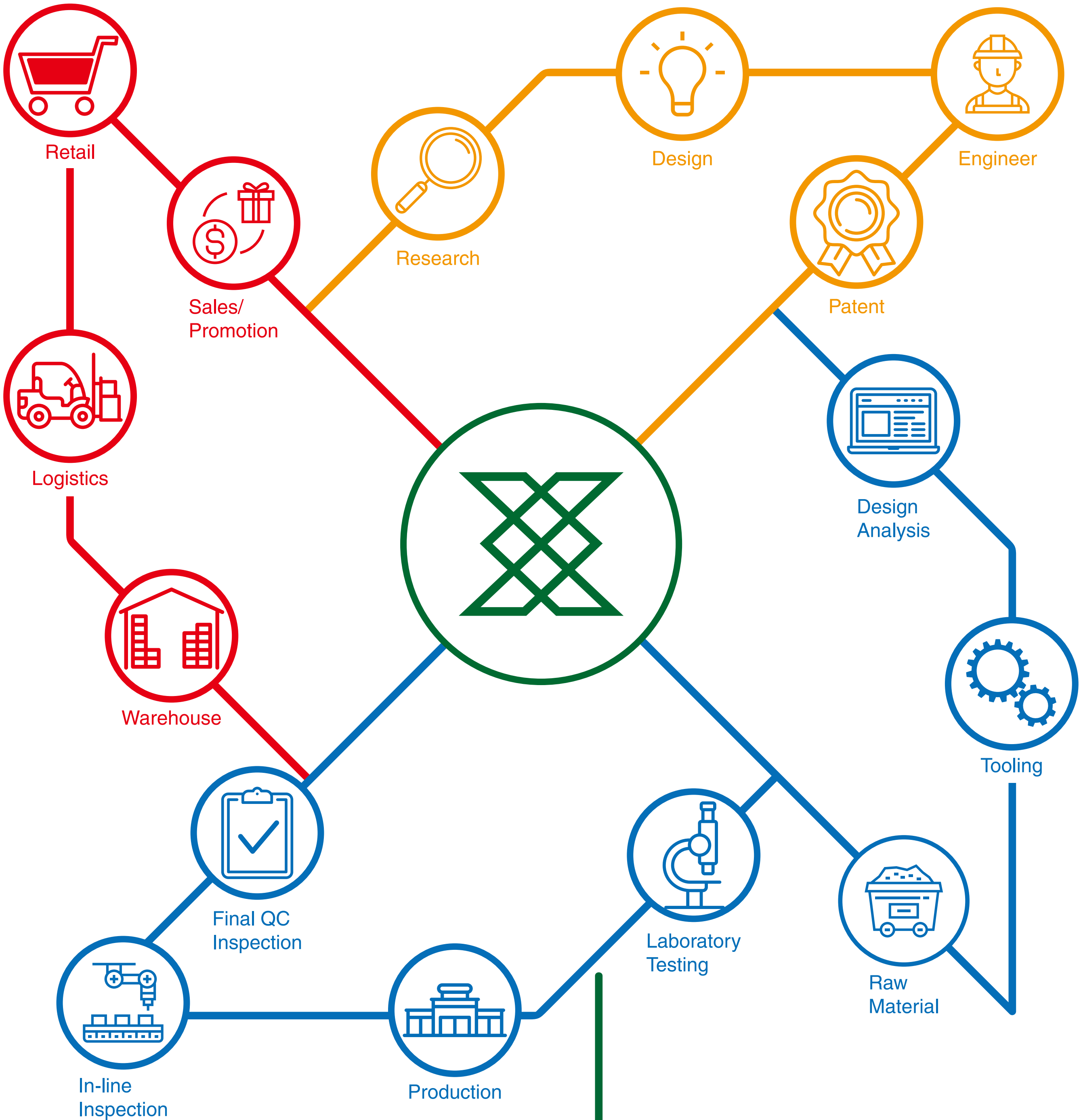

ONE STOP SERVICE

Annual Report 2016

King's Flair International (Holdings) Limited

科勁國際(控股)有限公司

Incorporated in the Cayman Islands with limited liability Stock Code : 6822

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Wong Siu Wah *(Chairman and Chief Executive Officer)*
Ms. Wong Fook Chi
Mr. Wong Ying Wai Dennis

Independent Non-Executive Directors

Dr. Lau Kin Tak
Mr. Anthony Graeme Michaels
Ms. Leung Wai Ling, Wylie

BOARD COMMITTEES

Audit Committee

Ms. Leung Wai Ling, Wylie *(Chairman)*
Dr. Lau Kin Tak
Mr. Anthony Graeme Michaels

Remuneration Committee

Dr. Lau Kin Tak *(Chairman)*
Mr. Anthony Graeme Michaels
Ms. Leung Wai Ling, Wylie
Mr. Wong Siu Wah
Ms. Wong Fook Chi

Nomination Committee

Mr. Wong Siu Wah *(Chairman)*
Dr. Lau Kin Tak
Mr. Anthony Graeme Michaels
Ms. Leung Wai Ling, Wylie

Risk Management Committee

Ms. Wong Fook Chi *(Chairman)*
Dr. Lau Kin Tak
Ms. Leung Wai Ling, Wylie

COMPANY SECRETARY

Mr. Po Tien Chu, Ronnie *HKICPA*

AUDITOR

BDO Limited
Certified Public Accountants

COMPLIANCE ADVISER

VBG Capital Limited
(formerly known as V Baron Global Financial Services Limited)
18th Floor Prosperity Tower
39 Queen's Road Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Hang Seng Bank Limited
Standard Chartered Bank (Hong Kong) Limited

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

12/F., Yardley Commercial Building
3 Connaught Road West
Hong Kong

STOCK CODE

Hong Kong Stock Exchange: 6822

WEBSITE

http://www.kingsflair.com.hk

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of King's Flair International (Holdings) Limited (the "Company"), I am pleased to present the annual report of the Company and its subsidiaries (the "Group") for the year ended 31 December 2016.

BUSINESS AND FINANCIAL REVIEW

The year 2016 was a challenging year for the Group. Although the global economy was recovering during the year, the group was faced with a slow start during the 1st half of the year as customers were still selling their inventories from previous year. Benefiting from the continuance of recovery of the US economy and the effort of the sales team of the Group, the Group has grasped the opportunities from the recovery and the growth engine of the Group's revenue was revitalized during the second half of the year 2016. The Group's total revenue for the year 2016 was only slightly reduced by approximately 2.1% to approximately HK$1,365.0 million compared to that of approximately HK$1,394.6 million for the year 2015.

As foreseen from previous year, since our exceptional performance in the year 2015 was the benefit from the unexpected significant and continuous drop in the price of commodities during such year, our gross profit margin has slowly narrowed in 2016, with raw material prices increased in 2016 but such increase not yet fully reflected in the pricing of our products. As a result, the Group's gross profit margin decreased by approximately 1.1% to approximately 20.8% for the year 2016 comparing with approximately 21.9% for year 2015. We are working with our customers on the pricing of our products such that our gross profit margin can return to normal.

Coping with these market conditions, the Group continues to pursue our differentiation strategies through strengthening the one stop tailor made platform to our customers, providing value added services and supporting the customers' business growth and needs. The Group continues to develop products with patentable design catering to user experience enhancement. The Group identifies one of the keys to secure the Group's sales and to enhance market penetration is through innovation and creativity in product design. Therefore, the Group established a design team in Taiwan with 7 members in 2016 to expand its design capability in order to deliver faster and quality product design service to the customers.

The Group has also reviewed its existing resources including professional raw material knowledge and existing customer network, and decided to utilize them to establish a new revenue source of raw materials trading in 2016, which provided the Group with potential for diversified business growth. The Group will continue to search for business opportunity for driving new revenue stream in terms of developing new product types and markets.

The Group has achieved promising growth in the PRC retail business market in 2016. The Group continued to expand both offline and online points of sales and reached our targeted number of outlets in 2016. The Group has also invested in marketing and promotional activities which further drove our brand awareness and our market shares as well as increasing our product assortment.

The Group's profit for the year 2016 was approximately HK$134.1 million which represents a decrease of approximately 17.3% comparing with approximately HK$162.1 million for the year 2015. The result was in line with the drop in the Group's revenue as mentioned above and also the increase in the cost of selling and distribution expenses and administrative expenses during the year. During the year, as the Group has devoted more resources to expand the retail business in the PRC market, the expenditure on marketing and promotional expenses and transportation expenses increased by approximately HK$1.4 million and HK$1.3 million respectively comparing with year 2015. The increases in these expenses were the major cause of the increase in selling and distribution expenses. In addition, the decrease of the Group's profit for the year 2016 was also contributed by an increase in the staff cost and administrative expenses of approximately HK$3.3 million comparing with last year, due to the Group's investment in developing and securing our intellectual property rights, additional resources to enhance compliances with the new requirements of the Rules

Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), upgrading of our human resources with technical training, and upgrading of IT hardware and software. All these investments are to streamline our operations and to ensure we remain competitive for our upcoming expansion needs.

A POSITIVE FUTURE

With our operations streamlined and more efficient, and our performance and productivity increased, we planned to invest our major spending in 2017 in the PRC retail business and intellectual property rights protection, which we believe to be the two main areas to drive business growth over the long term.

The Group's exporting market business, though still growing, is highly competitive. It is due to the fierce competition in these markets that we believe our one-stop services are valuable to support our customers' differentiation and continuous growth, helping them with protected (IP) innovation and launch to market in speedy time manners. We will continue to support and grow with our valuable established clients in the US, Europe, Australia and Japan with our professional design and engineering services, as well as developing potential new clients from other territories which the Group is exploring. We will also continue our drive to establish strategic partnership with new customers who are international brand owners with great product concept, strong and passionate team and effective marketing strategies.

The Group anticipates there will be a continuous growth in the PRC's market. In order to capture such growth, the Group will continue to dedicate substantial resources and effort with existing brand-owners, establish, strategic partnership with new customers, continue to engage and expand potential up-and-coming popular sales and distribution channels for our existing product assortments, invest in localizing our existing product design features and functions for the PRC market while strengthening the brand image, promoting customization and trendy style. Moreover, the Group will also grasp the opportunity brought by the two-child policy in the PRC by introducing mother and toddler products in upcoming year.

Besides focusing on the Group's existing category of kitchenware products, the Group has in 2016 fostered new customers from other household product segments e.g. baby, toddlers, kids tools and gadgets, pets accessories, coffee accessories, and glassware. The Group will continue to look for opportunities to diversify the Group's customers and product portfolio.

The Group has also been working closely on raw material development and application and expanded our product supply with customized plastic material and enhanced stainless steel grade. We will continue to work on raw material development and production technology, such as quality glass.

We believe that these strategies will enable us to increase the Group's revenue source.

ACKNOWLEDGMENT

On behalf of the Board, I would like to thank our global customers supporting the Group with opportunities to grow, our vendors who continues to strive to improve and achieve the Group standard and services, and last but not least our exceptional people who live and carry the Group values, delivering 2016's achievements and milestones.

Wong Siu Wah
Chairman and Chief Executive Officer

30 March 2017

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Wong Siu Wah

Aged 60, founded our Group's business in 1984 and held various positions within our Group. Mr. Wong has been a director of King's Flair Development Limited ("King's Flair Development"), a major operating subsidiary of our Company which is engaged in design, engineering development and supply of kitchenware and household products since 1989, involving in business planning and development and product engineering. Mr. Wong has over 30 years of business building, operations and management experience within our Group. He was appointed as the Chairman, Chief Executive Officer and Executive Director on 25 June 2012. He is currently responsible for the overall corporate vision setting and strategic planning within our Group. Mr. Wong is an Honorary Life Vice President of the PolyU Foundation and a member of the advisory committee for the Department of Mechanical Engineering of the Hong Kong Polytechnic University. In January 2017, he has received the title, University Fellowship, from the Hong Kong Polytechnic University. Mr. Wong is the spouse of Ms. Rebecca Cheng, a controlling shareholder of the Company, and the father of Ms. Wong Fook Chi, Chief Operating Officer and an Executive Director of the Company.

Ms. Wong Fook Chi

Aged 33, joined our Group since 2006, Ms. Wong underwent various job rotations within the Group, ranging from business to human resources, administration and finance roles. She was appointed as an Executive Director on 25 June 2012. With over 10 years of experience in the kitchenware industry gained from the daily operation of our Group, Ms. Wong is currently overseeing the Company's operation and corporate strategy implementations. Ms. Wong obtained her Bachelor of Science degree from the University of Toronto in Canada in 2006 and her Master of Business Administration degree from the University of Chicago in 2016. Ms. Wong served as an industrial advisor to The Hong Kong Polytechnic University from 2009 to 2012. She was awarded Young Industrialist Award of Hong Kong by the Federation of Hong Kong Industries (FHKI) in 2016. Ms. Wong is the daughter of Mr. Wong Siu Wah, the Chairman, Chief Executive Officer and Executive Director of the Company.

Mr. Wong Ying Wai Dennis

Aged 43, was appointed as an Executive Director on 20 August 2014. Mr. Wong has over 16 years of experience in the kitchenware industry gained from the business operation of Wonder Household Limited ("Wonder Household") which became a member of the Group since 31 December 2013. Mr. Wong is primarily responsible for the marketing planning and corporate management of the Group. From 12 April 2005 to 30 May 2012, Mr. Wong was a director of Wonder Household, and was responsible for its business development and corporate strategic planning. Mr. Wong obtained a bachelor degree of commerce in Management and Organizational behavior from the University of Auckland in New Zealand in 1998 and a Master of Laws (LL.M) degree in International and Commercial Law from the University of Greenwich in United Kingdom in 2016.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Lau Kin Tak

Aged 48, was appointed as an independent non-executive Director on 22 December 2014. Dr. Lau is currently a Pro-Vice-Chancellor (Research Performance and Development) of Swinburne University of Technology, Australia. Dr. Lau has over 16 years of experience in the mechanical engineering academic field gained from the Hong Kong Polytechnic University and has 3 years of experience as a craft apprentice in the Hong Kong Aircraft Engineering Company Limited (Stock Exchange stock code: 0044) which engages in aircraft engineering and maintenance business. Dr. Lau is an International Vice President and a Trustee Board member of the Institution of Mechanical Engineers; a fellow of Engineers Australia; a fellow of the Institution of Materials, Minerals and Mining; a fellow of the Institution of Engineering Designers; a fellow of the Hong Kong Institution of Engineers; a fellow of the Royal Aeronautical Society; a member of European Academy of Sciences and a member of European Academy of Sciences and Arts. In 2001, Dr. Lau was awarded a doctor of philosophy (PhD) by the Hong Kong Polytechnic University. In 1997 and 1996, Dr. Lau obtained a master degree and a bachelor degree, respectively, of engineering in aerospace engineering in the Royal Melbourne Institute of Technology in Australia.

Mr. Anthony Graeme Michaels

Aged 73, was appointed as an independent non-executive Director on 22 December 2014. Mr. Michaels has 36 years of combined industry experience gained from DKSH Australia Pty Ltd. ("DKSH Australia") and its former entities Zyliss Australia Pty Ltd. and United Housewares Pty Ltd. During his service in DKSH Australia, it was a subsidiary of DKSH Holding AG (Ltd) ("DKSH") which was a company listed on the SIX Swiss Exchange, and which primarily engaged in the provision of market expansion services with a focus on Asia. During Mr. Michaels' service, DKSH Australia carried a variety of international brands in lifestyle and luxury categories, including but not limited to Zwilling JA Henckels, Zyliss, Staub, Cole & Mason, Culinare, Microplane, Marcato, Contigo, Tala, Cuisena, Progressive, Jamie Oliver and Metaltex. Mr. Michaels was Managing Director of the Consumer Goods Business Units of DKSH Australia and New Zealand. Mr. Michaels retired from DKSH Australia in July 2012.

Ms. Leung Wai Ling, Wylie

Aged 49, was appointed as an independent non-executive Director on 22 December 2014. Ms. Leung possesses over 10 years experience in the finance and accounting. Ms. Leung worked as the company secretary of Hong Wei (Asia) Holdings Company Limited (Stock Exchange stock code: 8191) for approximately 3 years; the financial controller of subsidiaries of Casablanca Group Limited (Stock Exchange stock code: 2223) for over 1 year; the financial controller of Guangzhou TWS Electronics Limited for over 4 years; and an auditor at Ernst & Young for over 3 years. Ms. Leung is currently a member of the Hong Kong Institute of Certified Public Accountants and a member of the Hong Kong Institute of Directors. In 1992, Ms. Leung obtained a bachelor degree in business administration from the City University of New York in the U.S.

SENIOR MANAGEMENT

Mr. Wong Chi Man

Aged 51, joined our Group in 1997 and is the supply chain and logistic manager of our Group. Mr. Wong is primarily responsible for the overall supplier management and oversees the supplies network and production capacity. He is also responsible for the management of the shipping department and the logistic arrangement of our Group. Mr. Wong has approximately 19 years experience in quality control and production coordination gained from the business operation of our Group.

Mr. Wong Lok Hey

Aged 34, joined our Group in 2008, is the R&D development manager of our Group. Mr. Wong is primarily responsible for product design and product development of our Group. Mr. Wong has approximately 8 years of kitchenware design and development experience gained from our Group. Prior to joining our Group, Mr. Wong has over 3 years marketing experience in bathware industry. In 2008, Mr. Wong obtained a master degree of science in engineering (mechanical engineering) from the University of Hong Kong and, in 2005, obtained a bachelor degree of engineering in mechanical engineering from the University of Hong Kong.

Mr. Po Tien Chu Ronnie

Aged 46, joined our Group in 2013 as the financial controller of our Group and is also the company secretary of our Company. Mr. Po is responsible for financial and accounting management, taxation and compliance of our Group. Mr. Po has over 10 years of experience in auditing and accounting field including over 6 years in Ernst & Young, 3 years in UHY Vocation HK CPA Limited and 1 year in BDO Limited. Mr. Po is a member of the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants and the Taxation Institute of Hong Kong. In 1992, Mr. Po obtained a bachelor degree of arts in business studies and in 2005, Mr. Po obtained a master degree of professional accounting both from the Hong Kong Polytechnic University.

