258,249
HK$	7,571	11,819
Euro	1,347	3,088
RMB	20,353	17,581
Peso	1,407	1,746
Other currencies	1,538	1,352
	82,461	293,835

17 SHARE CAPITAL

	Number of Shares	Nominal value US$'000
Authorized — ordinary shares of US$0.01 each		
At 31 December 2016 and 2017	1,500,000,000	15,000
Issued and fully paid — ordinary shares of US$0.01 each		
At 1 January 2016, 31 December 2016 and 2017	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.

17 SHARE CAPITAL (CONTINUED)

Share option (Continued)

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 2016 and 2017, there is no outstanding share option under the Option Schemes. No share options have been granted or vested during the year ended 31 December 2017 (2016: Nil).

18 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 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 20)	–	–	–	1,337	–	1,337
Disposal of subsidiaries	–	–	–	(133)	(2,756)	(2,889)
Special dividend declared	(109,416)	–	–	–	–	(109,416)
At 31 December 2016	14,623	7,891	(4,799)	1,164	(1,730)	17,149
At 1 January 2017	**14,623**	**7,891**	**(4,799)**	**1,164**	**(1,730)**	**17,149**
Currency translation differences	**–**	**–**	**–**	**211**	**(1,611)**	**(1,400)**
Actuarial losses on retirement benefit obligations (Note 20)	**–**	**–**	**–**	**(231)**	**–**	**(231)**
Special dividend paid in relation to the general offer	**(14,623)**	**–**	**–**	**–**	**–**	**(14,623)**
Acquisition of additional interests in a subsidiary (Note 31)	**–**	**–**	**(996)**	**–**	**–**	**(996)**
Derecognition of an expired financial liability upon acquisition of non-controlling interests (Note iii)	**–**	**–**	**1,329**	**–**	**–**	**1,329**
At 31 December 2017	**–**	**7,891**	**(4,466)**	**1,144**	**(3,341)**	**1,228**

18 OTHER RESERVES (CONTINUED)

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.

(iii) During the year ended 31 December 2017, the Group has entered into a sale and purchase agreement to acquire additional interests in a subsidiary, see Note 31 for details. The financial liability, being a put option granted to the non-controlling shareholder to sell back the equity interests in the subsidiary, was expired. Accordingly, the Group derecognized the financial liability of US$1,138,000 and the related reserve of US$1,329,000.

19 BORROWINGS

	2017 US$'000	2016 US$'000
Non-current		
Bank borrowings	9,000	–
	9,000	–
Current		
Trust receipt bank loans	31,639	34,184
Portion of bank borrowings due for repayment within 1 year	62,500	5,500
Portion of bank borrowings due for repayment after 1 year which contain a repayment on demand clause	–	30,500
	94,139	70,184
Total borrowings	103,139	70,184
Non-current borrowings		
– Secured	9,000	–
Current borrowings		
– Secured	31,639	34,184
– Non-secured	62,500	36,000
	103,139	70,184

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

19 BORROWINGS (CONTINUED)

As at 31 December 2017 and 2016, the Group's borrowings, based on the scheduled repayment terms set out in the loan agreements and ignoring effect of any repayment on demand clause, were repayable as follows:

	Trust receipt bank loans		Bank borrowings		Total	
	2017	2016	**2017**	2016	**2017**	2016
	US$'000	US$'000	**US$'000**	US$'000	**US$'000**	US$'000
Within 1 year	**31,639**	34,184	**62,500**	5,500	**94,139**	39,684
Bank borrowings due for repayment after 1 year (Note):						
After 1 year but within 2 years	**–**	–	**1,400**	30,500	**1,400**	30,500
After 2 years but within 5 years	**–**	–	**7,600**	–	**7,600**	–
	–	–	**9,000**	30,500	**9,000**	30,500
	31,639	34,184	**71,500**	36,000	**103,139**	70,184
Representing:						
Maturity within 5 years	**31,639**	34,184	**71,500**	36,000	**103,139**	70,184

As at 31 December 2017 and 2016, the carrying amounts of the borrowings are denominated in US$.