Mr. Chow Chi Wai, Kevin

Aged 49, joined our Group in 2003, is a regional manager, sales and marketing of our Group. Mr. Chow is primarily responsible for the business development and customer relationships of the worldwide (excluding China) business of our Group. Mr. Chow has over 12 years experience in kitchenware business development gained from the business operation of our Group. Prior to joining our Group, Mr. Chow has approximately 10 years experience in marketing and merchandising field.

Mr. Chan Chi Man, Arthur

Aged 34, joined our Group in 2010, is the quality assurance manager of our Group. Mr. Chan is primarily responsible for the management of the quality control of our Group. Mr. Chan has over 6 years experience in the kitchenware industry gained from the business operation of our Group. Between June 2010 and June 2013, Mr. Chan was a senior merchandiser of Wonder Household. Before joining our Group, Mr. Chan has over 5 years experience in sales and marketing filed. In 2011, Mr. Chan obtained a master degree of science in quality management from the Hong Kong Polytechnic University and, in 2006, obtained a bachelor degree of science (honors) in computer studies from City University of Hong Kong.

BUSINESS REVIEW

The Group is an integrated one-stop kitchenware and household product solution provider to internationally renowned kitchenware and household brands. Headquartered in Hong Kong, the Group provides differentiating and customised services from market research, concept creation, product design and development to raw material sourcing, production engineering as well as quality assurance, order tracking and logistics. This comprehensive and bespoke service platform has successfully differentiated the Group among kitchenware and household product solution providers in the industry and gained us the trust from high-end kitchenware brand owners in North America, Europe and Asia.

Core products of the Group include kitchen tools and gadgets, drinkware, bakeware and accessories and food preparation and storage products and accessories. During the year, the Group commenced the trading of raw materials as a new business segment of the Group.

OPERATIONAL REVIEW

Differentiated services is the key to enhance customer loyalty

With a strong commitment in providing differentiated services and reinforcing its competitive advantages, the Group continued to strengthen its product design, development and engineering capabilities in year 2016. During the year, the Group had established an additional design team with 7 members in Taiwan, bringing our design and R&D team to a total of 16 members, which are professional in focusing on market research, data analysis, product design and development, helping our clients in monitoring consumer demands and setting the latest trends in kitchenware and household products. These capabilities differentiated us among our peers and fortified our strategic partnership with our customers.

With strong background in industrial designs as well as experiences in manufacturing, our 7 engineers from the Group's product engineering team provide innovative raw material ideas and cost-effective solutions to streamline the overall manufacturing process. As at 31 December 2016, the Group has engaged a team of over 90 quality assurance professionals stationed at or near the production factories in the PRC. No major quality control issues or complaints were reported in the year 2016.

International clientele

The Group has an extensive sales network and international clientele. During the year ended 31 December 2016, clients from the United States of America ("US") contributed over 79.9% of total revenue, with Asia, Europe and Canada contributed 12.3%, 5.6% and 1.8%, respectively, of the Group's total revenue and the Group received orders from over 100 customers.

In addition to maintaining solid partnership with its existing customers, the Group also endeavored to explore new business opportunities. In year 2016, the Group exhibited in several trade fairs including the Hong Kong Houseware Fair in Hong Kong and the trade fair in Ambiente Frankfurt, one of the most important homeware and gift trade shows in Europe. Via such platforms, the Group has showcased its product design and development capabilities and has reached merchandisers from around the globe while also closely tracked the latest innovation and design trends in the industry.

FUTURE STRATEGY

The Group has set strong foot-holds in the global kitchenware and household product industry, especially in the high-end market. Leveraging on its success and foundation, the Group will continue to seek growth in our existing overseas market while pursuing breakthrough in the PRC market. In year 2017, the Group aims to enhance our capability in product innovation and better cater for the demand of our customers. Mid-tier and high-end kitchenware and household product markets will continue to be the Group's focus and the Group will continue to participate in major trade shows to further broaden our customer base. Through these trade shows and by working with local importers and trade agents, the Group is expanding potential collaborations with well-known U.S. and Europe brand owners and retailers. For emerging markets such as Eastern Europe, Africa and South America, the Group will still explore business opportunities in these countries amidst their current economic conditions.

Closer to home, the Group will focus on expanding the retail kitchenware and household product assortment and further penetrate the PRC market. The Group believes that the large population of middle-class consumers in the PRC, having achieved a higher standard of living, is still craving for quality and trendy products in pursuit of wellness living. In year 2015, the PRC government introduced the two-child policy which allows couples to have two children. It is expected that the policy will bring a baby boom and the demand for toddler and children products will increase. The Group will grasp the opportunity brought by this new policy by introducing products to capture the mother and toddler's market. Therefore, the Group will continue to dedicate resources on increasing its market share in the PRC market by expanding product assortment. On top of the physical channels, the Group will continue to nurture its e-commerce platform and increase marketing and promotion activities with an aim to enlarge market shares in the PRC. During the year 2016, the Group has recorded a remarkable increase in revenue from the PRC to a record high.

The Group also pursues a diversification strategy to increase revenue source. During the year 2016, the Group commenced a new line of business in trading of raw materials. The Group will continue to explore more potential commodities suppliers with high reliability around the world for enriching the raw material intelligence and increasing the varieties of raw materials to enjoy the benefit of economies of scale and improving efficiency.

FINANCIAL REVIEW

Revenue

With the temporary negative impact of the slowing down of placing order from customers and the refining of the revenue portfolio during the first half of year 2016, the Group's revenue for that period was reduced. Benefiting from the continuance of recovery of the US economy and the effort of the sales team of the Group, the Group has grasped the opportunities from the recovery of the economy and the growth engine of the Group's revenue was revitalized during the second half of year 2016. The Group recorded a remarkable growth rate in revenue during the second half of year 2016 compared to first half. As a result, the Group's total revenue for year 2016 was only slightly reduced by approximately 2.1% to approximately HK$1,365.0 million compared to that of approximately HK$1,394.6 million for the year 2015.

Facing the challenge, the Group has continued to adhere to the differentiation strategy with our strong design and engineering skills, and enhanced our design capabilities, to provide tailor-made services to our customers to increase order levels from existing customers as well as attract new customers. The Group is also actively diversifying and expanding our customer base with the aim to sustaining the growth of our revenue.

On the other hand, with an aim to diversifying the source of the Group's revenue, the Group has established a new business segment of trading of raw materials during the year 2016. The revenue contributed by this segment was approximately HK$100.5 million which represented approximately 7.4% of the Group's total revenue for the year 2016.

Cost of sales

During the year under review, cost of sales of the Group decreased by approximately 0.8% to approximately HK$1,081.0 million as compared to that of approximately HK$1,089.7 million in year 2015. Cost of sales as a percentage of revenue increased slightly to 79.2% for the year ended 31 December 2016 as compared to that of 78.1% for the year ended 31 December 2015. The cost of sales as a percentage of revenue of the Group was maintained at a relatively steady level mainly due to effort of refining the revenue portfolio by streamlining sales orders resulting in more efficient use of resources.

Gross profit and gross profit margin

The Group's gross profit decreased by approximately 6.9% to approximately HK$284.0 million for the year ended 31 December 2016 (2015: HK$304.9 million) and the gross profit margin decreased slightly by approximately 1.1% to approximately 20.8% for the year of 2016 (2015: 21.9%).

During the first half of year 2016, the Group refined the Group's revenue portfolio in an attempt to improve the return of the Group and the efficiency of the use of resources. During the period, the Group has reviewed and identified orders with lower gross profit margin. The Group reallocated more resources to orders with higher gross profit margin and reduced or ceased orders with unsatisfactory gross profit margin. Thus, the benefit achieved from the restructuring helped to maintain the gross profit to a relatively stable level.

Other income

During the year, other income decreased by approximately 39.4% to approximately HK$4.3 million (2015: HK$7.1 million) primarily due to the decrease in recharge from customers.

Distribution expenses

Distribution expenses were primarily related to the PRC retail business. During the year, distribution expenses increased by approximately 27.5% to approximately HK$25.5 million (2015: HK$20.0 million) which was primarily due to the increase in marketing and promotional expenses as well as the transportation expenses. As the Group has anticipated the potential growth of the PRC market, the Group has devoted more resources to expand the retail business in the PRC. During the year, the Group has participated in various channels for promoting our products and the marketing and promotional expenses increased by approximately HK$1.4 million. The transportation expenses also increased accordingly by approximately HK$1.3 million due to more delivery was made.

Administrative expenses

Administrative expenses increased by approximately 3.4% to approximately HK$100.9 million (2015: HK$97.6 million) of which an increment of approximately HK$1.6 million was primarily due to the increase of legal and professional fees and approximately HK$1.1 million was due to the increase of staff cost. During the year, the Group has allocated more resources in developing and securing the intellectual property rights and enhancing the image of the Group. The Group has also incurred some resources to enhance compliance with the new requirements of the Listing Rules that led to an increase in legal and professional fee. Moreover, the Group established a new design team in Taiwan during the year which caused an increase in administrative expenses.

Profit for the year

Profit for the year decreased by approximately 17.3% to approximately HK$134.1 million (2015: HK$162.1 million). The decrease in revenue was the major factor that led to the decrease in profit for the year.

SIGNIFICANT INVESTMENT HELD AND FUTURE PLANS FOR MATERIAL INVESTMENTS ON CAPITAL ASSETS

Save as disclosed in note 23 to the consolidated financial statements, there were no significant investment held as at 31 December 2016 nor were there other plans for material investments on capital assets.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During the year ended 31 December 2016, the Group had not made any material acquisition or disposal of subsidiaries and associated companies.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2016, the Group had cash and bank balances amounted to approximately HK$384.0 million (2015: HK$406.9 million) which were mainly denominated in United States dollars ("USD"), Renminbi ("RMB") and Hong Kong dollars ("HKD"). The Group had no bank borrowings as at year ended 31 December 2016 (2015: HK$0.5 million which were all denominated in HKD and interest is determined on the basis of Hong Kong Interbank Offering Rate or Prime Rate for HKD borrowings).

There was no change to the Group's capital structure during the year ended 31 December 2016 and up to the date of this annual report. In light of the current financial position of the Group and provided there is no unforeseeable circumstance, the management does not anticipate the need to change the capital structure. The annual interest rate of the bank borrowings during the year ended 31 December 2016 was 2.5% (2015: 2.5%).

Gearing ratio

The Group's gearing ratio is calculated as total borrowings, which is the summation of bank borrowings and loans from non-controlling interests, divided by total equity. The gearing ratio of the Group as at 31 December 2016 and 2015 were 4.1% and 4.8% respectively. The decrease of the gearing ratio was mainly due to the portion of loans from non-controlling interests denominated in RMB was translated to HKD as at year ended 31 December 2016 with lower amount due to the devaluation of RMB and the repayment of bank borrowings in year 2016.

FOREIGN EXCHANGE EXPOSURE

The Group mainly earns revenue in USD and incurs cost in HKD and RMB. The Group is exposed to foreign exchange risk with respect mainly to USD and RMB which may affect the Group's performance. The management is aware of the possible exchange rate exposure due to the continuing fluctuation of RMB and will closely monitor its impact on the performance of the Group to see if any hedging policy is necessary. The Group currently does not have any hedging policy.

PLEDGE OF ASSETS

As at 31 December 2016, the Group's leasehold land and buildings with an aggregate carrying amount of approximately HK$20.4 million (2015: HK$21.2 million) and pledged time deposit of HK$29.7 million (2015: HK$28.9 million) were pledged to secure general banking facilities granted to the Group.

USE OF PROCEEDS FROM THE SHARE OFFER

The net proceeds from the Company's share offer in January 2015 amounted to approximately HK$219.8 million (after deducting underwriting commissions and all related expenses). Such net proceeds are intended to be or have been applied in accordance with the proposed application as set out in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated 31 December 2014 (the "Prospectus"). As at 31 December 2016, approximately HK$67.4 million of the proceeds raised has been utilised and the unused proceeds were deposited in licensed banks in Hong Kong. In the event that the Directors decided to use such net proceeds in a manner different from that stated in the Prospectus, the Company will issue further announcement in compliance with the Listing Rules.

CONTINGENT LIABILITIES

As at 31 December 2016, the Group had no significant contingent liabilities (2015: Nil).

CAPITAL COMMITMENTS

As at 31 December 2016, the Group has capital commitment of approximately HK$400,000 for the purchase of property, plant and equipment (2015: Nil).

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE CODE

The Company is committed to maintaining high standards of corporate governance and has steered its development and protection of the interests of the shareholders of the Company ("Shareholders") in an enlightened and open manner. The Board comprises three executive Directors and three independent non-executive Directors. The Board has adopted the code provisions of the Corporate Governance Code ("CG Code") set out in Appendix 14 to the Listing Rules. During the year under review and up to the date of this report, the Company has complied with the CG Code, except for code provision A.2.1, which provides that, among other things, the role of chairman of the board and the chief executive officer of a listed issuer shall be separate and shall not be performed by the same individual.

Mr. Wong Siu Wah is both the chief executive officer and the chairman of the Board of the Company which deviates from code provision A.2.1. The Board considers that vesting the role of both chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board believes that the balance of power and authority for the present arrangement will not be impaired and is adequately ensured by the current Board composition and structure taking into account the background and experience of the Directors and the number of independent non-executive Directors on the Board.

MODEL CODE FOR SECURITIES TRANSACTIONS BY THE DIRECTORS

The Directors have adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the code of conduct for Directors in dealing in the Company's securities. Specific enquiries have been made to all Directors and all Directors have confirmed that they have fully complied with the required standard of dealings as set out in the Model Code during the year and up to the date of this report.

BOARD OF DIRECTORS

The Board is committed to providing effective and responsible leadership for the Company. The Directors, individually and collectively, must act in good faith in the best interests of the Company and its Shareholders. The Board has established four Board committees, being the Audit Committee, the Remuneration Committee, the Nomination Committee and the Risk Management Committee (each a "Board Committee" and collectively the "Board Committees"), to oversee different areas of the Company's affairs.

The Board currently comprises three executive Directors, namely Mr. Wong Siu Wah, Ms. Wong Fook Chi, Mr. Wong Ying Wai Dennis and three independent non-executive Directors, namely, Dr. Lau Kin Tak, Mr. Anthony Graeme Michaels and Ms. Leung Wai Ling, Wylie.

Their biographical details and (where applicable) their family relationships are set out in the section headed "Biographical Details of Directors and Senior Management" on pages 6 to 8 in this annual report. A list of the Directors identifying their role and function and whether they are independent non-executive Directors are available on the Stock Exchange's and the Company's website.

The Board sets the Group's overall objectives and strategies, monitors and evaluates its operating and financial performance and reviews the corporate governance standard of the Group. It also decides on matters such as annual and interim results, major transactions, director appointments or re-appointments, investment policy, dividend and accounting policies. The Board has delegated the authority and responsibility for implementing its business strategies and managing the daily operations of the Group's businesses to the executive Directors and members of senior management. The functions and power that are so delegated are reviewed periodically to ensure that they remain appropriate.

The Board is also responsible for developing, reviewing and monitoring the policies and practices on corporate governance and legal and regulatory compliance of the Group, and the training and continuous professional development of Directors and senior management. The Board also reviews the disclosures in the Corporate Governance Report to ensure compliance. All Board members have separate and independent access to the Group's senior management to fulfill their duties. Independent professional advice can be sought to assist the relevant Directors to discharge their duties at the Group's expense upon their request.

All Directors are required to declare to the Board upon their first appointment, the directorships or other positions they are concurrently holding at other companies or organizations. These interests are updated on an annual basis and when necessary.

The attendance of Directors at the Board Meetings, the Board Committees Meetings and Annual General Meeting during the year is set out in the table below:

	Meetings Attended/Held					
Director	Board Meeting	Audit Committee	Remuneration Committee	Nomination Committee	Risk Management Committee	Annual General Meeting
Executive Director						
Mr. Wong Siu Wah	4/4	N/A	2/2	1/1	N/A	1/1
Ms. Wong Fook Chi	4/4	N/A	2/2	N/A	2/2	1/1
Mr. Wong Ying Wai Dennis	4/4	N/A	N/A	N/A	N/A	1/1
Independent Non-Executive Director						
Dr. Lau Kin Tak	4/4	3/3	2/2	1/1	2/2	1/1
Mr. Anthony Graeme Michaels	4/4	3/3	2/2	1/1	N/A	1/1
Ms. Leung Wai Ling, Wylie	4/4	3/3	2/2	1/1	2/2	1/1

DIRECTORS' AND OFFICERS' INSURANCE

Appropriate insurance coverage has been arranged in respect of potential legal actions against the Directors and officers of the Company.

DIRECTORS' CONTINUOUS TRAINING AND PROFESSIONAL DEVELOPMENT

All Directors are aware of their responsibilities to the Shareholders and have exercised their duties with care, skill and diligence, in pursuit of the development of the Group. Every newly appointed Director receives an induction to ensure that he has a proper understanding of the business and operations of the Group and that he is fully aware of his duties and responsibilities as a director under applicable rules and requirements.

All Directors are provided with regularly updates on the Company's performance and financial position to enable the Board as a whole and each Director to discharge their duties. In addition, briefings and updates on the latest development regarding the Listing Rules and other applicable regulatory requirements are provided to each of the Directors to ensure compliance and enhance their awareness of good corporate governance practices.

The Directors understand the importance of continuous professional development and are committed to participate in suitable training to develop their knowledge and skills.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The role of the independent non-executive Directors is to provide independent and objective opinions to the Board, giving adequate control and balances for the Group to protect the overall interests of the Shareholders and the Group. They serve actively on the Board and its committees to provide their independent and objective views.

In compliance with Rules 3.10(1) and 3.10A of the Listing Rules, the Company has appointed three independent non-executive Directors, representing more than one-third of the Board. One of the independent non-executive Directors namely, Ms. Leung Wai Ling, Wylie, has the appropriate professional qualifications in accounting or related financial management expertise as required by Rule 3.10(2) of the Listing Rules.

Each independent non-executive Director has submitted confirmation of his independence to the Company pursuant to Rule 3.13 of the Listing Rules. Based on the contents of such confirmations, the Company considers that all of the independent non-executive Directors are independent.

BOARD COMMITTEES

The Board is supported by four committees, namely the Audit Committee, Nomination Committee, Remuneration Committee and the Risk Management Committee. Each Board Committee has its defined and written terms of reference approved by the Board covering its duties, powers and functions. Their terms of reference are available on the respective websites of the Stock Exchange and the Company.

All Board Committees are provided with sufficient resources to discharge their duties, including access to management or professional advice if considered necessary.

(i) Audit Committee

The Audit Committee was established on 22 December 2014 in compliance with Rule 3.21 of the Listing Rules. The Audit Committee comprises three independent non-executive Directors, namely Ms. Leung Wai Ling, Wylie, Dr. Lau Kin Tak and Mr. Anthony Graeme Michaels. Ms. Leung Wai Ling, Wylie, who has appropriate professional qualifications and experience in accounting matters, was appointed as the chairman of the Audit Committee.

The principal duties of the Audit Committee are to assist the Board in reviewing, supervising and providing an independent view of the effectiveness of the financial reporting process, internal control and risk management system, to oversee the audit process and to perform other duties as assigned by the Board.

The Audit Committee held three meetings during the year ended 31 December 2016. At the meetings, the Audit Committee has reviewed the interim results for the six months ended 30 June 2016 and the consolidated financial statements of the Group for the year ended 31 December 2015, including the accounting principles and practices adopted by the Group and report prepared by the external auditor covering major findings in the course of the audit. The final results for the year ended 31 December 2016 were reviewed by the Audit Committee in March 2017.

(ii) Remuneration Committee

The Remuneration Committee was established on 22 December 2014. The Remuneration Committee comprises three independent non-executive Directors and two executive Directors, namely Dr. Lau Kin Tak, Mr. Anthony Graeme Michaels, Ms. Leung Wai Ling, Wylie, Mr. Wong Siu Wah and Ms. Wong Fook Chi. Dr. Lau Kin Tak is the chairman of the Remuneration Committee. The Remuneration Committee makes recommendations to the Board on, among other matters, our Company's policy and structure for the remuneration of all Directors and senior management and has been delegated the responsibility to determine on behalf of the Board the specific remuneration packages for all Executive Directors and senior management.

The Remuneration Committee held two meetings during the year to review the Group's remuneration policy for the Directors and senior management for the year ended 31 December 2016.

Particulars regarding Directors' remuneration and the five highest paid employees as required to be disclosed pursuant to Appendix 16 to the Listing Rules are set out in note 11 to the consolidated financial statements.

(iii) Nomination Committee

The Nomination Committee was established on 22 December 2014. It comprises three independent non-executive Directors and one executive Director, namely Dr. Lau Kin Tak, Mr. Anthony Graeme Michaels, Ms. Leung Wai Ling, Wylie and Mr. Wong Siu Wah. Mr. Wong Siu Wah is the Chairman of the Nomination Committee.

The Nomination Committee held one meeting during the year ended 31 December 2016. The principal responsibilities of the Nomination Committee include devising criteria for Board membership, regularly reviewing the need for various skills and experience on the Board and identifying specific individuals for nomination as Directors for review by the Board. The Nomination Committee also evaluates the Board's performance and makes recommendations for the appointment and re-appointment of Directors and succession planning for Directors, in particular the Chairman and the Chief Executive Officer.

(iv) Risk Management Committee

The Company established a Risk Management Committee pursuant to a resolution of the Directors passed on 22 December 2014. The primary duties of the Risk Management Committee are to review the Company's risk management policies and standards and supervise and monitor the Company's exposure to sanction law risks. The Risk Management Committee currently consisted of Ms. Wong Fook Chi, Dr. Lau Kin Tak and Ms. Leung Wai Ling, Wylie and is currently chaired by Ms. Wong Fook Chi.

The Risk Management Committee held two meetings during the year to identify, evaluate, minimize, manage and monitor business and control risks encountered by the Group for the year ended 31 December 2016.

CORPORATE GOVERNANCE FUNCTION

The Company's corporate governance function is carried out by the Board pursuant to a set of written terms of reference in compliance with provision D.3.1 of the CG Code, which include (a) to develop and review the Company's policies and practices on corporate governance; (b) to review and monitor the training and continuous professional development of the Directors and senior management of the Group; (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees of the Group and the Directors; and (e) to review the Company's compliance with the CG Code and relevant disclosure in the corporate governance report of the annual report of the Company.

BOARD PROCEEDINGS

Regular board meetings are held at quarterly intervals with additional meetings convened as and when necessary to discuss the overall strategic directions, the Group's operations, financial performance, and to approve interim and annual results and other significant matters. For regular meetings, Board members are given at least 14 days prior notice and agenda with supporting papers are sent to Directors not less than 3 days before the relevant meeting is held. Directors may propose to the Chairman or the Company Secretary to include matters in the agenda for regular board meetings.

Directors are requested to declare their direct or indirect interests, if any, in any proposals or transactions to be considered by the Board at board meetings and abstain from voting in favour of the related board resolutions as appropriate.

Minutes of meetings of the Board and Board Committees are kept by the Company Secretary in sufficient details of the matters considered and decisions reached, including dissenting views expressed, and are open for inspection on reasonable notice by any Director. Draft and final versions of minutes are sent to all Directors for their comments and records respectively within a reasonable time after the board meeting is held.

All Directors have access to the advice and services of the Company Secretary with a view to ensuring the Board procedures are followed.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the executive Directors of the Company has entered into a service contract with the Company for an initial term of three years commencing from the Listing Date and will continue thereafter until terminated by not less than three months' notice in writing served by either party. Each of the independent non-executive Directors has entered into an appointment letter with the Company for an initial term of three years commencing from the date of appointment. Each of the Directors will be subject to retirement and re-election at annual general meeting of the Company ("AGM") in accordance with the Company's articles of association.

In accordance with the Company's articles of association, a person may be appointed as a Director either by the Shareholders in general meeting or by the Board. Any Directors appointed by the Board as additional Directors or to fill casual vacancies shall hold office until the next following general meeting, and are eligible for re-election by the Shareholders. In addition, all Directors are required to retire by rotation at least once every three years at the AGM, and are eligible for re-election by the Shareholders.

COMPANY SECRETARY

Mr. Po Tien Chu, Ronnie, the company secretary of the Company ("Company Secretary"), is a full time employee of the Group and has day-to-day knowledge of the Company's affairs. He also serves as the secretary of the Audit Committee, the Nomination Committee, the Remuneration Committee and the Risk Management Committee. Mr. Po Tien Chu, Ronnie is responsible for advising the Board through the Chairman and/or the Chief Executive Officer on governance matters.

The Company Secretary had duly complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules.

The biographical details of the Company Secretary is set out in the section headed "Biographical Details of Directors and Senior Management" on pages 6 to 8 in this annual report.

FINANCIAL REPORTING, RISK MANAGEMENT AND INTERNAL CONTROL

Financial reporting

The Board acknowledges its responsibility to prepare the Group's financial statements which give a true and fair view of the Group's financial position, financial performance and cash flows for the year and in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, and the disclosure requirements of the Hong Kong Companies Ordinance. The Group has selected appropriate accounting policies and has applied them consistently based on prudent and reasonable judgements and estimates. The Board considers that the Group has adequate resources to continue in business for the foreseeable future and not aware of any material uncertainties relating to events or conditions that may affect the business of the Group or cast doubts on its ability to continue as going concern.

The responsibilities of BDO Limited, the Company's external auditor, with respect to financial reporting are set out in the section headed "Independent Auditor's Report" in this annual report.

Risk management and internal controls

The Board is responsible to maintain an effective risk management and internal control system in order to safeguard the Group's assets and investments and the Shareholders' interest and conducts a review on a semi-annual basis. During the year, the Board had conducted review of the effectiveness of the risk management and internal control system of the Group in respect of its financial, operational, compliance controls and risk management functions through efforts of the Audit Committee.

During the year, the Company had engaged an external independent consultant to conduct a review on the internal control system of the Group. The Board has the overall responsibility to maintain the adequacy of resources, staff qualifications and experience, training programs and budget of the Company's accounting and financial reporting function and the Board had reached the conclusion that the Group's risk management and internal control system was in place and effective.

EXTERNAL AUDITOR

BDO Limited has been appointed as the external auditor of the Company for the year ended 31 December 2016. The Audit Committee has been notified of the nature and the service charges of non-audit services performed by BDO Limited and considered that such services have no adverse effect on the independence of the external auditor.

During the year ended 31 December 2016, the remuneration paid and payable to BDO Limited is set out as below:

	2016 HK$'000
Audit service	**880**
Non-audit services:	
Professional service fees in relation to review of interim financial information	**10**
Taxation services	**134**
	1,024

There was no disagreement between the Board and the Audit Committee on the selection and appointment of the external auditor during the year ended 31 December 2016.

COMMUNICATION WITH SHAREHOLDERS AND SHAREHOLDERS' RIGHTS

The Company aims to, via its corporate governance structure, enable all its Shareholders an equal opportunity to exercise their rights in an informed manner and allow all Shareholders to engage actively with the Company. Under the Company's articles of association, the Shareholders communication policy and other relevant internal procedures of the Company, the Shareholders of the Company enjoy, among others, the following rights:

(i) Participation at general meetings

The general meetings of the Company provide an opportunity for direct communication between the Board and the Shareholders. The Company encourages the participation of the Shareholders through AGMs and other general meetings where the Shareholders meet and exchange views with the Board, and to exercise their right to vote at meetings. The Company shall arrange notices of meetings and circulars containing details on proposed resolutions to be sent to the Shareholders not less than 20 clear business days before the AGMs and not less than 10 clear business days for all other general meetings. At the general meetings, separate resolutions will be proposed on each substantial issue, including the election of individual Directors.

(ii) Enquiries and proposals to the Board

The Company encourages Shareholders to attend Shareholders' meetings and make proposals by either directly raising questions on both operational and governance matters to the Board and Board Committees at the general meetings or providing written notice of such proposals for the attention of the Company Secretary at the principal place of business of the Company in Hong Kong currently situated at 12/F, Yardley Commercial Building, 3 Connaught Road West, Hong Kong or via email to ir@kingsflair.com.hk.

(iii) Convening extraordinary general meetings

The Directors may, whenever they think fit, convene an extraordinary general meeting. Extraordinary general meetings shall also be convened on the requisition of 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 having the right of voting at general meetings. Such requisition shall be made in writing to the Directors or the Company Secretary and deposited at the principal place of business of the Company in Hong Kong currently situated at 12/F, Yardley Commercial Building, 3 Connaught Road West, Hong Kong for the purpose of requiring an extraordinary general meeting to be called by the Directors for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Directors fail 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 Directors shall be reimbursed to the requisitionist(s) by the Company.

There are no provisions under the Company's articles of association or the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands regarding procedures for Shareholders to put forward proposals at general meetings other than a proposal of a person for election as director. Shareholders may follow the procedures set out above to convene an extraordinary general meeting for any business specified in such written requisition.

The notice of extraordinary general meeting together with the accompanying circular setting out the relevant information as required under the Listing Rules shall be sent to Shareholders at least 10 clear business days prior to the extraordinary general meeting. Poll voting has been adopted for decision-making at Shareholders' meetings to ensure that each share is entitled to one vote. Details of the poll voting procedures will be set out in the circular sent to Shareholders prior to the meeting and explained at the commencement of the meeting. Voting results will be posted on the Company's website on the day of the extraordinary general meeting.

(iv) Procedures for proposing a person for election as a Director

Pursuant to Article 85 of the articles of associations of the Company, no person other than a Director retiring at the meeting shall, unless recommended by the Directors for election, be eligible for election as a Director at any general meeting unless a written notice ("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. If a Shareholder wishes to propose a person other than a Director for election as a Director at a general meeting, the Shareholder shall lodge a Notice signed by himself and the person to be proposed of his willingness to be elected at the principal place of business of the Company in Hong Kong or at the Hong Kong share registrar and transfer office of the Company provided that the minimum length of the period, during which such Notice(s) are given, shall be at least seven (7) days and that (if the Notices are submitted after the despatch of the notice of the general meeting appointed for such election) the period for lodgment of such Notice(s) shall commence on the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting.

CONSTITUTIONAL DOCUMENTS

During the year ended 31 December 2016, there was no change in the memorandum and articles of association of the Company.

The Directors of the Company present their annual report together with the audited financial statements of the Group for the year ended 31 December 2016.

CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands on 25 June 2012 with limited liability and the issued shares of the Company became listed on the Main Board of the Stock Exchange on 16 January 2015 ("Listing Date").

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities and other particulars of its subsidiaries are set out in note 37 to the consolidated financial statements of this annual report.

BUSINESS REVIEW

Review of the business

A review of the business of the Group and an analysis of the Group's performance during the year are provided in "Chairman's Statement" on pages 4 to 5 and "Management Discussion and Analysis" on pages 9 to 13 of this annual report.

Principal risks and uncertainties

The Directors of the Group monitor the risks and uncertainties exposed to the Group continuously. Risks and uncertainties including foreign currency risk, credit risk, interest rate risk, price risk, liquidity risk and fair value risk exposed to the Group were described in note 38 to the consolidated financial statements of this annual report.

The Group's profitability and growth is also affected by the uncertainties of the global market environment such as the global growth of gross domestic product, cost of the commodities, fluctuation of foreign currency exchange rate and change in consumer preference and behavior as well. These risks and uncertainties has a potential negative impact on the Group's profitability. The Directors of the Group monitor closely on those factors and will adjust the Group's strategy accordingly.

Important events after the end of the year

No important events affecting the Group has occurred since the end of the financial year ended 31 December 2016 up to the date of this report.

Future development

The Group's future business development is set out in "Chairman's Statement" on pages 4 to 5 and "Management Discussion and Analysis" on pages 9 to 13 of this annual report.

Key performance indicators

The key performance indicators for the Group comprise total revenue, gross profit, profit for the year and gearing ratio.

The revenue of the Group decreased by approximately 2.1% to approximately HK$1,365.0 million compared to that of approximately HK$1,394.6 million for the year 2015.

The gross profit decreased by approximately 6.9% to approximately HK$284.0 million for the year ended 31 December 2016 from approximately HK$304.9 million in year 2015.

The profit for the year decreased by approximately 17.3% to approximately HK$134.1 million compared to approximately HK$162.1 million in year 2015.

The gearing ratio decreased from approximately 4.8% in year 2015 to approximately 4.1% in year 2016 representing a decrease of 0.7%.

Details of the changes of the Group's performance indicators are shown in "Management Discussion and Analysis" section on pages 9 to 13 of this annual report.

Environmental policies

The Group has an environmental policy in place and the Group commits to contribute to the protection of the environment. The Group has the policy of efficient use of energy in the offices that the staff is required to switch off the light during lunch hour and before leaving office. This helps to minimize the consumption of electrical energy that reduces carbon emission.

Moreover, the Group encourages the use of recycled paper which minimize the impact on the natural environment. At the same time, this policy also helps to reduce wastage.

The environment, social and governance report as required by the Listing Rules will be issued separately by the Company before 30 June 2017.

Compliance with laws and regulations

The Group recognizes the importance of the compliance with laws and regulations. Hence, the Group has been allocating resources to ensure the compliance with the law and regulation requirement in the location such as the US, the European Region (the "EU") and the PRC in which the Group has business activities or operation.

The safety of the products is always one of the major emphasis of the Group. The Group has been dedicating resources to ensure its products fulfilling the laws and regulations on product safety enforced in different markets. Laws and regulations like Federal Food, Drug and Cosmetic Act in US, the General Product Safety Directive and the Registration, Evaluation, Authorization of Chemicals in EU and the Product Quality Law of the PRC affecting the Group's products were fully observed and complied with by the Group.

The Group sells its products worldwide and the transactions were subject to various tax and surcharges such as customs duties and valued added tax. The Group complied with those regulations and settled all the liabilities in accordance to those regulations.

The Group is also subject to various laws and regulations in Hong Kong where its head office and principal place of business is located. The Directors regularly monitor the Group's operation to ensure compliance with the laws and regulations such as Companies Ordinance, the Employment Ordinance, Mandatory Provident Fund Schemes Ordinance and the Listing Rules.

Company's key relationships with its employees/customers/suppliers

The Group is committed to maintain a good relation with its stakeholders comprising employees, customers and suppliers in order to sustain the growth of the Group as well as the creation of interest of the stakeholders.

Employees

The Group recognizes the importance of human resources which is one of the critical components to the success of the Group. The Group offers competitive remuneration package with high performance incentive to retain elite employees including salaries, medical insurance, discretionary bonuses and other long service rewards to commensurate with the individual's contribution to the Group. The Group values loyalty and employees personal growth. While technical training and supports programs are provided regularly to keep our employees competitive with the market, education sponsorship are also available to selected ones who are, amongst other things, highly self-motivated and support the Group's growth for career enhancement.

Customers

Although the Group has no long term contract with customers, it is able to provide a one stop service for the customer need from raw material selection, design, engineer, supply chain management, and PRC retail services. Instead of finding multiple partners to handle each services separately, the Group enables customer to maintain their product quality and brand consistency from beginning to retail using the Group's one stop service. Through these close ties and long-term business relationship, the Group can understand the requirement of the customers and react quickly and effectively to the need of the customers. This helps to create cohesiveness with the customer and the Group is able to maintain solid and long-term partnership with the existing customers which form a foundation for the growth of the Group.

Suppliers

The Group outsources the entire manufacturing function to production factories in the PRC and those factories are the suppliers of the Group. The Group maintains a supportive and long-term relationship with the suppliers with supports such as careful production planning, technology upgrades, production operations monitoring. In addition, the Group also maintains steady relationship with suppliers of raw materials, both in relation to those procured on behalf of the production factories and those in the Group's raw material trading business.

RESULTS AND APPROPRIATION

The consolidated results of the Group for the year ended 31 December 2016 and the financial position of the Group at that date are set out in the consolidated financial statements on pages 39 to 103 of this annual report.

FINAL DIVIDEND AND ANNUAL GENERAL MEETING

The Directors resolved to recommend the payment of a final dividend of HK6.0 cents per share amounting in aggregate to approximately HK$42.0 million, which represent an approximately 31.4% dividend ratio. The payment of such dividends is subject to the approval of Shareholders at the forthcoming annual general meeting ("AGM") to be held on Thursday, 8 June 2017 and are payable to Shareholders whose names appear on the register of members of the Company at the close of business on Monday, 10 July 2017. It is expected that the proposed final dividend will be paid on or about Monday, 24 July 2017. Notice of AGM will be published and despatched to Shareholders in the manner required by the Listing Rules in due course.