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

	2017	2016
Bank loans	**2.56%**	2.53%
Trust receipt bank loans	**1.85%**	1.74%

As at 31 December 2017, the Group had aggregate banking facilities of approximately US$359,579,000 (2016: US$386,187,000) for overdrafts, loans, trade financing and bank guarantees. Unused facilities as at the same date amounted to approximately US$243,581,000 (2016: US$293,439,000). These facilities are secured/guaranteed by:

(i) Floating charges over the Group's inventories amounting to US$31,639,000 (2016: US$34,184,000) held under trust receipt bank loan arrangements (Note 13); and

(ii) A corporate guarantee provided by the Company (Note 33).

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

20 RETIREMENT BENEFIT OBLIGATIONS

	2017 US$'000	2016 US$'000
Consolidated statement of financial position obligations for:		
Defined benefit plans (Note b)	10,724	8,888
Provision for long service payments (Note c)	178	272
	10,902	9,160

	2017 US$'000	2016 US$'000
Included in consolidated statement of profit or loss were charges included in operating profit for (Note 25(a)):		
Continuing Operations		
— Defined contribution plans (Note a)	5,622	7,403
— Defined benefit plans (Note b)	1,849	2,624
— Provision for long service payment (Note c)	38	27
	7,509	10,054
Discontinued Operations		
— Defined contribution plans (Note a)	–	397
— Defined benefit plans (Note b)	–	35
	–	432
	7,509	10,486
Re-measurements for:		
Continuing Operations		
Defined benefit plans (Note b)	393	(1,180)
Provision for long service payments (Note c)	(162)	(43)
	231	(1,223)
Discontinued Operations		
Defined benefit plans (Note b)	–	(123)
	–	(123)
	231	(1,346)

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

20 RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

(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$5,622,000 (2016: US$7,800,000) for the year ended 31 December 2017 (Note 25(a)).

(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 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:

	2017 US$'000	2016 US$'000
Present value of unfunded obligations	6,792	5,250
Present value of funded obligations	4,176	3,875
Fair value of plan assets	(244)	(237)
Liabilities in the consolidated statement of financial position	10,724	8,888

20 RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

(b) Defined benefit plans (Continued)

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

	2017 US$'000	2016 US$'000
At 1 January	9,125	9,205
Continuing operations:		
Past service cost	–	202
Current service cost	1,290	1,215
Interest cost	548	541
Curtailment/settlement loss	24	677
Total — included in employee benefit expenses of continuing operations	1,862	2,635
Discontinued operations:		
Current service cost	–	38
Interest cost	–	14
Curtailment/settlement gain	–	(12)
Total — included in employee benefit expenses of discontinued operations	–	40
Total — included in employee benefit expenses in the year	1,862	2,675

20 RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

(b) Defined benefit plans (Continued)

	2017 US$'000	2016 US$'000
Remeasurements:		
Continuing operations:		
— Loss/(gain) from change in financial assumptions	370	(754)
— Gain from change in demographic assumptions	(12)	(41)
— Experience loss/(gain)	29	(382)
	387	(1,177)
Discontinued operations:		
— Gain from change in financial assumptions	–	(96)
— Experience gain	–	(34)
	–	(130)
	387	(1,307)
Transfer in	(60)	271
Contribution paid	(309)	(1,237)
Exchange difference	(37)	(300)
Disposal of subsidiaries	–	(182)
At 31 December	10,968	9,125

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

	2017 US$'000	2016 US$'000
At 1 January	(237)	(349)
Interest income — included in employee benefit expenses	(13)	(16)
Remeasurements:		
— Gain on plan assets, excluding amounts included in interest income	6	4
Contribution paid	–	20
Disposal of subsidiaries (Note 34)	–	104
At 31 December	(244)	(237)

20 RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

(b) Defined benefit plans (Continued)

The principal actuarial assumptions used are as follows:

	2017	2016
Discount rate	5.80%–6.30%	5.34%–7.90%
Future salary increase rate	3.00%–14.00%	3.00%–14.00%

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

	Impact on defined benefit plan					
	2017			2016		
	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$1,553,000	Increase by US$1,857,000	1.0%	Decrease by US$1,379,000	Increase by US$1,469,000
Future salary increase rate	1.0%	Increase by US$1,807,000	Decrease by US$1,529,000	1.0%	Increase by US$1,640,000	Decrease by US$1,370,000

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 payment 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:

	2017 US$'000	2016 US$'000
Present value of unfunded obligations	178	272

As at 31 December 2017 and 2016, there are no funded obligations and plan assets.