CLOSURES OF REGISTER OF MEMBERS

Annual General Meeting

In order to establish entitlements to attend and vote at the AGM, the register of members of the Company will be closed from Monday, 5 June 2017 to Thursday, 8 June 2017, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be entitled to attend and vote at the AGM, all transfers of shares of the Company accompanied by the relevant share certificates and properly completed transfer forms must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Friday, 2 June 2017.

Final Dividend

In order to establish entitlements to the proposed final dividend, the register of members of the Company will be closed from Friday, 7 July 2017 to Monday, 10 July 2017, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be qualified for the dividend, all transfers of shares of the Company accompanied by the relevant share certificates and properly completed transfer forms must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Thursday, 6 July 2017.

SUMMARY OF FINANCIAL INFORMATION

A summary of the Group's result, assets and liabilities for the last five financial years is set out on page 104 of this annual report. The summary does not form part of the audited financial statements.

SHARE CAPITAL

There were no movements in the Company's share capital during the year.

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.

RESERVES

Details of the movements in reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on page 42 and in note 32 to the consolidated financial statements, respectively of this annual report.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended 31 December 2016, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

DISTRIBUTABLE RESERVES

As at 31 December 2016, distributable reserves of the Company calculated under the laws of Cayman Islands amounted to HK$472,083,000 (2015: HK$468,804,000).

MATERIAL ACQUISITION, DISPOSALS AND SIGNIFICANT INVESTMENTS

During the year, the Group had not made any material acquisitions and disposal of subsidiaries and associated companies.

CHARITABLE DONATIONS

Total donations made by the Group for charitable and other purposes during the year amounted to HK$2,533,000 (2015: HK$2,179,000).

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the year are set out in note 15 to the consolidated financial statements of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers respectively for the year is as follows:

	Percentage of the Group's total	
	Sales	Purchases
The largest customer	48.2%	
Five largest customers in aggregate	77.8%	
The largest supplier		17.7%
Five largest suppliers in aggregate		54.0%

At no time during the year have the Directors, their close associates or any Shareholders of the Company (which to the best knowledge of the directors owned more than 5% of the Company's share capital) had any interest in these major customers and suppliers.

DIRECTORS

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

Executive Directors

Mr. Wong Siu Wah *(Chairman and Chief Executive Officer)*
Ms. Wong Fook Chi
Mr. Wong Ying Wai Dennis

Independent non-executive directors

Dr. Lau Kin Tak
Mr. Anthony Graeme Michaels
Ms. Leung Wai Ling, Wylie

In accordance with the Company's articles of association, Dr. Lau Kin Tak and Ms. Leung Wai Ling, Wylie shall retire at the AGM and being eligible, offer themselves for re-election at the forthcoming AGM.

Biographical details of the Directors are set out on pages 6 to 7 of this annual report.

DIRECTORS' SERVICE CONTRACTS

Each of the Executive Directors has entered into a service contract with the Company for an initial term of three years commencing from the Listing Date, which shall continue thereafter unless terminated by not less than three month's written notice served by either party.

Each of Dr. Lau Kin Tak, Mr. Anthony Graeme Michaels and Ms. Leung Wai Ling, Wylie, has entered into a letter of appointment with the Company for a term of three years commencing from 22 December 2014.

In accordance with the Company's articles of association, at every AGM of the Company one-third of the Directors for the time being shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. None of the Directors proposed for re-election at the AGM has entered into any service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN TRANSACTION, ARRANGEMENT OR CONTRACT OF SIGNIFICANCE

Save as those disclosed in the sub-section headed "Directors' Service Contracts" above and "Connected Transactions and Continuing Connected Transactions" below, none of the Directors, the controlling shareholders of the Company and/or their respective close associates has a significant interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party at any time during the year under review.

CONTRACT OF SIGNIFICANCE

During the year under review, save as disclosed in the sub-section headed "Connected Transactions and Continuing Connected Transactions" below, no contract of significance in relation to the Group's business in which the Company, any of its subsidiaries or its holding company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted during or at the end of the year.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 31 December 2016, the interests or short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations, within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO"), as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Long positions in the shares of the Company						
Name of Director	Personal interests	Family Interests	Corporate Interests	Other Interests	Total	Percentage of issued share capital (%)
Wong Siu Wah ("Mr. Wong")	–	–	525,000,000 *(Note)*	–	525,000,000	75%

Note:

The 525,000,000 shares comprise 105,000,000 shares held by First Concord Limited, which is held as to 60% by Mr. Wong and as to 40% by Ms. Cheng Rebecca Hew Hong ("Ms. Cheng"), and 420,000,000 Shares held by City Concord Limited, which is 100% held by Mr. Wong. Accordingly, Mr. Wong is deemed to be interested in the shares held by First Concord Limited and City Concord Limited.

Save as disclosed above, as at 31 December 2016, none of the Directors and the chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register of the Company required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Save as disclosed above, at no time during the year ended 31 December 2016 was the Company, its holding company, or any of its subsidiaries a party to any arrangements to enable the Directors and the chief executive of the Company (including their respective spouse and children under 18 years of age) to acquire benefits by means of the acquisition of the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO).

MANAGEMENT CONTRACT

No contracts concerning the management and administration of the whole or any substantial part of the Group's business subsisted during the financial year under review.

INTEREST AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

As at 31 December 2016, the following persons (not being the directors or chief executive of the Company) who had interest or short position in the shares or underlying shares of the Company which were required to be disclosed to the Company under the provision of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO, or who was directly or indirectly interested in 10% 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 member of the Group were as follows:

Interests in Shares

Name of Substantial Shareholder	Capacity/nature of interests	Number of Shares held (Note 1)	Percentage of issued share capital (%)
First Concord Limited *(Note 2)*	Beneficial owner	105,000,000(L)	15%
City Concord Limited *(Note 3)*	Beneficial owner	420,000,000(L)	60%
Ms. Cheng Rebecca Hew Hong	Interest of controlled corporation and interest of spouse	525,000,000(L)	75%

Notes:

1. The letter "L" denotes a long position in the Shareholder's interest in the share capital of the Company.

2. First Concord Limited is held as to 60% by Mr. Wong and 40% by Ms. Cheng. Mr. Wong and Ms. Cheng are both deemed to be interested in the 105,000,000 shares held by First Concord Limited.

3. City Concord Limited is wholly and beneficially owned by Mr. Wong. Mr. Wong is therefore deemed to be interested in the 420,000,000 shares held by City Concord Limited. Ms. Cheng is deemed to be interested in the 420,000,000 shares held by City Concord Limited by reason of her being the spouse of Mr. Wong.

Interests in other member(s) of the Group

Name of non-wholly owned subsidiary of the Company	Name of registered substantial shareholders (other than members of the Group)	Percentage of issued share capital (%)
Homespan (HK) Limited	Mr. Christopher Paul Liversey	44%
Manweal Development Limited	Primehill Holdings Limited	32%
寧波家之良品國際貿易有限公司 (Ningbo Homesbrands International Trading Company Limited)	Mr. Lin Zhao	25%

Save as disclosed above, as at 31 December 2016, the Directors were not aware of any other person having an interest or short position in the shares or underlying shares of the Company which were required to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO or who was directly or indirectly interested in 10% 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 member of the Group.

DISCLOSURE OF INFORMATION ON DIRECTORS PURSUANT TO RULE 13.15B(1) OF THE LISTING RULES

Save as disclosed in the section headed "Biographical Details of Directors and Senior Management" in this report, there is no change in the Director's information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the last published interim report of the Company.

SHARE OPTION SCHEME

On 22 December 2014, the Company has conditionally adopted a share option scheme (the "Share Option Scheme") for the purposes of recognizing and acknowledging the contributions that eligible participants have made or may make to our Group. The Share Option Scheme became unconditional and commenced on 16 January 2015 and will remain in force for 10 years from Listing Date unless otherwise cancelled or amended.

Eligible participants of the Share Option Scheme include (i) any Director, employee, consultant, professional, customer, supplier, agent, partner or adviser of or contractor to the Group or a company in which the Group holds an interest or a subsidiary of such company ("Affiliate"); or (ii) the trustee of any trust the beneficiary of which or any discretionary trust the discretionary objects of which include any Director, employee, consultant, professional, customer, supplier, agent, partner or adviser of or contractor to our Group or an Affiliate; or (iii) a company beneficially owned by any Director, employee, consultant, professional, customer, supplier, agent, partner, adviser of or contractor to our Group or an Affiliate.

The maximum number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Group shall not in aggregate exceed 10% of the shares in issue as at the Listing Date (or 70,000,000 shares of the Company) (the "Limit"). Subject to the issue of a circular by the Company and the approval of the Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, the Board may:

(i) refresh the Limit at any time to 10% of the shares in issue as at the date of the approval of the Limit (as refreshed) by the Shareholders in general meeting; or

(ii) grant options beyond the Limit to eligible participants specifically identified by the Board before approval is sought.

Notwithstanding the foregoing, the maximum number of shares to be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme of the Group must not in aggregate exceed 30% of the shares of the Company in issue from time to time. The maximum number of shares issuable upon the exercise of options granted under the Share Option Scheme and any other share option scheme adopted by the Group (including both exercised, cancelled or outstanding options) to each grantee within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of options in excess of this 1% limit shall be subject to: (i) the issue of a circular by the Company; and (ii) the approval of the Shareholders in general meeting and/or other requirements prescribed under the Listing Rules from time to time. Options granted to a director, chief executive or substantial Shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive Directors of the Company. In addition, any options granted to a substantial Shareholder or an independent non-executive Director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the closing price of the Company's shares at the date of the grant) in excess of HK$5 million, within any 12-month period, are subject to Shareholders' approval in advance in a general meeting.

The exercise period of the options granted is to be determined by the Board, which period may commence from the date of the offer of the options, and ends on a date which is not later than ten years from the date of grant of the options subject to the provisions for early termination thereof. There is no minimum period for which an option must be held before it can be exercised. Participants of the Share Option Scheme are required to pay the Company non-refundable HK$1 upon acceptance of the grant.

The exercise price of the options is to be determined by the Board, but shall not be less than the highest of (i) the closing price of the Company's shares as quoted on the Stock Exchange's daily quotations sheet on the date of grant of option, which must be a business day; (ii) the average closing price of the Company's shares as quoted on the Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of grant of option; and (iii) the nominal value of a share.

As at 31 December 2016, no options have been granted, exercised or lapsed under the Share Option Scheme.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

LOANS TO OFFICERS

No loans were made to or outstanding from the Company's officers at any time during the year ended, or as at, 31 December 2016.

CORPORATE GOVERNANCE

Details of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 14 to 22 of this annual report.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

There is no connected transactions or continuing connected transactions undertaken by the Group during the financial year ended 31 December 2016 which is required to be disclosed pursuant to Chapter 14A of the Listing Rules.

Disclosures in section headed "Related Party Transactions" in note 34 to the consolidated financial statements contain certain continuing connected transactions which are fully exempt from annual review, Shareholders' approval and all disclosure requirements.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2016, the Group had approximately 152 employees (2015: 142 employees). Total staff costs (including Directors' emoluments) were approximately HK$57.1 million for the year ended 31 December 2016, as compared to approximately HK$54.8 million for the year ended 31 December 2015.

The Group remunerates its employees based on their qualifications, performance, experience and prevailing industry practice. Competitive remuneration package is offered to retain elite employees including salaries, medical insurance, discretionary bonuses as well as mandatory provident fund schemes for employees in Hong Kong and state managed retirement benefit schemes for employees in the PRC.

The emoluments of the Directors are decided by the Remuneration Committee, having regard to the Group's operating results, individual performance and comparable market statistics.

DIRECTORS' REMUNERATION AND TOP FIVE HIGHEST PAID PERSONS

Details of Directors' remuneration and the top five highest paid persons are set out respectively in note 11 to the consolidated financial statements of this annual report.

PERMITTED INDEMNITY PROVISION

During the year ended 31 December 2016, the Company has arranged for appropriate insurance cover for Directors' and officers' liabilities in respect of legal actions against its Directors and senior management arising out of corporate activities.

INTERESTS OF DIRECTORS IN COMPETING BUSINESS

During the year ended 31 December 2016, none of the Directors or any of their respective close associates has engaged in any business that competes or is likely to compete, directly or indirectly, with the business of the Group or, save as disclosed in the sub-section headed "Connected Transactions and Continuing Connected Transactions" above, have any other conflict of interests with the Group.

DEED OF NON-COMPETITION BY CONTROLLING SHAREHOLDERS

As disclosed in the Prospectus, the controlling shareholders of the Company (the "Controlling Shareholders"), namely Mr. Wong, Ms. Cheng Hew Hong, Rebecca, City Concord Limited and First Concord Limited, as covenantors entered into a deed of non-competition (the "Deed of Non-competition"), pursuant to which each of the Controlling Shareholders has undertaken to the Company (for the Company and for the benefit of its subsidiaries) that effective upon the completion of initial public offering process of listing (the "Listing"), it/he/she will not, and will procure that its/his/her close associates (as defined under the Listing Rules) will not (a) either on its/his/her own account or in conjunction with or on behalf of any person, firm or company, directly or indirectly be interested or involved or engaged in or acquire or hold an interest (in each case whether as a shareholder, partner, agent, consultant, employee or otherwise and whether for profit, reward or otherwise) in any business which is or is about to be engaged in any business which competes or is likely to compete directly or indirectly with the Company's business in Hong Kong and any other country or jurisdiction to which the Company provides services and/or in which any member of the Group carries on business from time to time (the "Restricted Activity") or (b) either on its/his/her own account or in conjunction with or on behalf of any person, firm or company, or as a principal, shareholder, partner, agent, consultant, employee or otherwise and whether for profit, reward or otherwise, directly or indirectly, solicit, interfere with or endeavour to entice away from any member in the Group any person, firm, company or organization who to its/his/her knowledge is now or has been a client, supplier or employee of any member in the Group.

Each of the Controlling Shareholders has also undertaken that (a) it/he/she will promptly provide the Company, in writing with any relevant information in respect of any new business opportunity which competes or may compete with the existing and future business of the Group which it/he/she or its/his/her close associates may have knowledge for the Company to assess such new business opportunity, (b) it/he/she will, and will procure its/his/her close associates with material interests to, abstain from voting at all meetings of Directors and holders of Shares on resolutions involving the exercise or non-exercise of the right of the Group to participate in the relevant Restricted Activity, (c) it/he/she will provide all information reasonably required or necessary to the Company for the enforcement of the Deed of Non-competition and (d) it/he/she will make an annual declaration in favour of the Company on whether it/he/she has fully complied with its/his/her obligations under the Deed of Non-competition.

During the year ended 31 December 2016, (i) the Company had not received any information in writing from any of the Controlling Shareholders in respect of any new business opportunity which competed or might compete with the existing and future business of the Group which it/he/she or its/his/her close associates might have knowledge and (ii) each of the Controlling Shareholders had made an annual declaration in favour of the Company that it/he/she had fully complied with its/his/her obligations under the Deed of Non-competition.

In view of the above, no annual review was required to be performed by the independent non-executive Directors with regard to the information provided by the Controlling Shareholders under the Deed of Non-competition and no decision was required to be made by the independent non-executive Directors on whether or not to exercise the Company's rights in respect of the compliance and enforcement of the Deed of Non-competition.

SUFFICIENCY OF PUBLIC FLOAT

As far as the information publicly available to the Company is concerned and to the best knowledge of the Directors, at least 25% of the Company's issued share capital were held by members of the public (as defined in the Listing Rules) as at the date of this annual report.

EVENTS AFTER THE REPORTING DATE

There have been no significant events taken place subsequent to 31 December 2016 until the date of this report.

AUDITOR

The financial statements of the Group for the year ended 31 December 2016 have been audited by BDO Limited. A resolution will be proposed at the forthcoming AGM to re-appoint BDO Limited as the auditor of the Company.

On behalf of the Board

Wong Siu Wah
Chairman and Chief Executive Officer

Hong Kong, 30 March 2017

INDEPENDENT AUDITOR'S REPORT

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TO THE SHAREHOLDERS OF KING'S FLAIR INTERNATIONAL (HOLDINGS) LIMITED
(INCORPORATED IN THE CAYMAN ISLANDS WITH LIMITED LIABILITY)

OPINION

We have audited the consolidated financial statements of King's Flair International (Holdings) Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 39 to 103, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements including a summary of significant accounting policies.

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

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, 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.

Impairment assessment of trade receivables

(Refer to note 21 to the consolidated financial statements and the accounting policies as set out in note 4.10 to the consolidated financial statements)

As at 31 December 2016, the Group had trade receivables amounting to HK$216,662,000. No impairment provision has been made over these balances.

In determining the impairment of trade receivables is a subjective area as management requires application of judgement. Judgement is applied in considering the credit history including default or delay in payments, settlement records, subsequent settlements and ageing analysis of trade receivables.

We have identified impairment assessment of trade receivables as a key audit matter due to considerable amount of judgement being required in conducting impairment assessment as mentioned in the foregoing paragraph.

How the matter was addressed in our audit

Our audit procedures in relation to management's impairment assessment on trade receivables included:

- Obtaining an understanding of how impairment is estimated by the management and testing the key controls of the Group relating to the preparation of the ageing analysis of trade receivables.

- Reviewing the ageing analysis of the trade receivables throughout the year to understand the settlement patterns by the customers.

- Testing the ageing analysis of the trade receivables, on a sample basis, to the source documents.

- Assessing the reasonableness of recoverability of trade receivables with reference to the credit history including default or delay in payments, settlement records, subsequent settlements and ageing analysis of each individual customer.

OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include 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 THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of 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.

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

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. This report is made solely to you, as a body, in accordance with the terms of our engagement, 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.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism 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 the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee 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 the directors, 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.