20 RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

(c) Long service payments (Continued)

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

	2017 US$'000	2016 US$'000
At 1 January	272	482
Current service cost	34	22
Interest cost	4	5
Total — included in employee benefit expenses (Note 25(a))	38	27
Re-measurements:		
— Gain from change in financial assumptions	–	(2)
— Gain from change in demographic assumptions	(162)	(41)
Mandatory Provident Fund refund/(payment)	30	(194)
At 31 December	178	272

The principal actuarial assumptions used are as follows:

	2017	2016
Discount rate	1.60%	1.60%
Future salary increase rate	3.00%	3.00%

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

	Impact on long service payments					
	2017			2016		
	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$7,000	Increase by US$8,000	1.0%	Decrease by US$14,000	Increase by US$15,000
Future salary increase rate	1.0%	Increase by US$2,000	Decrease by US$2,000	1.0%	Increase by US$9,000	Decrease by US$8,000

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.

20 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.

Expected contributions to defined benefit plans and provision for long service payments for the year ending 31 December 2017 are US$1,371,000 (2016: US$1,270,000).

The weighted average duration of the defined benefit obligations is 19.91 years (2016: 21.09 years).

An expected maturity analysis of undiscounted pension is as follows:

	2017 US$'000	2016 US$'000
Retirement benefits		
— No later than 1 year	**429**	386
— Later than 1 year and no later than 5 years	**1,473**	1,243
— Later than 5 years	**112,429**	112,953
	114,331	114,582

21 TRADE AND OTHER PAYABLES

	2017 US$'000	2016 US$'000
Trade and bills payables (Note a)	**60,509**	70,795
Other payables and accruals	**68,439**	89,505
Amounts due to related parties (Note 33)	**1,361**	2,169
Amounts due to non-controlling interests	**—**	466
	130,309	162,935
Less: Non-current	**(711)**	(811)
Trade and other payables, current	**129,598**	162,124

21 TRADE AND OTHER PAYABLES (CONTINUED)

(a) Trade and bills payables

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

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

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

	2017 US$'000	2016 US$'000
US$	38,751	46,006
HK$	8,994	11,582
Euro	–	269
RMB	9,668	9,477
Peso	3,062	3,456
Other currencies	34	5
	60,509	70,795

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

22 DERIVATIVE FINANCIAL INSTRUMENTS

	2017 US$'000	2016 US$'000
(Liabilities)/assets:		
Forward foreign exchange contracts (Note i)	(12)	229

Notes:

(i) The notional principal amounts of the outstanding forward foreign exchange contracts as at 31 December 2017 were approximately US$1,425,000 (2016: US$5,312,000).

23 OTHER GAINS/(LOSSES) — NET

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

24 EXPENSES BY NATURE

	2017	2016	
		Continuing operations	Discontinued operations
	US$'000	US$'000	US$'000
Raw materials and consumables used	452,680	574,166	40,730
Changes in inventories of finished goods and work in progress	6,612	10,062	238
Employee benefit expenses (Note 25(a))	199,843	206,880	23,451
Losses on disposals of property, plant and equipment — net (Note 7)	548	480	455
Auditors' remuneration			
— Audit services	792	785	62
— Non-audit services	120	524	—
Amortization of land use rights (Note 6)	167	140	177
Amortization of intangible assets (Note 9)	349	2,597	—
Depreciation of property, plant and equipment (Note 7)	10,608	11,615	4,861
Impairment of property, plant and equipment (Note 7)	2	440	—
Depreciation and amortization of investment properties (Note 8)	—	—	730
(Reversal of)/provision for impairment of trade and bills receivable (Note 15(a))	(32)	119	302
Provision for material claims	60	—	—
(Reversal of)/provision for inventory obsolescence (Note 13)	(342)	125	(41)
Operating leases			
— Office premises and warehouses	6,633	6,008	4,113
— Plant and machinery	230	321	274
Transportation expenses	4,324	4,690	1,184
Communication, supplies and utilities	19,107	18,950	2,863
Other expenses	39,076	43,378	11,441
	740,777	881,280	90,840