BDO Limited
Certified Public Accountants
Lui Chi Kin
Practising Certificate Number P06162
Hong Kong, 30 March 2017

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
Revenue	7	**1,365,000**	1,394,635
Cost of sales		**(1,081,048)**	(1,089,690)
Gross profit		**283,952**	304,945
Other income	8	**4,332**	7,056
Distribution expenses		**(25,466)**	(20,037)
Administrative expenses		**(100,860)**	(97,607)
Operating profit		**161,958**	194,357
Finance costs	10	**(306)**	(250)
Profit before income tax	9	**161,652**	194,107
Income tax expenses	12	**(27,601)**	(32,031)
Profit for the year		**134,051**	162,076
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Change in fair value of available-for-sale financial assets		**(1,658)**	(4,470)
Exchange difference arising on translation of foreign operations		**1,041**	463
Other comprehensive income for the year		**(617)**	(4,007)
Total comprehensive income for the year		**133,434**	158,069
Profit/(Loss) for the year attributable to:			
Owners of the Company		**133,844**	163,545
Non-controlling interests		**207**	(1,469)
		134,051	162,076
Total comprehensive income attributable to:			
Owners of the Company		**132,731**	159,291
Non-controlling interests		**703**	(1,222)
		133,434	158,069
		HK cents	HK cents
Earnings per share:	13		
– Basic		**19.1**	23.6
– Diluted		**19.1**	23.6

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	*15*	**43,616**	46,875
Prepaid land lease payments	*16*	**1,692**	1,874
Other asset	*17*	**172**	172
Interest in an associate	*18*	**–**	–
Intangible asset	*19*	**9,613**	14,419
Deferred tax assets	*30*	**4**	4
		55,097	63,344
Current assets			
Inventories	*20*	**21,354**	10,064
Trade and bills receivables	*21*	**216,662**	127,689
Prepayments, deposits and other receivables	*22*	**36,023**	51,738
Available-for-sale financial assets	*23*	**32,163**	33,821
Amount due from an associate	*18*	**351**	187
Prepaid tax		**4,693**	321
Pledged bank deposits	*24*	**29,720**	28,904
Cash and bank balances	*25*	**383,984**	406,922
		724,950	659,646
Current liabilities			
Trade and bills payables	*26*	**89,974**	66,752
Deposits received, other payables and accruals	*27*	**57,145**	57,986
Bank borrowings	*28*	**-**	480
Loans from non-controlling interests	*29*	**13,388**	9,448
Provision for tax		**2,485**	6,718
		162,992	141,384
Net current assets		**561,958**	518,262
Total assets less current liabilities		**617,055**	581,606

As at 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
Non-current liabilities			
Loans from non-controlling interests	29	**10,938**	16,557
Deferred tax liabilities	30	**7,272**	8,316
		18,210	24,873
Net assets		**598,845**	556,733
EQUITY			
Equity attributable to owners of the Company			
Share capital	31	**7,000**	7,000
Reserves	32	**595,436**	550,205
		602,436	557,205
Non-controlling interests		**(3,591)**	(472)
Total equity		**598,845**	556,733

The consolidated financial statements on pages 39 to 103 were approved and authorised for issue by the board of directors on 30 March 2017 and are signed on its behalf by:

Wong Siu Wah
Director

Wong Fook Chi
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	Equity attributable to owners of the Company								Non-controlling interests	Total equity
	Share capital HK$'000	Share premium* HK$'000	Merger reserve* HK$'000 (note 32)	Revaluation reserve* HK$'000	Exchange reserve* HK$'000	Other reserve* HK$'000	Retained profits* HK$'000	Sub-total HK$'000	HK$'000	HK$'000
At 1 January 2015	–	–	(4,231)	14,087	1,443	2,867	231,363	245,529	1,417	246,946
2015 interim dividend *(note 14)*	–	–	–	–	–	–	(31,500)	(31,500)	–	(31,500)
2015 special dividend *(note 14)*	–	–	–	–	–	–	(38,500)	(38,500)	–	(38,500)
Dividend to non-controlling interests of a subsidiary	–	–	–	–	–	–	–	–	(667)	(667)
Capitalisation issue *(note 31(a))*	5,250	(5,250)	–	–	–	–	–	–	–	–
Share issued under public offer and placing *(note 31(b))*	1,750	239,750	–	–	–	–	–	241,500	–	241,500
Share issue expenses	–	(19,115)	–	–	–	–	–	(19,115)	–	(19,115)
Transactions with owners	7,000	215,385	–	–	–	–	(70,000)	152,385	(667)	151,718
Profit/(Loss) for the year	–	–	–	–	–	–	163,545	163,545	(1,469)	162,076
Other comprehensive income										
– Change in fair value of available-for-sale financial assets	–	–	–	(4,470)	–	–	–	(4,470)	–	(4,470)
– Exchange difference arising on translation of foreign operations	–	–	–	–	216	–	–	216	247	463
Total comprehensive income for the year	–	–	–	(4,470)	216	–	163,545	159,291	(1,222)	158,069
At 31 December 2015 and 1 January 2016	**7,000**	**215,385**	**(4,231)**	**9,617**	**1,659**	**2,867**	**324,908**	**557,205**	**(472)**	**556,733**
2015 final dividend *(note 14)*	**–**	**–**	**–**	**–**	**–**	**–**	**(45,500)**	**(45,500)**	**–**	**(45,500)**
2016 interim dividend *(note 14)*	**–**	**–**	**–**	**–**	**–**	**–**	**(42,000)**	**(42,000)**	**–**	**(42,000)**
Dividend to non-controlling interests of a subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(3,822)**	**(3,822)**
Transactions with owners	**–**	**–**	**–**	**–**	**–**	**–**	**(87,500)**	**(87,500)**	**(3,822)**	**(91,322)**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**133,844**	**133,844**	**207**	**134,051**
Other comprehensive income										
– Change in fair value of available-for-sale financial assets	**–**	**–**	**–**	**(1,658)**	**–**	**–**	**–**	**(1,658)**	**–**	**(1,658)**
– Exchange difference arising on translation of foreign operations	**–**	**–**	**–**	**–**	**545**	**–**	**–**	**545**	**496**	**1,041**
Total comprehensive income for the year	**–**	**–**	**–**	**(1,658)**	**545**	**–**	**133,844**	**132,731**	**703**	**133,434**
At 31 December 2016	**7,000**	**215,385**	**(4,231)**	**7,959**	**2,204**	**2,867**	**371,252**	**602,436**	**(3,591)**	**598,845**

* The aggregate balances of these reserve accounts of HK$595,436,000 (2015: HK$550,205,000) are included as reserves as at 31 December 2016 in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	Notes	**2016 HK$'000**	2015 HK$'000
Cash flows from operating activities			
Profit before income tax		**161,652**	194,107
Adjustments for:			
Amortisation of prepaid land lease payments	*9*	**52**	55
Amortisation of intangible asset	*9*	**4,806**	4,806
Depreciation of property, plant and equipment	*9*	**5,095**	4,728
Dividend income from listed equity securities	*8*	**(811)**	(695)
Gain on disposal of property, plant and equipment	*8*	**(30)**	(866)
Provision for inventories	*9*	**207**	128
Interest income	*8*	**(1,167)**	(1,264)
Interest expenses	*10*	**306**	250
Operating profits before working capital changes		**170,110**	201,249
(Increase)/Decrease in inventories		**(11,497)**	8
(Increase)/Decrease in trade and bills receivables		**(88,973)**	16,950
Decrease /(Increase) in prepayments, deposits and other receivables		**15,715**	(15,837)
(Increase)/Decrease in amount due from an associate		**(164)**	1,859
Increase/(Decrease) in trade and bills payables		**23,222**	(23,446)
(Decrease)/Increase in deposits received, other payables and accruals		**(841)**	14,692
Cash generated from operations		**107,572**	195,475
Income taxes paid		**(37,250)**	(31,747)
Net cash generated from operating activities		**70,322**	163,728
Cash flows from investing activities			
Purchase of property, plant and equipment		**(1,946)**	(22,262)
Proceeds from disposal of property, plant and equipment		**30**	5,099
Dividend received from listed equity securities		**811**	695
Interest received		**1,167**	1,264
Increase in pledged bank deposits		**(816)**	(8,009)
Net cash used in investing activities		**(754)**	(23,213)

For the year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
Cash flows from financing activities			
Repayments of bank borrowings		**(480)**	(707)
Proceeds from issuance of new shares upon listing		**–**	241,500
Share issue expenses		**–**	(19,115)
Dividend paid to shareholders of the Company		**(87,500)**	(70,000)
Dividend paid to non-controlling interests of the subsidiaries		**(3,822)**	(667)
Interest paid		**(306)**	(250)
Net cash (used in)/generated from financing activities		**(92,108)**	150,761
Net (decrease)/increase in cash and cash equivalents		**(22,540)**	291,276
Cash and cash equivalents at beginning of year		**406,922**	116,130
Effect on foreign exchange rate changes		**(398)**	(484)
Cash and cash equivalents at end of year		**383,984**	406,922
Analysis of cash and cash equivalents			
Short-term bank deposits	*25*	**–**	11,998
Cash and bank balances	*25*	**383,984**	394,924
Cash and cash equivalents at end of year		**383,984**	406,922

1. GENERAL INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands and domiciled in Hong Kong. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company's principal place of business in Hong Kong is 12/F, Yardley Commercial Building, 3 Connaught Road West, Hong Kong. The Company's shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 16 January 2015.

The principal activity of the Company is investment holding. The principal activities and other particulars of the principal subsidiaries are set out in note 37 to the consolidated financial statements. The Company and its subsidiaries' (collectively referred to as the Group) principal places of business are Hong Kong and the People's Republic of China (the "PRC"). There were no significant changes in the Group's operations during the year.

As at 31 December 2016 and up to the date of authorisation of this financial statements, in the opinion of the directors, the Company's ultimate holding company is City Concord Limited, a company incorporated in the British Virgin Islands ("BVI").

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Adoption of new/revised HKFRSs – first effective on 1 January 2016

In the current year, the Group has applied for the first time the following new/revised HKFRSs and amendments issued by the HKICPA which is relevant to and effective for the Group's financial statements for annual period beginning on 1 January 2016:

HKFRSs (Amendments)	Annual Improvements 2012-2014 Cycle
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 27	Equity Method in Separate Financial Statements

Amendments to HKAS 1 – Disclosure Initiative

The amendments are designed to encourage entities to use judgement in the application of HKAS 1 when considering the layout and content of their financial statements.

Included in the clarifications is that an entity's share of other comprehensive income from equity accounted interests in associates and joint ventures is split between those items that will and will not be reclassified to profit or loss, and presented in aggregate as a single line item within those two groups.

The adoption of the amendments has no impact on these financial statements.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(a) Adoption of new/revised HKFRSs – first effective on 1 January 2016 *(Continued)*

Amendments to HKAS 16 and HKAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to HKAS 16 prohibit the use of a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 introduce a rebuttable presumption that amortisation based on revenue is not appropriate for intangible assets. This presumption can be rebutted if either the intangible asset is expressed as a measure of revenue or revenue and the consumption of the economic benefits of the intangible asset are highly correlated. The amendments are applied prospectively.

The adoption of the amendments has no impact on these financial statements as the Group has not previously used revenue-based depreciation methods.

Amendments to HKAS 27 – Equity Method in Separate Financial Statements

The amendments allow an entity to apply the equity method in accounting for its investments in subsidiaries, joint ventures and associates in its separate financial statements. The amendments are applied retrospectively in accordance with HKAS 8.

The adoption of the amendments has no impact on these financial statements as the Company has not elected to apply the equity method in its separate financial statements.

(b) New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group for the year ended 31 December 2016. The Group's current intention is to apply those changes on the date they become effective.

Amendments to HKAS 7	Disclosure Initiative[1]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[1]
HKFRS 9	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers[2]
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)[2]
HKFRS 16	Leases[3]

Notes:

1 Effective for annual periods beginning on or after 1 January 2017
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods beginning on or after 1 January 2019

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(b) New/revised HKFRSs that have been issued but are not yet effective *(Continued)*

Amendments to HKAS 7 – Disclosure Initiative

The amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

Amendments to HKAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses

The amendments relate to the recognition of deferred tax assets and clarify some of the necessary considerations, including how to account for deferred tax assets related to debt instruments measured of fair value.

HKFRS 9 (2014) – Financial Instruments

HKFRS 9 (2014) introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at fair value through other comprehensive income. All other debt and equity instruments are measured at fair value through profit or loss.

HKFRS 9 (2014) includes a new expected loss impairment model for all financial assets not measured at fair value through profit or loss replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 (2014) carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 (2014) retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(b) New/revised HKFRSs that have been issued but are not yet effective *(Continued)*

HKFRS 15 – Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

HKFRS 15 requires the application of a 5 steps approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to each performance obligation
- Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRSs. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

Amendments to HKFRS 15 – Revenue from Contracts with Customers (Clarifications to HKFRS 15)

The amendments to HKFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(b) New/revised HKFRSs that have been issued but are not yet effective *(Continued)*

HKFRS 16 – Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 "Leases" and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

As set out in note 33 to the consolidated financial statements, total operating lease commitment of the Group in respect of land and buildings and plant and machinery as at 31 December 2016 amounted to HK$4,711,000. The directors do not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in a significant impact on the Group's results but it is expected that certain portion of these lease commitments will be required to be recognised in the form of an asset (for the right-of-use) and a financial liability (for the payment obligation) in the consolidated statement of financial position.

Save as disclosed in the foregoing paragraph about the impact of HKFRS 16 to the Group's financial statements, the directors have also performed an assessment on other new standards and amendments, and have concluded on a preliminary basis that other new standards and amendments would not have a significant impact on the Group's financial statements in subsequent years.

3. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRS") issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange.

(b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention except for those financial assets stated at fair value, which are measured at fair value as explained in the accounting policies set out in note 4.

It should be noted that accounting estimates and assumptions are used in the preparation of the consolidated financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statement are disclosed in note 5.

(c) Functional and presentation currency

The consolidated financial statements is presented in Hong Kong dollars ("HK$"), which is the same as the functional currency of the Company and all values are rounded to the nearest thousand ("HK$'000") except when otherwise indicated.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the dates of acquisition or up to the dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.1 Business combination and basis of consolidation *(Continued)*

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non – controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity.

Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

4.2 Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position, interest in subsidiaries are stated at cost less impairment losses, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.3 Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies. Associates are accounted for using the equity method whereby they are initially recognised at cost and thereafter, their carrying amount are adjusted for the Group's share of the post-acquisition change in the associates' net assets except that losses in excess of the Group's interest in the associate are not recognised unless there is an obligation to make good those losses.

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate. Where unrealised losses provide evidence of impairment of the asset transferred they are recognised immediately in profit or loss.

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate. Where there is objective evidence that the investment in an associate has been impaired, the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

4.4 Intangible asset

An intangible asset acquired separately is recognised initially at cost. Intangible asset with indefinite useful life is carried at cost less any accumulated impairment losses.

Intangible asset identified on business combination are capitalised at fair value at the date of acquisition and are stated at cost less accumulated amortisation and any accumulated impairment losses. Customer relationships is amortised on a straight-line basis from the date of acquisition over their estimated useful lives of 5 years. The amortisation is charged to profit or loss. Both the estimated useful lives and method of amortisation are reviewed and adjusted if appropriate, annually.

4.5 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. The cost of an item of property, plant and equipment includes its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Subsequent costs are included in the asset's carrying amount or recognised 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. All other costs, such as repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.5 Property, plant and equipment *(Continued)*

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life, at the following rates per annum:

Leasehold land and buildings	4% or over the lease term, whichever is shorter
Leasehold improvement	20% or over the terms of the leases of properties, whichever is shorter
Plant and machinery	20%
Furniture, fixtures and equipment	20%
Motor vehicles and yacht	10-20%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the period the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

4.6 Prepaid land leases payments

Upfront payments made to acquire land for own use under operating lease are stated at costs less accumulated amortisation and any accumulated impairment losses. Amortisation is calculated on a straight line basis over the term of the lease as an expense except where an alternative basis is more representative of the time pattern of benefits to be derived by the Group from use of the land.

4.7 Impairment of non-financial assets

The Group's prepaid land lease payments, property, plant and equipment, other asset, intangible asset and interest in an associate are subject to impairment testing.

When an indication of impairment exists, or when annual impairment testing for an asset is required (other than deferred tax asset, inventories and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.7 Impairment of non-financial assets *(Continued)*

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

4.8 Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific assets or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

Operating lease charges as the lessee

Where the Group has the right to use of assets held under operating leases, payments made under the leases are charged to the profit or loss on a straight-line basis over the lease terms except where an alternative basis is more representative of the time pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made.

4.9 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Any transaction costs associated with the issuing of capital are deducted from capital (net of any related income tax benefit) to the extend they are incremental costs directly attributable to the equity transaction.

4.10 Financial assets

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets of the Group are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.10 Financial assets *(Continued)*

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade debtors), and also incorporate other types of contractual monetary asset. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

Available-for-sale financial assets

These assets are non-derivative financial assets that are designated as available-for-sale or are not included in other categories of financial assets. Subsequent to initial recognition, these assets are carried at fair value with changes in fair value recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary instruments, which are recognised in profit or loss.

Impairment of financial assets

The Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– granting concession to a debtor because of debtor’s financial difficulty; and

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

Loans and receivables

An impairment loss is recognised in profit or loss and directly reduces the carrying amount of financial asset when there is objective evidence that the asset is impaired, and is measured as the difference between the asset’s carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

Available-for-sale financial assets

Where a decline in the fair value constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.10 Financial assets *(Continued)*

Impairment of financial assets *(Continued)*

Available-for-sale financial assets (Continued)

Any impairment losses on available-for-sale debt investments are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

For available-for-sale equity investment, any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

4.11 Financial liabilities

The Group's financial liabilities include trade and bills payables, other payables and accruals, loans from non-controlling interests and bank borrowings.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised in accordance with the Group's accounting policy for borrowing costs (note 4.18).

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in profit or loss.

Borrowings

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

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 reporting period.

Trade and bills payables, other payables and accruals and loans from non-controlling interests

These are recognised initially at their fair value, net of directly attributable transaction costs incurred and subsequently measured at amortised cost, using the effective interest method.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.12 Foreign currency

Transactions entered into by the Group in currencies other than the functional currency are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. HK$) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as foreign exchange reserve (attributed to minority interests as appropriate). Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as foreign exchange reserve.

On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to the date of disposal are reclassified to profit or loss as part of the profit or loss on disposal.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of reporting period. Exchange differences arising are recognised in the foreign exchange reserve.

4.13 Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.14 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, demand deposits with banks and short term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. For the purpose of consolidated statement of cash flows, cash and cash equivalents include bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

4.15 Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following basis:

(a) from the sales of goods and raw materials, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold. This is usually taken as the time when the goods are delivered and the customers has accepted the goods;

(b) service income is recognised in the period when the respective services are rendered;

(c) interest income is recognised on a time-proportion basis using the effective interest method; and

(d) dividend income is recognised when the right to receive dividend payment is established.

4.16 Accounting for income tax

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the end of reporting period. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of income tax expense in profit or loss.

Deferred tax is calculated using the liability method on temporary differences at the end of reporting period between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary difference, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.16 Accounting for income tax *(Continued)*

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the end of reporting period.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

Current tax assets and current tax liabilities are presented in net if, and only if,

(a) the Group has the legally enforceable right to set off the recognised amounts; and

(b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if,

(a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and

(b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

 (i) the same taxable entity; or

 (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

4.17 Employee benefits

Retirement benefits to employees are provided through a defined contribution plan.

Defined contribution plans

The Group contributes to a defined contribution Mandatory Provident Fund retirement benefits scheme (the “MPF Scheme”) under the Mandatory Provident Fund Schemes Ordinance, for all employees in Hong Kong. Contributions are made based on a percentage of the employees’ basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group’s employer contributions vest fully with the employees when contributed into the MPF Scheme.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.17 Employee benefits *(Continued)*

Defined contribution plans *(Continued)*

According to the relevant regulations in the PRC, the subsidiaries of the Group operating in the PRC are required to participate in central pension schemes operated by the respective local municipal governments, whereby the PRC subsidiaries are required to contribute a certain percentage of the basic salaries of their employees to the scheme to fund their retirement benefits. Contributions under the scheme are charged to profit or loss as they become payable in accordance with the rules and regulations in the PRC.

Short-term employee benefits

Employee entitlements to annual leave are recognised when they are accrued to employees. A provision is made for the estimated liability for unused annual leave as a result of services rendered by employees up to the reporting date. Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

4.18 Borrowing costs

Borrowing costs incurred for the acquisition, construction or production of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are expensed when incurred.

Borrowing costs are capitalised as part of the cost of a qualifying asset when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are being undertaken. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

4.19 Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.20 Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's parent.

(b) An entity is related to the Group if any of the following conditions apply:

(i) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(iii) both entities are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity); or

(viii) the entity or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

4.21 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial statements reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

4.21 Segment reporting *(Continued)*

The measurement policies the Group uses for reporting segment results are the same as those used in its financial statements prepared under HKFRSs, except that corporate income and expenses which are not directly attributable of any operating segment, are not included in arriving at the operating result of the reporting segment.

Segment assets include all non-current assets and current assets but prepaid tax and deferred tax assets. In addition, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment.

Segment liabilities exclude provision for tax, deferred tax liabilities and corporate liabilities, which are not directly attributable to the business activities of any operating segment.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group's management 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 discussed below:

(i) Estimated useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and residual values for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will increase the depreciation charge 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; actual residual values may differ from estimated residual values. Periodic review could result in a change in depreciable lives and residual values and therefore depreciation expense in the future periods.

(ii) Net realisable value of inventory

Inventory is stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated distribution and selling expenses. Management reassesses the estimations at each reporting date to ensure inventory is shown at the lower of cost and net realisable value.

(iii) Impairment of receivables

The Group's management reviews receivables on a regular basis to determine if any provision for impairment is necessary. This estimate is based on the credit history of its customers, past settlement and industry practice and current market conditions. Management reassesses the impairment of receivables at each reporting date.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

(iv) Impairment of non-financial assets

The Group assesses at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the Group makes an estimate of the recoverable amount of the asset. This requires an estimation of the value-in-use of the cash-generating unit to which the asset is allocated. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. A change in the estimated future cash flows and/or the discount rate applied will result in an adjustment to the estimated impairment provision previously made.

(v) Estimated useful life of intangible asset

The Group's management determines the estimated useful live for its intangible asset. The estimated useful live reflects the Group's management's estimates of the periods that the Group intends to derive future economic benefits from the use of the intangible asset.

(vi) Provision for tax

Determining income tax provisions requires the Group to make judgements on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions in accordance with prevailing tax regulations and makes tax provisions accordingly. In addition, deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. This requires significant judgement on the tax treatments of certain transactions and also assessment on the probability that adequate future taxable profits will be available for the deferred tax assets to be recovered.

(vii) Fair value measurement

A number of assets and liabilities included in the Group's consolidated financial statements require measurement at, or disclosure of, fair value.

The fair value measurement of the Group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are:

- Level 1: Quoted prices in active markets for identical items (unadjusted);
- Level 2: Observable direct or indirect inputs other than Level 1 inputs;
- Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

(vii) Fair value measurement *(Continued)*

The Group measures the following items at fair values:

- Available-for-sale financial assets (note 23)

For more detailed information in relation to the fair value measurement of the items above, please refer to note 38.1(f) to notes to the consolidated financial statements.

6. SEGMENT INFORMATION

(i) Operating segment information

The Group has identified its operating segment and prepared segment information based on the regular internal financial statements reported to the Company's executive directors for their decisions about resources allocation to the Group's business component and review of the component's performance. There are two (2015: one) business components in the internal reporting to the executive directors, which are trading of kitchenware and household products and trading of raw materials. The segment of trading of raw materials was established during the year.

(ii) Business segment information

	Trading of kitchenware and household products		Trading of raw materials		Consolidated	
	2016	2015	**2016**	2015	**2016**	2015
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue						
Revenue from external customers	**1,264,545**	1,394,635	**100,455**	–	**1,365,000**	1,394,635
Segment results	**152,228**	195,696	**13,985**	–	**166,213**	195,696
Unallocated income					**482**	939
Unallocated expenses					**(5,043)**	(2,528)
Profit before income tax					**161,652**	194,107

6. SEGMENT INFORMATION *(Continued)*

(ii) Business segment information *(Continued)*

	Trading of kitchenware and household products		Trading of raw materials		Consolidated	
	2016	2015	**2016**	2015	**2016**	2015
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment assets	**539,967**	519,377	**41,666**	–	**581,633**	519,377
Prepaid tax					**4,693**	321
Deferred tax assets					**4**	4
Unallocated corporate assets#					**193,717**	203,288
Consolidated total assets					**780,047**	722,990
Segment liabilities	**170,784**	150,957	**55**	–	**170,839**	150,957
Provision for tax					**2,485**	6,718
Deferred tax liabilities					**7,272**	8,316
Unallocated corporate liabilities					**606**	266
Consolidated total liabilities					**181,202**	166,257

Unallocated corporate assets mainly represented cash and bank balances which held as general working capital of the Group which are not directly attributable to any operating segment.

	Trading of kitchenware and household products		Trading of raw materials		Total	
	2016	2015	**2016**	2015	**2016**	2015
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Other segment information:						
Interest income	**687**	323	**–**	–	**687**	323
Interest expenses	**(306)**	(250)	**–**	–	**(306)**	(250)
Depreciation of property, plant and equipment	**(5,061)**	(4,728)	**–**	–	**(5,061)**	(4,728)
Amortisation of intangible asset	**(4,806)**	(4,806)	**–**	–	**(4,806)**	(4,806)
Provision for inventories	**(207)**	(128)	**–**	–	**(207)**	(128)
Additions to non-current segment assets	**1,665**	22,262	**–**	–	**1,665**	22,262

6. SEGMENT INFORMATION *(Continued)*

(iii) Geographical segment information

The management determines the Group is domiciled in Hong Kong, which is the location of the Group's principal place of operations. The Group's revenue from external customers is divided into the following geographical areas:

	Notes	**2016 HK$'000**	2015 HK$'000
United States		**1,090,519**	1,213,663
Europe	*(a)*	**76,489**	74,645
Asia	*(b)*	**168,420**	64,461
Canada		**24,041**	30,481
Other locations	*(c)*	**5,531**	11,385
		1,365,000	1,394,635

Notes:

(a) Principally included United Kingdom, Switzerland, France and Germany

(b) Principally included Hong Kong, Japan and the PRC

(c) Principally included Australia

The geographical location of customers is based on the location of customers. For intangible asset, the geographical location is based on the entities' areas of operation. The geographical location of other non – current assets is based on the physical location of the assets. As at 31 December 2016 and 2015, over 90% of the Group's non-current assets (other than financial instruments and deferred tax assets) are located in Hong Kong.

(iv) Information about major customers

For the year ended 31 December 2016, revenues from two (2015: three) customers with whom transactions of each has exceeded 10% of the Group's revenue. Total revenue from these two major customers (i.e. Company A and C) as shown below accounted for HK$807,952,000 (2015: three customers (i.e. Company A, B and C) totalling HK$1,035,191,000) of the Group's revenue for the year ended 31 December 2016.

	2016 HK$'000	2015 HK$'000
Company A	**657,940**	712,628
Company B *(Note)*	**132,158**	155,048
Company C	**150,012**	167,515

6. SEGMENT INFORMATION *(Continued)*

(iv) Information about major customers *(Continued)*

As at 31 December 2016, 70% of the Group's trade receivables were due from the abovementioned major two customers (i.e. Company A and C).

As at 31 December 2015, 73% of the Group's trade and bills receivables were due from the abovementioned major three customers (i.e. Company A, B and C).

Note:

For the year ended 31 December 2016, revenue from this customer with whom transaction does not exceed 10% of the Group's revenue. The revenue from this customer for the year ended 31 December 2016 is disclosed for illustrative purposes only.

7. REVENUE

The Group is principally engaged in trading of kitchenware and household products and raw materials. Revenue represents invoiced value of goods sold, after rebates, allowances for returns and discounts (net of value added tax). Revenue recognised during the year is as follows:

	2016 **HK$'000**	2015 HK$'000
Sales of kitchenware and household products	**1,264,545**	1,394,635
Sales of raw materials	**100,455**	–
	1,365,000	1,394,635

8. OTHER INCOME

	2016 **HK$'000**	2015 HK$'000
Bank interest income	**1,167**	1,264
Dividend income from listed equity securities	**811**	695
Management services	**164**	221
Recharge from customers	**1,720**	3,720
Gain on disposal of property, plant and equipment	**30**	866
Others	**440**	290
	4,332	7,056

9. PROFIT BEFORE INCOME TAX

	2016 HK$'000	2015 HK$'000
Profit before income tax is arrived at after charging:		
Auditor's remuneration	**973**	950
Cost of inventories sold recognised as expense, including	**1,081,048**	1,089,690
– Provision for inventories	**207**	128
Depreciation of property, plant and equipment*	**5,095**	4,728
Amortisation of intangible asset*	**4,806**	4,806
Amortisation of prepaid land lease payments*	**52**	55
Operating lease rentals in respect of land and buildings and equipment	**4,069**	4,148
Employee benefit expenses (including directors' remuneration as disclosed in note 11)		
Wages, salaries and other benefits	**39,135**	35,139
Discretionary bonuses	**15,767**	17,621
Contributions to defined contribution schemes	**2,195**	2,018
	57,097	54,778
Exchange loss, net	**1,117**	2,392

* Depreciation and amortisation charges are recognised in the consolidated statement of comprehensive income as distribution expenses of approximately HK$137,000 (2015: HK$124,000) and administrative expenses of approximately HK$9,816,000 (2015: HK$9,465,000) for the year ended 31 December 2016.

10. FINANCE COSTS

	2016 HK$'000	2015 HK$'000
Interest charges on financial liabilities at amortised cost:		
Bank loans	**5**	21
Bank overdrafts	**301**	229
	306	250

11. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

11.1 Directors' emoluments

Directors' emoluments are disclosed as follows:

	Directors' fee HK$'000	Salaries, allowances and benefits in kind* HK$'000	Discretionary bonuses HK$'000 *(note (ii))*	Contributions to defined contribution scheme HK$'000	Total HK$'000
Year ended 31 December 2016					
Executive directors					
Mr. Wong Siu Wah ("Mr. Wong")#	–	5,040	8,000	18	13,058
Ms. Wong Fook Chi#	–	405	432	18	855
Mr. Wong Ying Wai Dennis	–	627	417	18	1,062
Independent non-executive directors					
Dr. Lau Kin Tak	153	–	–	–	153
Mr. Anthony Graeme Michaels	153	–	–	–	153
Ms. Leung Wai Ling, Wylie	153	–	–	–	153
	459	6,072	8,849	54	15,434
Year ended 31 December 2015					
Executive directors					
Mr. Wong#	–	5,040	8,000	18	13,058
Ms. Wong Fook Chi#	–	1,031	370	18	1,419
Mr. Wong Ying Wai Dennis	–	610	1,024	18	1,652
Independent non-executive directors					
Dr. Lau Kin Tak	148	–	–	–	148
Mr. Anthony Graeme Michaels	148	–	–	–	148
Ms. Leung Wai Ling, Wylie	148	–	–	–	148
	444	6,681	9,394	54	16,573

11. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS *(Continued)*

11.1 Directors' emoluments *(Continued)*

Notes:

i. No directors waived any emoluments during the year ended 31 December 2016 (2015: Nil).

ii. The bonuses are determined by the individual performance of the directors.

iii. No emoluments were paid by the Group to the directors or any of the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office during the years ended 31 December 2016 and 2015.

Save as disclosed in the above table, the Group also provided a quarter to the executive directors, Mr. Wong and Ms. Wong Fook Chi. The carrying amount of the Group's leasehold property which was used by the executive directors as a quarter as at 31 December 2016 was HK$11,118,000 (2015: HK$11,602,000).

* Being "Salaries, allowances and benefits in kind" paid or payable to the executive directors of the Company in connection with the management of the affairs of the Company and its subsidiaries.

11.2 Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2016 included two (2015: three) directors, whose emoluments were reflected in the analysis presented in note 11.1 above. The emoluments payable to the remaining three (2015: two) individuals for the year are as follows:

	2016 **HK$'000**	2015 HK$'000
Salaries and allowance	**2,190**	971
Discretionary bonuses	**833**	562
Contributions to defined contribution scheme	**54**	35
	3,077	1,568

The remuneration paid to each of the above non-director individuals for the year fell within the following bands:

	Number of individuals	
	2016	2015
Emolument bands		
Nil to HK$1,000,000	**2**	2
HK$1,000,001 to HK$2,000,000	**1**	–

11. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS *(Continued)*

11.3 Senior management emolument band

The remuneration paid to each of the senior management (other than the directors as disclosed in note 11.1 above) for the years ended 31 December 2016 and 2015 fell within the following band:

	Number of individuals	
	2016	2015
Emolument band		
Nil to HK$1,000,000	**5**	5

12. INCOME TAX EXPENSES

	2016 **HK$'000**	2015 HK$'000
Current tax – Hong Kong		
– Current year	**28,720**	30,920
– Over-provision in respect of prior years	**(75)**	(80)
	28,645	30,840
Deferred tax *(note 30)*		
– (Credit)/Charge for the year	**(1,044)**	1,191
Income tax expenses	**27,601**	32,031

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operated.

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profit arising in Hong Kong for the year ended 31 December 2016.

Enterprise income tax ("EIT") for the year was calculated at 25% (2015: 25%) of the estimated assessable profits arising from the PRC. No PRC EIT tax provided for Group's PRC subsidiaries as they did not derive any assessable profits during the year ended 31 December 2015. During the year ended 31 December 2016, tax losses were utilised to offset against the assessable profit generated by the Group's PRC subsidiaries.

Pursuant to the rules and regulations of the Cayman Islands, the Group is not subject to any income tax in the Cayman Islands.

12. INCOME TAX EXPENSES *(Continued)*

A reconciliation of the income tax expenses and accounting profits at applicable tax rates is as follows:

	2016 **HK$'000**	2015 HK$'000
Profit before income tax	**161,652**	194,107
Tax at applicable tax rate of 16.5% (2015: 16.5%)	**26,673**	32,028
Tax effect in different tax rates of subsidiaries operating in other jurisdictions	**(24)**	(364)
Tax effect on non-taxable income	**(251)**	(359)
Tax effect of non-deductible expenses	**905**	544
Tax effect of tax losses not recognised	**1,057**	973
Tax effect of utilisation of prior years' tax losses	**(360)**	–
Tax effect of fair value loss on available-for-sale financial assets which is subject to Hong Kong profits tax	**(274)**	(738)
Over-provision in respect of prior years	**(75)**	(80)
Others	**(50)**	27
Income tax expenses	**27,601**	32,301

13. EARNINGS PER SHARE

Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to owners of the Company for the year of HK$133,844,000 (2015: HK$163,545,000) and the weighted average of 700,000,000 (2015: 692,808,000) ordinary shares in issue during the year.

Diluted earnings per share

There were no potential dilutive ordinary shares outstanding during the years ended 31 December 2016 and 2015, and hence the diluted earnings per share is the same as basic earnings per share.

14. DIVIDENDS

	2016 HK$'000	2015 HK$'000
Interim dividend paid in respect of current year of HK6.0 cents (2015: HK4.5 cents) per share	**42,000**	31,500
Special dividend paid in respect of current year of Nil (2015: HK5.5 cents) per share	**–**	38,500
Final dividend paid in respect of prior year of HK6.5 cents (2015: Nil) per share	**45,500**	–
	87,500	70,000

At the board meeting held on 30 March 2017, the directors resolved to recommend a final dividend of HK6.0 cents (2015: HK6.5 cents) per ordinary share. The proposed dividends have not been recognised as a dividend payable as at 31 December 2016, but will be reflected as an appropriation of retained profits/share premium for the year ending 31 December 2017.

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK$'000	Leasehold improvement HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles and yacht HK$'000	Total HK$'000
At 1 January 2015						
Cost	33,888	2,502	11	7,232	14,695	58,328
Accumulated depreciation	(11,945)	(1,088)	(6)	(3,104)	(8,500)	(24,643)
Net carrying amount	21,943	1,414	5	4,128	6,195	33,685
Year ended 31 December 2015						
Opening net carrying amount	21,943	1,414	5	4,128	6,195	33,685
Additions	–	–	–	838	21,424	22,262
Depreciation	(784)	(440)	(2)	(1,351)	(2,151)	(4,728)
Disposals	–	(162)	–	–	(4,071)	(4,233)
Exchange realignment	–	(63)	–	(41)	(7)	(111)
Closing net carrying amount	21,159	749	3	3,574	21,390	46,875
At 31 December 2015 and 1 January 2016						
Cost	**33,888**	**2,091**	**11**	**7,610**	**25,445**	**69,045**
Accumulated depreciation	**(12,729)**	**(1,342)**	**(8)**	**(4,036)**	**(4,055)**	**(22,170)**
Net carrying amount	**21,159**	**749**	**3**	**3,574**	**21,390**	**46,875**
Year ended 31 December 2016						
Opening net carrying amount	**21,159**	**749**	**3**	**3,574**	**21,390**	**46,875**
Additions	**–**	**–**	**–**	**1,704**	**242**	**1,946**
Depreciation	**(784)**	**(391)**	**(3)**	**(1,404)**	**(2,513)**	**(5,095)**
Exchange realignment	**–**	**(50)**	**–**	**(53)**	**(7)**	**(110)**
Closing net carrying amount	**20,375**	**308**	**–**	**3,821**	**19,112**	**43,616**
At 31 December 2016						
Cost	**33,888**	**1,949**	**11**	**9,151**	**25,672**	**70,671**
Accumulated depreciation	**(13,513)**	**(1,641)**	**(11)**	**(5,330)**	**(6,560)**	**(27,055)**
Net carrying amount	**20,375**	**308**	**–**	**3,821**	**19,112**	**43,616**

15. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

At 31 December 2016, the Group's leasehold land and buildings with an aggregate carrying amount of approximately HK$20,375,000 (2015: HK$21,159,000) were pledged to secure general banking facilities granted to the Group (note 40).