24 EXPENSES BY NATURE (CONTINUED)

	2017	2016	
		Continuing operations	Discontinued operations
	US$'000	US$'000	US$'000
Cost of sales	650,100	766,985	55,318
Selling and distribution expenses	2,153	2,940	4,090
General and administrative expenses	88,524	111,355	31,432
	740,777	881,280	90,840

25 EMPLOYEE BENEFIT EXPENSES

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

	2017	2016	
		Continuing operations	Discontinued operations
	US$'000	US$'000	US$'000
Wages, salaries and allowances	190,256	191,338	20,356
Termination benefits	2,078	5,488	2,663
Pension costs			
— Defined contribution plans (Note 20(a))	5,622	7,403	397
— Defined benefit plans (Note 20(b))	1,849	2,624	35
Long service payments (Note 20(c))	38	27	—
	199,843	206,880	23,451

25 EMPLOYEE BENEFIT EXPENSES (CONTINUED)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included three (2016: three) directors whose emoluments are reflected in the analysis presented in Note 36. The emoluments payable to the remaining two (2016: two) individuals during the year are as follows:

	2017 US$'000	2016 US$'000
Basic salaries, other allowances and benefits in kind	530	614
Discretionary bonuses	866	353
Pension scheme contributions	2	17
Others	23	220
	1,421	1,204

The emoluments of the remaining two (2016: two) highest paid individuals fell within the following bands:

	Number of individuals 2017	2016
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)	1	–
US$709,678 to US$774,193 (equivalent to HK$5,500,001 to HK$6,000,000)	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.

26 FINANCE COSTS — NET

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

27 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

	2017	2016	
		Continuing operations	Discontinued operations
	US$'000	US$'000	US$'000
Current income tax	2,932	3,080	871
Under-provision in prior years	166	1,216	—
Deferred income tax (Note 12)	(164)	(1,911)	—
Income tax expense	2,934	2,385	871

27 INCOME TAX EXPENSE (CONTINUED)

The tax on the Group's profit 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:

	2017	2016	
		Continuing operations	Discontinued operations
	US$'000	US$'000	US$'000
Profit before income tax	**24,780**	11,440	10,397
Tax calculated at domestic tax rates applicable to profits in the respective countries	**(597)**	(3,175)	919
Income not subject to tax	**(1,874)**	(3,211)	(3,597)
Expenses not deductible for tax purposes	**5,030**	5,483	1,869
Utilization of previously unrecognized tax losses	**(143)**	(1)	–
Tax losses for which no deferred income tax asset was recognized	**317**	1,238	2,106
Tax effect of taxable temporary difference not recognized – net	**113**	155	–
Tax effect of share of results of joint ventures	**(78)**	680	(426)
Under-provision in prior years	**166**	1,216	–
Income tax expense	**2,934**	2,385	871

27 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 on the basis of where its operations were carried out.

In respect of the Hong Kong incorporated subsidiary, the IRD tentatively disallowed the 50% or 100% offshore profits claim for the previous years and issued notices of additional assessments/assessments for the years of assessment 2000/01 to 2012/13 on the basis of no 50:50 apportionment for 2000/01 to 2011/12 and no 100% offshore profit for 2012/13 with the amount of US$3,812,000 (equivalent to approximately HK$29,544,000).