16. PREPAID LAND LEASE PAYMENTS

	2016 HK$'000	2015 HK$'000
At beginning of the year		
Cost	**2,702**	2,831
Accumulated amortisation	**(828)**	(810)
Net carrying amount	**1,874**	2,021
For the year ended		
Opening net carrying amount	**1,874**	2,021
Amortisation	**(52)**	(55)
Exchange realignment	**(130)**	(92)
Closing net carrying amount	**1,692**	1,874
At end of the year		
Cost	**2,513**	2,702
Accumulated amortisation	**(821)**	(828)
Net carrying amount	**1,692**	1,874

17. OTHER ASSET

	2016 HK$'000	2015 HK$'000
Club membership, at cost	**172**	172

18. INTEREST IN AN ASSOCIATE

	2016 HK$'000	2015 HK$'000
Share of net assets	–	–
Amount due from an associate	351	187

Amount due from an associate is unsecured, interest-free and repayable on demand. The associate has a financial year-end date of 31 December.

Details of the associate as at 31 December 2016 and 31 December 2015 are as follow:

Company name	Place of incorporation	Percentage of ownership interests	Principal activity
Grand Venture Holdings Limited ("Grand Venture")	Hong Kong	34%	Selling and distribution of kitchenware and household products

The following table illustrates the summarised loss and total comprehensive income of the Group's associate as extracted from its unaudited management accounts:

	2016 HK$'000	2015 HK$'000
Loss for the year	170	250
Total comprehensive income for the year	170	250

The amounts of share of unrecognised loss for the year ended 31 December 2016 and as at 31 December 2016 are HK$58,000 (2015: HK$85,000) and HK$1,646,000 (2015: HK$1,588,000) respectively.

The Group has not incurred any contingent liabilities or other commitments relating to its investment in an associate.

19. INTANGIBLE ASSET

	Customer relationships HK$'000
At 1 January 2015	
Cost	24,031
Accumulated amortisation	(4,806)
Net carrying amount	19,225
Year ended 31 December 2015	
Opening net carrying amount	19,225
Amortisation	(4,806)
Closing net carrying amount	14,419
At 31 December 2015 and 1 January 2016	
Cost	24,031
Accumulated amortisation	(9,612)
Net carrying amount	14,419
Year ended 31 December 2016	
Opening net carrying amount	**14,419**
Amortisation	**(4,806)**
Closing net carrying amount	**9,613**
At 31 December 2016	
Cost	**24,031**
Accumulated amortisation	**(14,418)**
Net carrying amount	**9,613**

Intangible asset represent the customer relationships acquired by the Group in connection with the acquisition of a subsidiary, Wonder Household Limited, completed in 2013.

20. INVENTORIES

	2016 HK$'000	2015 HK$'000
Merchandises, at cost	**12,311**	10,064
Raw materials	**9,043**	–
	21,354	10,064

21. TRADE AND BILLS RECEIVABLES

	2016 HK$'000	2015 HK$'000
Trade receivables	**216,662**	127,139
Bills receivables	**–**	550
	216,662	127,689

The Group's trading terms with customers are mainly on credit. The credit terms are generally 7 to 90 days from the invoice date. All trade and bills receivables are interest-free.

At each reporting date, the Group's trade and bills receivables were individually determined to be impaired. Movements in provision for impairment of trade and bills receivables during the years are as follows:

	2016 HK$'000	2015 HK$'000
At 1 January	**–**	152
Write off	**–**	(152)
At 31 December	**–**	–

The directors of the Company considered the fair values of trade and bills receivables are not materially different from their carrying amounts because these amounts have short maturity periods on their inception. An ageing analysis of the Group's trade and bills receivables as at the reporting date, based on the invoices dates, is as follows:

21. TRADE AND BILLS RECEIVABLES *(Continued)*

	2016 HK$'000	2015 HK$'000
0–30 days	**147,857**	97,688
31–60 days	**47,235**	22,735
61–90 days	**2,990**	2,371
Over 90 days	**18,580**	4,895
	216,662	127,689

The ageing analysis of trade and bills receivables that are neither individually nor collectively considered to be impaired is as follows:

	2016 HK$'000	2015 HK$'000
Neither past due nor impaired	**152,753**	96,147
Less than 60 days past due	**46,882**	26,851
Past due more than 60 days but less than 1 year	**15,447**	4,689
Past due more than 1 year but less than 2 years	**1,580**	2
	216,662	127,689

Trade and bills receivables that were neither past due nor impaired related to customers for whom there were no recent history of default.

At 31 December 2016, trade and bills receivables that were past due but not impaired related to customers with good track record with the Group. Based on past experience, the management believes that no impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are considered fully recoverable.

The Group does not hold any collateral or other credit enhancements over these balances.

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2016 HK$'000	2015 HK$'000
Trade deposits paid to suppliers *(note (a))*	**21,440**	26,673
Other deposits	**1,873**	1,492
Prepayments *(note (b))*	**4,986**	5,482
Other receivables *(note (c))*	**7,724**	18,091
	36,023	51,738

Notes:

(a) The Group's trade deposits represented the purchase deposits paid to various independent third parties for supply of trading goods.

(b) As at 31 December 2016, HK$331,000 included in prepayment (2015: Nil) was an amount due from a related company, Ignite Hong Kong, Limited ("Ignite HK") which was unsecured, interest-free and repayable on demand. The Company's director, Mr. Wong is the director of this related company. Mr. Wong and Ms. Cheng Hew Hong, Rebecca ("Ms. Cheng"), the Company's controlling shareholders, are together interested in 50% of this related company.

		Amount outstanding		
Name of related company	*Note*	**At 1 January HK$'000**	**31 December HK$'000**	**Maximum amount outstanding during the year HK$'000**
2016				
Ignite HK	*34.2*	**(18)**	**331**	**331**

(c) Other receivables mainly represent receivables arising from recharge from customers and suppliers relating to certain mould costs, freight and transportation charges and packing costs and were unsecured, interest-free and repayable on demand. The directors of the Company considered that other receivables that were neither past due nor impaired as at each reporting date under review are of good credit quality.

The directors of the Company considered the fair values of other receivables are not materially different from their carrying amounts because these amounts have short maturity periods on their inception.

23. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2016 **HK$'000**	2015 HK$'000
Listed equity securities in Hong Kong, at fair value	**32,163**	33,821

For the year ended 31 December 2016, the fair value loss in respect of the Group's available-for-sale financial assets recognised in other comprehensive income amounted to HK$1,658,000 (2015: HK$4,470,000).

The fair value of the Group's investment in listed equity securities has been determined by reference to their closing market prices at the reporting dates.

24. PLEDGED BANK DEPOSITS

	2016 **HK$'000**	2015 HK$'000
Pledged bank deposits, denominated in – HK$ and US dollars ("US$")	**29,720**	28,904

Pledged bank deposits have been pledged to certain banks as securities for general banking facilities granted to the Group (note 40).

Pledged bank deposits are deposited with creditworthy banks and carry fixed interest rates which ranged from 0.01% to 0.5% (2015: 0.01% to 0.3%) per annum. The directors of the Company considered that the fair value of the pledged bank deposits is not materially different from their carrying amount because of the short maturity period on their inception.

25. CASH AND BANK BALANCES

	2016 HK$'000	2015 HK$'000
Short-term bank deposits	–	11,998
Cash and bank balances	383,984	394,924
Total cash and bank balances	383,984	406,922

As at 31 December 2016, the Group has cash and bank balances denominated in Renminbi ("RMB") amounted to approximately HK$4,925,000 (2015: HK$4,250,000), which are deposited with banks in the PRC. RMB is not freely convertible into foreign currencies. Under the PRC Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks in the PRC that are authorised to conduct foreign exchange business.

Bank balances earn interest at floating rates based on daily bank deposit rates.

The effective interest rates of the Group's short-term bank deposits as at 31 December 2015 was 2.75% per annum and had original maturity period of one month.

The bank balances are deposited with creditworthy banks. The directors of the Company considered that the fair value of the cash and bank balances is not materially different from their carrying amount because of the short maturity period on their inception.

26. TRADE AND BILLS PAYABLES

Trade and bills payables normally have a credit period of 0 to 90 days from the invoice date.

	2016 HK$'000	2015 HK$'000
Trade payables	82,059	63,752
Bills payables *(note)*	7,915	3,000
	89,974	66,752

Note: At 31 December 2016, bills payables of HK$7,915,000 (2015: HK$3,000,000) were secured by the pledge of leasehold land and buildings and pledged bank deposits and guaranteed by the corporate guarantee provided by the Company (note 40).

26. TRADE AND BILLS PAYABLES *(Continued)*

An ageing analysis of the Group's trade and bills payables as at the reporting date, based on the invoices dates, is as follows:

	2016 **HK$'000**	2015 HK$'000
0–90 days	**85,476**	65,077
91–180 days	**631**	1,273
181–365 days	**765**	–
Over 365 days	**3,102**	402
	89,974	66,752

The directors of the Company considered the carrying amounts of trade and bills payables approximate to their fair values.

27. DEPOSITS RECEIVED, OTHER PAYABLES AND ACCRUALS

	2016 **HK$'000**	2015 HK$'000
Trade deposits received	**3,745**	2,026
Accruals *(note (a))*	**52,136**	54,904
Other payables *(note (b))*	**1,264**	1,056
	57,145	57,986

Notes:

(a) Accruals mainly represented provision for discretionary bonus and sales rebate.

(b) As at 31 December 2016, Nil included in other payables (2015: HK$18,000) (note 34.2) was an amount due to Ignite HK which was unsecured, interest-free and repayable on demand. The Company's director, Mr. Wong is the director of this related company. Mr. Wong and Ms. Cheng, the Company's controlling shareholders, are together interested in 50% of this related company.

The directors of the Company considered the carrying amounts of deposits received, other payables and accruals to approximate their fair values.

28. BANK BORROWINGS

	2016 HK$'000	2015 HK$'000
Term loans:		
– On demand or within one year	–	480

The Group's interest-bearing bank borrowings, including term loans with a repayment on demand clause, are carried at amortised cost, which was fully repaid during the year ended 31 December 2016. As at 31 December 2015, none of the portions of term loans due for repayment after one year which was classified as current liability was expected to be settled within one year.

	2016 HK$'000	2015 HK$'000
Portion of term loans from banks due for repayment		
– on demand or within a period not exceeding one year *(Note)*	–	480

Note: The amounts due were based on the scheduled repayment dates set out in the loan agreements and ignored the effect of any repayment on demand clause.

As at 31 December 2015, all of the Group's term loan agreements contained clauses which gave the lender the right at its sole discretion to demand immediate repayment at any time irrespective of whether the Group had complied with the covenants and met the scheduled repayment obligations.

The Group regularly monitors its compliance with these covenants, is up to date with the scheduled repayments of the term loans and does not consider it probable that the bank will exercise its discretion to demand repayment for so long as the Group continues to meet these requirements. Further details of the Group's management of liquidity risk are set out in note 38.1(e). As at 31 December 2015, none of the covenants relating to drawn down facilities had been breached.

As at 31 December 2015, the Group's term loans were secured by the pledge of leasehold land and buildings and pledged bank deposit and guaranteed by the corporate guarantee provided by the Company (note 40).

As at 31 December 2015, the effective interest rate per annum of the Group's term loans was as follows:

	2016	2015
Floating-rate borrowings	N/A	2.5%

As at 31 December 2015, the directors of the Company estimated the fair value of term loans by discounting their future cash flows at the market rate and the directors considered that the carrying amounts of the Group's term loans approximated to their fair values at each reporting date.

29. LOANS FROM NON-CONTROLLING INTERESTS

As at 31 December 2015, loans from non-controlling interests of approximately RMB2,400,000 (equivalent to HK$2,879,000), RMB3,940,000 (equivalent to HK$4,727,000), RMB3,935,000 (equivalent to HK$4,721,000), HK$1,920,000 and RMB9,800,000 (equivalent to HK$11,758,000) are unsecured, interest-free and repayable on 24 April 2017, 14 October 2016, 6 November 2016, 30 June 2017 and 31 December 2018 respectively.

During the year ended 31 December 2016, the repayment terms of loans from non-controlling interests of approximately RMB3,940,000 (equivalent to HK$4,397,000) and RMB3,935,000 (equivalent to HK$4,392,000) were renewed and these loans are repayable on 14 October 2017 and 6 November 2017 respectively.

As at 31 December 2016, loans from non-controlling interests of approximately RMB2,400,000 (equivalent to HK$2,679,000), RMB3,940,000 (equivalent to HK$4,397,000), RMB3,935,000 (equivalent to HK$4,392,000), HK$1,920,000 and RMB9,800,000 (equivalent to HK$10,938,000) are unsecured, interest-free and repayable on 24 April 2017, 14 October 2017, 6 November 2017, 30 June 2017 and 31 December 2018 respectively.

The directors of the Company considered the carrying amounts of loans from non-controlling interests approximate to their fair values.

30. DEFERRED TAX

Details of the deferred tax assets and liabilities recognised and movements as follows:

	Accelerated tax depreciation HK$'000	Fair value adjustment on intangible asset upon business combination HK$'000	Total HK$'000
At 1 January 2015	(3,949)	(3,172)	(7,121)
(Charged)/Credited to profit or loss	(1,984)	793	(1,191)
At 31 December 2015 and 1 January 2016	(5,933)	(2,379)	(8,312)
Credited to profit or loss	251	793	1,044
At 31 December 2016	**(5,682)**	**(1,586)**	**(7,268)**

30. DEFERRED TAX *(Continued)*

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

	2016 HK$'000	2015 HK$'000
Deferred tax assets	**4**	4
Deferred tax liabilities	**(7,272)**	(8,316)

The estimated unused tax losses carried forward not recognised in the consolidated financial statements due to unpredictability of future profit streams are as follows:

	2016 HK$'000	2015 HK$'000
Estimated unused tax losses	**34,575**	29,729

The PRC estimated unused tax losses can only be carried forward for a maximum period of five years from the reporting date and the Hong Kong estimated unused tax losses can be carried forward indefinitely. The expiry of estimated unused tax losses for which no deferred tax assets have been recognised is as follows:

	2016 HK$'000	2015 HK$'000
Estimated unused tax losses will expire at various dates within five years from the reporting date	**22,410**	23,599
Estimated unused tax losses can be carried forward indefinitely	**12,165**	6,130
	34,575	29,729

31. SHARE CAPITAL

	2016 Number of shares ('000)	2016 HK$'000	2015 Number of shares ('000)	2015 HK$'000
Authorised:				
Shares of HK$0.01 each				
At 1 January and 31 December	**10,000,000**	**100,000**	10,000,000	100,000
Issued and fully paid:				
Shares of HK$0.01 each				
At 1 January	**700,000**	**7,000**	10	–
Capitalisation issue *(note (a))*	**–**	**–**	524,990	5,250
Allotment of shares *(notes (a) and (b))*	**–**	**–**	175,000	1,750
At 31 December	**700,000**	**7,000**	700,000	7,000

Notes:

(a) On 15 January 2015, 524,990,000 ordinary shares of HK$0.01 each were issued at par to the shareholders of the Company by way of capitalisation of HK$5,250,000 from the Company's share premium account.

(b) On 15 January 2015, an aggregate of 17,500,000 ordinary shares and 157,500,000 ordinary shares were issued and offered for subscription under public offer and placing, respectively at a price of HK$1.38 per share. The Group raised approximately HK$241,500,000 before any related listing expenses arising from the public offer and placing, resulting in an increase in the issued share capital of the Company by HK$1,750,000 and the share premium of the Company by HK$239,750,000.

32. RESERVES

Group

Details of the movements on the Group's reserves for the years ended 31 December 2016 and 2015 are presented in the consolidated statement of changes in equity on page 42.

Merger reserve

The merger reserve of the Group arose as a result of the Reorganisation and represented the difference between the consideration under the Reorganisation and the nominal value of the share capital of the subsidiaries then acquired.

Company

	Share premium* HK$'000	(Accumulated losses)/ Retained profits HK$'000	Total HK$'000
At 1 January 2015	252,506	(6,183)	246,323
Capitalisation issue *(note 31(a))*	(5,250)	–	(5,250)
Share issued under public offer and placing *(note 31(b))*	239,750	–	239,750
Share issue expenses	(19,115)	–	(19,115)
2015 interim dividend *(note 14)*	–	(31,500)	(31,500)
2015 special dividend *(note 14)*	–	(38,500)	(38,500)
Transactions with owners	215,385	(70,000)	145,385
Total comprehensive income for the year	–	77,096	77,096
At 31 December 2015 and 1 January 2016	467,891	913	468,804
2015 final dividend *(note 14)*	–	(45,500)	(45,500)
2016 interim dividend *(note 14)*	–	(42,000)	(42,000)
Transactions with owners	–	(87,500)	(87,500)
Total comprehensive income for the year	–	90,779	90,779
At 31 December 2016	**467,891**	**4,192**	472,083

* The share premium account of the Company arises on shares issued at premium. Under the Companies Law of the Cayman Islands, the share premium account is distributable to owners 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 debts as and when they fall due in the ordinary course of business.

33. COMMITMENTS

(a) Operating lease commitments

At each reporting date, the Group's total future minimum rental payable under non-cancellable operating lease in respect of land and buildings and plant and machinery are as follows:

	2016 HK$'000	2015 HK$'000
Land and buildings		
Within one year	**3,153**	3,036
In the second to fifth years	**1,304**	1,802
	4,457	4,838
Plant and machinery		
Within one year	**79**	67
In the second to fifth years	**175**	227
	254	294
Total		
Within one year	**3,232**	3,103
In the second to fifth years	**1,479**	2,029
	4,711	5,132

The leases run for an initial period of one year to five years (2015: one year to five years).