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

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

Management has thoroughly revisited the situations and concluded that there are grounds for the Hong Kong incorporated subsidiary to sustain its 50% or 100% offshore tax filing position and for the Macao incorporated subsidiary to argue that its entire profits are not subject to Hong Kong profits tax based on their business operations. In fact, any additional taxation claims in relation to periods prior to June 2004 will be indemnified and reimbursed entirely by certain shareholders of the Company in accordance with the deeds of the indemnity dated 27 June 2004 in connection with the Group reorganization in contemplation of the listing of the Company's shares on The Stock Exchange of Hong Kong Limited.

(ii) During the years ended 31 December 2017 and 2016, an overseas tax authority performed tax assessments on overseas incorporated subsidiaries' tax position for the years ended 31 December 2011, 2012, 2013, 2014, 2015 and certain periods during the years ended 31 December 2015, 2016 and 2017, and issued tax assessments/revised tax assessments to demand additional tax payment of US$2,465,000. The subsidiaries have lodged objection letters to this overseas tax authority. With respect to these tax assessments, management believes that they have grounds to defend their tax position since there are various interpretations of tax rules in that country and a clear calculation basis for the additional tax payment was not provided. Management considers the provision is adequate as at 31 December 2017.

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

(iii) During the year, a PRC tax authority performed a transfer pricing audit on a PRC incorporated subsidiary's tax position for the years ended 31 December 2006 to 2014 and issued an initial tax assessment proposal with an additional tax payment and interest on the additional tax of US$2,153,000. The subsidiary has lodged an objection letter to the PRC tax authority. Management believes that it has grounds to defend its tax position and negotiate with the PRC tax authority as the proposal is not regarded as a final tax assessment. Management considers the provision is adequate as at 31 December 2017.

28 EARNINGS PER SHARE

(a) Basic

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

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

(b) Diluted

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

29 DIVIDENDS

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

At a meeting held on 28 March 2018, the directors recommended the payment of a final dividend of US0.747 cent per ordinary share, totaling US$7,724,000. Such dividend is to be approved by the shareholders at the annual general meeting of the Company on 25 May 2018. 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 2017.

30 CASH FLOW INFORMATION

(a) Cash generated from operating activities

	2017 US$'000	2016 US$'000
Profit before income tax including discontinued operations	24,780	21,837
Adjustments for:		
Share of losses of joint ventures (Note 11)	4,500	432
Share of profit of an associated company	–	21
Finance costs (Note 26)	2,313	2,074
Finance income (Note 26)	(454)	(2,298)
Impairment loss on goodwill and write off of customer relationship (Note 9)	–	10,493
Fair value losses/(gains) on derivative financial instruments (Note 23)	12	(229)
Amortization of intangible assets (Note 9)	349	2,597
Amortization of land use rights (Note 6)	167	317
(Reversal of)/provision for impairment of trade receivables (Note 15(a))	(32)	421
(Reversal of)/provision for inventory obsolescence (Note 13)	(342)	84
Depreciation of property, plant and equipment (Note 7)	10,608	16,476
Depreciation of investment properties (Note 8)	–	730
Losses on disposals of property, plant and equipment – net	548	935
Gain on disposal of subsidiaries	–	(16,230)
Impairment on fixed assets	2	440
Operating profit before working capital changes	42,451	38,100
Changes in working capital (excluding the effects of currency translation on consolidation):		
Inventories	(431)	17,733
Trade and other receivables	8,946	15,190
Trade and other payables	(34,087)	(8,148)
Derivative financial instruments	229	61
Retirement benefit obligations	1,722	1,246
Restricted cash	(2,597)	(2,302)
Cash generated from operations	16,233	61,880

30 CASH FLOW INFORMATION (CONTINUED)

(a) Cash generated from operating activities (Continued)

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

	2017 US$'000	2016 US$'000
Net book amount (Note 7)	549	2,246
Losses on disposals of property, plant and equipment — net	(548)	(935)
Proceeds from disposals of property, plant and equipment	1	1,311

(b) Significant non-cash transaction

During the year ended 31 December 2017, the Group has acquired a piece of land, of which the Group was a lessee, from the lessor (the "Transaction"). A security deposit of US$1,440,000 held by the lessor and included in "other non-current assets" in the consolidated statement of financial position has constituted part of the payment of the total consideration of the Transaction and therefore was transferred as part of the additions of property, plant and equipment.

During the year ended 31 December 2016, the Group has declared special dividend in relation to the disposal of non-core business amounted to US$109,416,000. The dividend was included in "dividend payable" in the consolidated statement of financial position and had been subsequently paid in the year ended 31 December 2017.

(c) Reconciliation of liabilities arising from financing activities

	Borrowings – current	Borrowings – non-current	Dividend payables	Consideration payables for acquisitions of additional interests in subsidiaries (Note)	Total
At 1 January 2017	70,184	–	109,416	1,637	181,237
Cashflows	23,955	9,000	(217,403)	(1,656)	(186,104)
Acquisition of additional interests in a subsidiary (Note 31)	–	–	–	1,645	1,645
Dividend declared	–	–	107,987	–	107,987
Other non-cash movement	–	–	–	22	22
At 31 December 2017	94,139	9,000	–	1,648	104,787

Note: Consideration payables for acquisitions of additional interests in subsidiaries were included in "trade and other payables" in the consolidated statement of financial positions.

31 TRANSACTION WITH NON-CONTROLLING INTERESTS

Acquisition of additional interests in a subsidiary — Partner Joy

On 31 July 2017, Trumpinvest Holdings Limited ("Seller"), the beneficiary owner of 50 ordinary shares of Partner Joy Group Limited ("Partner Joy"), a subsidiary of the Company, entered into a Sale and Purchase Agreement ("Agreement") with Fortune Investment Overseas Limited ("Fortune Investment"), a wholly owned subsidiary of the Company. Pursuant to the Agreement, the Seller sold and Fortune Investment purchased the 50 ordinary shares of Partner Joy, representing 5% equity interest in Partner Joy, at a fair-value consideration of approximately US$1,645,000. The consideration was paid half upon completion and another half in one year after the completion date.

Immediately prior to the aforementioned transaction, the carrying amount of the existing 5% non-controlling interest in Partner Joy was US$649,000. The effect on the equity attributable to the owners of Company during the year is summarized as follows:

	2017 US$'000	2016 US$'000
Carrying amount of non-controlling interests acquired	**649**	–
Consideration paid to non-controlling interests	**(1,645)**	–
Excess of consideration paid recognized in the transactions with non-controlling interests reserve within equity (Note 18)	**(996)**	–

There were no transactions with non-controlling interests in 2016.

32 COMMITMENTS

(a) Capital commitments

There is no capital commitments as at 31 December 2017 (2016: Nil).

(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:

	2017 **US$'000**	2016 US$'000
Land and buildings		
— No later than 1 year	**4,331**	5,753
— Later than 1 year and no later than 5 years	**8,907**	9,631
— Later than 5 years	**8,489**	9,096
	21,727	24,480
Property, plant and equipment		
— No later than 1 year	**86**	79
— Later than 1 year and no later than 5 years	**19**	49
	105	128

The Company has no other material commitments as at 31 December 2017 and 2016.

33 RELATED-PARTY TRANSACTIONS

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 transaction was completed on 14 February 2017, upon which the shareholding of the Selling Shareholders, its former ultimate beneficial owners and their respective concerted parties in the Company decreased from approximately 70.27% to 19.82%.

As such, immediately after the completion of the transaction, the Offeror owns 74.50% interest in the Company's equity. The directors regard the immediate holding company of the Company to be the Offerer, a company incorporated in Hong Kong, and the ultimate holding company of the Company to be Shangtex Holding Co., Ltd, a company incorporated in the PRC which indirectly holds 100% interest in the Offeror.

33 RELATED-PARTY TRANSACTIONS (CONTINUED)

(a) Transactions with related parties

During the year, the Group had the following significant transactions with related companies and joint ventures. Related companies include companies which are beneficially owned or controlled by certain directors of the Company, individually, jointly or collectively, or together with their close family members, and companies which are related companies of the immediate or ultimate holding company of the Company.

(i) Provisions of goods and services

	2017 **US$'000**	2016 US$'000
Management fee income from related companies	**66**	238
Commission income from related companies	**–**	806
Freight forwarding and logistics service income from related companies	**–**	1,007
Rental income from related companies	**346**	550
Service income from		
– related companies	**–**	443
– joint ventures	**253**	505
	253	948
Recharge of material costs and other expenses to		
– related companies	**1,056**	1,547
– joint ventures	**16,188**	9,248
	17,244	10,795
Sales of apparels, textile products and accessories to related companies	**1,136**	11,608

33 RELATED-PARTY TRANSACTIONS (CONTINUED)

(a) Transactions with related parties (Continued)

(ii) Purchases of goods and services

	2017 US$'000	2016 US$'000
Rental expenses for occupying office premises, warehouses and staff quarters charged by related companies	**1,065**	1,413
Professional and technological support service fees to related companies	**1,947**	2,058
Freight forwarding and logistics services charged by related companies	**1,956**	161
Recharge of material costs and other expenses by		
— related companies	**1,079**	707
— joint ventures	**1,195**	317
	2,274	1,024
Purchases of materials from		
— related companies	**583**	41
— joint ventures	**19,316**	7,922
	19,899	7,963
Other services fee charged by joint ventures	**1,637**	1,209
Medical benefits & other employee related expenses charged by related companies	**–**	378

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

33 RELATED-PARTY TRANSACTIONS (CONTINUED)

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

	2017 US$'000	2016 US$'000
Amounts due from related parties (Note 15)		
– Joint ventures	5,124	5,660
– Related companies	176	8,252
Amounts due to related parties (Note 21)		
– Joint ventures	–	1,757
– Related companies	1,361	412

The amounts due from joint ventures and related parties arise mainly from non-trade transactions. They are unsecured, interest-free and repayable on demand except for an amount due from a joint venture of US$3,361,000 (2016: nil) which is interest-bearing.

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

	2017 US$'000	2016 US$'000
Loan to a joint venture:		
At 1 January	–	7,747
Effective interest income	–	463
Exchange loss	–	(509)
Disposal of subsidiary	–	(7,701)
At 31 December	–	–

As at 31 December 2017 and 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 34 for more details.

33 RELATED-PARTY TRANSACTIONS (CONTINUED)

(d) Key management compensation

	2017 US$'000	2016 US$'000
Basic salaries and allowance	2,885	4,447
Bonus	2,372	3,170
Pension scheme contributions	23	38
	5,280	7,655

(e) Banking facilities

As at 31 December 2017, certain banking facilities of the Group to the extent of US$460,395,000 (2016: US$482,057,000) 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.

34 DISCONTINUED OPERATIONS

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

34 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 joint venture (Note 11)	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
Settlement of intragroup 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.

34 DISCONTINUED OPERATIONS (CONTINUED)

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

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

34 DISCONTINUED OPERATIONS (CONTINUED)

Cash flow

	2016 US$'000
Operating cash flows	11,134
Investing cash flows	10,742
Financing cash flows	(2,015)
Total cash flows	19,861

35 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

		2017 US$'000	2016 US$'000
ASSETS			
Non-current asset			
Investments in subsidiaries		71,564	71,564
Current assets			
Amounts due from subsidiaries		22,543	139,823
Deposits, prepayments and other current assets		22	22
Cash and bank balances		648	784
Total current assets		22,213	140,629
Total assets		94,777	212,193
EQUITY			
Equity attributable to owners of the Company			
Share capital		10,341	10,341
Other reserves	(a)	71,564	86,187
Retained earnings	(a)	7,832	4,130
Total equity		89,737	100,658
LIABILITY			
Current liability			
Other payables and accruals		2,013	1,674
Amounts due to fellow subsidiaries		3,027	445
Dividends payable		–	109,416
Total liabilities		5,040	111,535
Total equity and liabilities		94,777	212,193

The statement of financial position of the Company has been approved by the Board of Directors on 28 March 2018 and has been signed on behalf.

Tan Cho Lung, Raymond
Director

Qu Zhiming
Director

35 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 2016	6,260	195,603	201,863
Profit for the year	4,509	—	4,509
Dividends paid	(6,639)	—	(6,639)
Special dividends declared	—	(109,416)	(109,416)
At 31 December 2016	4,130	86,187	90,317
At 1 January 2017	**4,130**	**86,187**	**90,317**
Profit for the year	**97,066**	**—**	**97,066**
Dividends paid	**(8,045)**	**—**	**(8,045)**
Special dividends paid in relation to the general offer	**(85,319)**	**(14,623)**	**(99,942)**
At 31 December 2017	**7,832**	**71,564**	**79,396**

36 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and senior management's emoluments

The remuneration of every director for the year ended 31 December 2017 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						
Mr. Shen Yaoqing *(Chairman)* (Note ii)	253	–	–	–	–	253
Mr. Tan Cho Lung, Raymond *(Chief Executive Officer)*	–	389	473	–	2	864
Mr. Qu Zhiming (Note ii)	228	–	–	–	–	228
Ms. Mok Siu Wan, Anne	19	470	588	–	2	1,079
Dr. Tan Siu Lin	–	113	–	–	–	113
Dr. Tan Henry (Note iii)	–	116	567	–	1	684
Non-executive directors						
Mr. Huang Jie (Note ii)	18	–	–	–	–	18
Mr. Tan Willie (Note iii)	–	–	–	–	–	–
Mr. Lu Chin Chu (Note iii)	–	–	–	–	–	–
Independent non-executive directors						
Mr. Chan Henry	23	–	–	–	–	23
Mr. Cheung Siu Kee	23	–	–	–	–	23
Mr. Seing Nea Yie	23	–	–	–	–	23
Total	587	1,088	1,628	–	5	3,308

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
Total	114	1,388	1,834	163	6	3,505

36 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(a) Directors' and senior management's emoluments (Continued)

Notes:

(i) Other benefits mainly include share options and other allowances.

(ii) Appointed on 15 February 2017.

(iii) Resigned on 15 February 2017.

During the year ended 31 December 2017, none of the directors of the Company waived any emoluments paid or payable by the Group companies during the year (2016: Nil) and there were 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 (2016: Nil).

(b) Directors' retirement benefits and termination benefits

During the year ended 31 December 2017, Dr. Tan Henry has received termination benefits of US$38,000 for the loss of office in connection with the management of the affairs of the Company, which was paid by a subsidiary undertaking of the Company. During the year ended 31 December 2016, none of the directors received or will receive any retirement benefits or termination benefits during the financial year.

(c) Consideration provided to third parties for making available directors' services

During the year ended 31 December 2017, the Company did not pay consideration to any third parties for making available directors' services (2016: 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 2017, there are no loans, quasi-loans and other dealing arrangements in favour of directors, controlled bodies corporate by and controlled entities with such directors (2016: 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 (2016: Nil).

FIVE YEAR FINANCIAL SUMMARY

	2013	2014	2015	2016	**2017**
Financial highlights (US$'000)					
Total assets	814,321	771,017	684,078	641,867	**444,177**
Total liabilities	428,967	388,210	301,511	363,271	**253,860**
Bank borrowings	176,776	145,183	75,928	70,184	**103,139**
Capital and reserves attributable to the owners of the Company	376,368	380,495	380,640	277,888	**190,317**
Working capital	160,453	192,749	202,045	172,101	**72,230**
Revenue (note ii)	1,228,698	1,224,228	1,113,451	992,807	**768,417**
Profit attributable to the owners of the Company	48,221	21,574	12,769	18,472	**21,905**
Key ratios					
Current ratio	1.39	1.52	1.71	1.49	**1.31**
Gross profit margin (note ii)	17.3%	17.7%	15.3%	17.2%	**15.4%**
Profit margin attributable to the owners of the Company (note ii)	3.9%	1.8%	1.1%	1.9%	**2.9%**

Notes:

(i) The financial summary of the Group is for information only and does not form part of the audited consolidated financial statements.

(ii) Revenue and cost of sales of discontinued operations are included in the calculation of the financial ratios in the table above, if applicable.