As at reporting date, none of these lease arrangements include contingent rentals.

(b) Capital commitments

	2016 HK$'000	2015 HK$'000
Commitments for the purchase of property, plant and equipment:		
– Contracted but not provided for:	**400**	–

For the year ended 31 December 2016

34. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in the financial statements, the Group also had the following significant transactions with related parties during the year:

34.1 Significant transactions with related parties

Nature of transaction	Name of related company/party	Notes	2016 HK$'000	2015 HK$'000
Licensing fee paid	Ignite HK	*(a)*	**2,833**	2,999
Management fee income	Grand Venture	*(b)*	**164**	221
Rental expenses	Mr. Wong	*(c)*	**762**	762

Notes:

(a) A related company, of which Mr. Wong is a director and Mr. Wong and Ms. Cheng, the Company's controlling shareholders, are together interested in 50% of its shareholding.

(b) An associate of the Group.

(c) During the years ended 31 December 2016 and 2015, the Group had paid rental expenses relating to premises which are owned by Mr. Wong.

(d) All transactions as shown above were made on the Group's normal course of business and were made with reference to the terms negotiated between the relevant parties.

34.2 Outstanding balances with related parties

Details of the Group's balances with the related parties as disclosed in notes 18, 22 and 27 to the consolidated financial statements were arising from the related party transactions as summarised in note 34.1.

34.3 Compensation of key management personnel

The directors are of the opinion that the key management personnel were all directors of the Company, details of whose emoluments are set out in note 11.1.

35. CONTINGENT LIABILITIES

At the reporting date, the Group does not have any significant contingent liabilities.

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2016 HK$'000	2015 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Interests in subsidiaries		**252,506**	252,506
Current assets			
Prepayments		**287**	235
Amounts due from subsidiaries		**37,172**	21,984
Cash and bank balances		**189,160**	201,079
		226,619	223,298
Current liabilities			
Other payables and accruals		**42**	–
Net current assets		**226,577**	223,298
Net assets		**479,083**	475,804
EQUITY			
Share capital	*31*	**7,000**	7,000
Reserves	*32*	**472,083**	468,804
Total equity		**479,083**	475,804

Approved and authorised for issue by the board of directors on 30 March 2017 and signed on its behalf by:

Wong Siu Wah
Director

Wong Fook Chi
Director

37. INTERESTS IN SUBSIDIARIES

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

Company name	Place of incorporation/ establishment	Particulars of issued and fully paid share capital 2016	2015	Effective interest held by the Company 2016 Directly	2016 Indirectly	2015 Directly	2015 Indirectly	Principal activity and place of operations
Lions Power Development Limited	Incorporated in the BVI, limited liability company	**US$1,000**	US$1,000	**100%**	**-**	100%	–	Investment holding, Hong Kong
Wealth Wise Investments Limited	Incorporated in the BVI, limited liability company	**US$1,000**	US$1,000	**100%**	**-**	100%	–	Investment holding, Hong Kong
King's Flair Development Limited 科勁發展有限公司	Incorporated in Hong Kong, limited liability company	**HK$1,000,000**	HK$1,000,000	**-**	**100%**	–	100%	Trading of kitchenware products, Hong Kong
Aegis Global Resources (HK) Limited	Incorporated in Hong Kong, limited liability company	**HK$10,000**	HK$10,000	**-**	**100%**	–	100%	Trading of kitchenware products, Hong Kong
Homespan (HK) Limited	Incorporated in Hong Kong, limited liability company	**HK$10,000**	HK$10,000	**-**	**51%**	–	51%	Trading of kitchenware products, Hong Kong
Manweal Development Limited 萬維發展有限公司	Incorporated in Hong Kong, limited liability company	**HK$5,500,000**	HK$5,500,000	**-**	**68%**	–	68%	Trading of kitchenware products, Hong Kong
Ningbo Homesbrands International Trading Company Limited* 寧波家之良品國際貿易有限公司	Incorporated in the PRC, sino-foreign equity joint venture	**RMB10,000,000**	RMB10,000,000	**-**	**51%**	–	51%	Retail and distribution of kitchenware products, the PRC
Youxiang (Shanghai) Commercial & Trade Company Limited* 悠享(上海)商貿有限公司	Incorporated in the PRC, wholly-owned foreign enterprise	**RMB1,000,000**	RMB1,000,000	**-**	**51%**	–	51%	Retail, wholesale and distribution of kitchenware products, the PRC
Wonder Household Limited	Incorporated in Hong Kong, limited liability company	**HK$10,000**	HK$10,000	**-**	**100%**	–	100%	Trading of kitchenware products, Hong Kong
Gloxis Development Limited 酷思發展有限公司	Incorporated in Hong Kong, limited liability company	**HK$100,000**	HK$100,000	**-**	**100%**	–	100%	Trading of kitchenware products, Hong Kong
King's Flair Resources Limited 科勁資源有限公司	Incorporated in Hong Kong, limited liability company	**HK$1**	N/A	**-**	**100%**	N/A	N/A	Trading of raw materials, Hong Kong

37. INTERESTS IN SUBSIDIARIES *(Continued)*

* The English name of the subsidiaries established in the PRC represents management's best effort at translating the Chinese name of such subsidiaries for identification purpose only as no English name has been registered.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affect the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities at any time during the year and at the end of the year.

38. FINANCIAL RISK MANAGEMENT

38.1 Financial risk factors

The Group is exposed to a variety of financial risks in the normal course of business. The Group does not have written risk management policies and guidelines. However, the directors meet periodically to analyse and formulate strategies to manage the Group's exposure to market risks, (specifically to foreign currency risk, interest rate risk, price risk and fair value risk), credit risk and liquidity risk. Generally, the Group utilises conservative strategies on its risk management. The Group's exposure to market risk is kept to minimum. The Group has not used any derivatives or other instruments for hedging purposes. The Group does not issue derivative financial instruments for trading purposes.

The most significant financial risks to which the Group is exposed are described below. A summary of the Group's financial assets and liabilities by category is shown in note 38.2.

(a) Foreign currency risk

Currency risk refers to the risk that the fair values or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group mainly operates and invests in Hong Kong with most of the transactions denominated and settled in HK$, US$ and RMB respectively. No foreign currency risk has been identified for the financial assets and financial liabilities denominated in RMB, which is the functional currency of the subsidiaries in the PRC to which these transactions relate. As US$ is pegged to HK$, the Group does not expect any significant movement in the HK$/US$ exchange rate. No sensitivity analysis in respect of the Group's sensitivity analysis in respect of the Group's financial assets and liabilities denominated in US$ is disclosed as in the opinion of directors, such sensitivity analysis does not give additional value in view of insignificant movement in the US$/HK$ exchange rates as at the reporting dates.

38. FINANCIAL RISK MANAGEMENT *(Continued)*

38.1 Financial risk factors *(Continued)*

(a) Foreign currency risk *(Continued)*

Foreign currency risk arises from the Group's financial assets and liabilities, which were denominated in RMB other than the functional currency of the members of the Group at the end of each reporting period are as follows:

	2016 **HK$'000**	2015 HK$'000
Trade receivables	**1,652**	–
Prepayments, deposits and other receivables	**465**	189
Cash and bank balances	**4,925**	19,095
Trade and bills payables	**(16,423)**	(14,839)
Deposits received, other payables and accruals	**(998)**	(1,593)
Overall net exposure	**(10,379)**	2,852

The following table indicates the approximate effect on the profit for the year in response to reasonably possible changes in the foreign exchange rates, with all other variables held constant, to which the Group has significant exposure at the end of each reporting period. The appreciation and depreciation of 5% (2015: 4%) in HK$ exchange rate against RMB represents management's assessment of a reasonably possible change in currency exchange rate over the reporting periods.

	(Decrease)/Increase on profit for the year	
	2016 **HK$'000**	2015 HK$'000
RMB to HK$		
Appreciation by 5% (2015: 4%)	**(433)**	95
Depreciation by 5% (2015: 4%)	**433**	(95)

The measures to manage foreign currency risk have been followed by the Group since prior years and are considered to be effective.

38. FINANCIAL RISK MANAGEMENT *(Continued)*

38.1 Financial risk factors *(Continued)*

(b) Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instruments and cause a financial loss to the Group.

The objective of the Group's measures to manage credit risk is to control potential exposure to recoverability problem. Most of the Group's bank balances are held in major reputable financial institutions in Hong Kong and the PRC, which management believes are of high credit quality.

The Group has policies in place to ensure that service rendered and sales of goods are made to customers with an appropriate credit history and the Group assesses the credit worthiness and financial strength of its customers as well as considering prior dealing history with the customers. Generally customers are granted credit terms ranging from 7 to 90 days. Management makes periodic collective assessment as well as individual assessment on the recoverability of trade and other receivables based on historical payment records, the length of the overdue period, the financial strength of the debtors and whether there are any disputes with the debtors.

The Group has concentration of credit risk with respect to trade receivables. As at 31 December 2016, the Group's trade receivables due from 2 (2015: 3) customers, of approximately HK$151,113,000 (2015: HK$93,561,000) represented 70% (2015: 73%) of trade receivables.

These customers are in good settlement records and reputation. The management believes that the credit risk on the amount due is minimal.

The Group has assessed the recoverability of all overdue receivables. The directors of the Company consider that no provision is necessary to cover the credit risk by reference to the counterparty's default history. Further quantitative analysis of trade receivables is detailed in note 21 to the consolidated financial statements.

The measures to manage credit risk have been followed by the Group since prior years and are considered to be effective.

(c) Interest rate risk

Interest rate risk means the risk on the fluctuation of fair value on future cash flows of financial instruments which arise from changes in interest rates. Floating interest rate instruments will result in the Group facing the risk of changes in market interest rate, and fixed interest rate instruments will result in the Group fair value interest rate risk.

Other than pledged bank deposits (note 24), cash and bank balances (note 25), bills payables (note 26) and bank borrowings (note 28), the Group does not have any other significant interest-bearing financial assets and liabilities. Any change in the interest rate promulgated by banks from time to time is not considered to have significant impact to the Group.

38. FINANCIAL RISK MANAGEMENT *(Continued)*

38.1 Financial risk factors *(Continued)*

(c) Interest rate risk *(Continued)*

The Group's interest rate risk arises primarily from the floating rate borrowings. Borrowings at floating rates expose the Group to cash flow interest rate risk.

At 31 December 2016, it is estimated that a general increase/decrease of 50 basis points in interest rates, with all other variables held constant, would increase/decrease the Group's profit for the year (through the impact on the Group's cash and bank balances, bank borrowings and bills payables which are subject to floating interest rate) by approximately HK$1,570,000 (2015: HK$1,684,000). No impact would be on other components of consolidated equity in response to the general increase/decrease in interest rates.

The sensitivity analysis as above has been determined assuming that the change in interest rates had occurred at each of reporting date and had been applied to the exposure to interest rate risk for financial instruments in existence at that date. The 50 basis point increase or decrease represents the management's assessment of a reasonably possible change in interest rates over the period until the next annual reporting date.

The measures to manage interest rate risk have been followed by the Group since prior years and are considered to be effective.

(d) Price risk

The Group is exposed to equity price risk through its investments in equity securities which are classified as financial assets measured at available-for-sale financial assets. The directors manage this exposure by maintaining a portfolio of investments with different risk and return profiles and followed by the Group since prior years and are considered to be effective. The Group are not exposed to commodity price risk.

38. FINANCIAL RISK MANAGEMENT *(Continued)*

38.1 Financial risk factors *(Continued)*

(d) Price risk *(Continued)*

Sensitivity analysis

The following table demonstrates the sensitivity as if equity prices had increased/(decreased) by 10% change in the fair values of the equity investments, with all other variables held constant, after any impact of tax for each reporting date. For the purpose of this analysis, for the available-for-sale equity investments, the impact is deemed to be on the revaluation reserve and no account is given for factors such as impairment which might impact the consolidated statement of comprehensive income.

	Effect on percentage change: Increase/(decrease) by 10% in equity price		
	Carrying Amount HK$'000	Increase/ (decrease) in profit for the year HK$'000	Increase/ (decrease) in revaluation reserve HK$'000
At 31 December 2016			
Available-for-sale financial assets			
– Listed equity securities, at fair values	**32,163**	**–**	**3,216/(3,216)**
At 31 December 2015			
Available-for-sale financial assets			
– Listed equity securities, at fair values	33,821	–	3,382/(3,382)

(e) Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank borrowings, also regularly monitor its liquidity requirements, its compliance with lending covenants and its relationship with its bankers to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. In addition, banking facilities have been put in place for contingency purposes.

The Group's liquidity position is monitored on a daily basis by the management.

38. FINANCIAL RISK MANAGEMENT *(Continued)*

38.1 Financial risk factors *(Continued)*

(e) Liquidity risk *(Continued)*

The following table summarises the remaining contractual maturities at the reporting dates of the Group's financial liabilities, which are based on contractual undiscounted payments.

Specifically, for term 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.

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	More than 1 year HK$'000
At 31 December 2016				
Trade and bills payables	**89,974**	**89,974**	**89,974**	**–**
Other payables and accruals	**53,400**	**53,400**	**53,400**	**–**
Loans from non-controlling interests	**24,326**	**24,326**	**13,388**	**10,938**
	167,700	**167,700**	**156,762**	**10,938**
At 31 December 2015				
Trade and bills payables	66,752	66,752	66,752	–
Other payables and accruals	55,960	55,960	55,960	–
Bank borrowings*	480	480	480	–
Loans from non-controlling interests	26,005	26,005	9,448	16,557
	149,197	149,197	132,640	16,557

* Balance included term loans which are subject to repayment on demand clauses.

38. FINANCIAL RISK MANAGEMENT *(Continued)*

38.1 Financial risk factors *(Continued)*

(e) Liquidity risk *(Continued)*

As at 31 December 2015, the table below summarised the maturity analysis of term loans with a repayment on demand clause based on agreed scheduled repayments set out in the loan agreements. Taking into account the Group's financial position, the directors did not consider that it was probable that the bank would exercise its discretion to demand immediate repayment. The directors believed that such term loans would be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

	Carrying amount	Total contractual undiscounted cash flow	Within 1 year	More than 1 year but less than 5 years
	HK$'000	HK$'000	HK$'000	HK$'000
At 31 December 2015	**480**	**485**	**485**	**–**

The measures to manage liquidity risk have been followed by the Group since prior years and are considered to be effective.

(f) Fair value risk

The fair values of the financial assets and liabilities are not materially different from their carrying amounts because of the immediate or the short term maturity of those financial instruments. The following table presents assets measured at fair value in the consolidated statement of financial position in accordance with the fair value hierarchy. The hierarchy groups assets into three levels based on the relative reliability of significant inputs used in measuring the fair value of these assets. The fair value hierarchy has the following levels:

Level 1: quoted prices (unadjusted) in active markets for identical assets;

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level in the fair value hierarchy within which the financial asset is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

38. FINANCIAL RISK MANAGEMENT *(Continued)*

38.1 Financial risk factors *(Continued)*

(f) Fair value risk *(Continued)*

The financial assets measured at fair value as at 31 December 2016 and 31 December 2015 in the consolidated statement of financial position are grouped into the fair value hierarchy as follows:

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Recurring fair value measurement				
31 December 2016				
Available-for-sale financial assets				
– Listed equity securities, at fair values	**32,163**	**–**	–	**32,163**
31 December 2015				
Available-for-sale financial assets				
– Listed equity securities, at fair values	33,821	–	–	33,821

The listed equity securities at fair values are denominated in HK$. Fair values have been determined by reference to their closing market prices at the reporting date.

During the year ended 31 December 2016, there have been no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2015: Nil).

38. FINANCIAL RISK MANAGEMENT *(Continued)*

38.2 Summary of financial assets and liabilities by category

The carrying amounts of the Group's financial assets and liabilities as recognised at each reporting dates are also analysed into the following categories. See notes 4.10 and 4.11 for explanations about how the category of financial instruments affects their subsequent measurement.

	2016 HK$'000	2015 HK$'000
Financial assets		
Available-for-sale financial assets	**32,163**	33,821
Loans and receivables		
– Trade and bills receivables	**216,662**	127,689
– Other deposits and other receivables	**9,595**	19,583
– Amount due from an associate	**351**	187
– Pledged bank deposits	**29,720**	28,904
– Cash and bank balances	**383,984**	406,922
	672,475	617,106
Financial liabilities		
Financial liabilities measured at amortised cost		
– Trade and bills payables	**89,974**	66,752
– Other payables and accruals	**53,400**	55,960
– Bank borrowings	**–**	480
– Loans from non-controlling interests	**24,326**	26,005
	167,700	149,197

39. CAPITAL MANAGEMENT

The Group's capital management objectives are:

(i) to ensure the Group's ability to continue as a going concern; and

(ii) to provide an adequate return to equity holders.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher owners' returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions. The directors of the Company also balance its overall capital structure through the payment of dividends or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2016 and 2015.

The Group sets the amount of equity in proportion to its overall financing structure. The equity-to-overall financing ratios at the end of the reporting periods were as follows:

	2016 HK$'000	2015 HK$'000
Total equity	**598,845**	556,733
Overall financing		
Bank borrowings	**–**	480
Loans from non-controlling interests	**24,326**	26,005
	24,326	26,485
Equity-to-overall financing ratio	**24.6:1**	21.0:1

40. CREDIT FACILITIES

As at 31 December 2016, the Group has obtained banking facilities, including term loans, bills payables and bank overdrafts, of totalling HK$189,000,000 (2015: HK$183,396,000) and US$200,000 (2015: US$3,159,000), of which HK$7,915,000 (2015: HK$3,480,000) has been utilised by the Group. As at 31 December 2016, the Group has unutilised banking facilities of approximately HK$181,085,000 (2015: HK$179,916,000) and US$200,000 (2015: US$3,159,000) available for draw down.

As at 31 December 2016, the Group's banking facilities were secured/guaranteed by the followings:

(a) pledge of leasehold land and building with an aggregate carrying amount of HK$20,375,000 (2015: HK$21,159,000) (note 15).

(b) pledged bank deposits of HK$29,720,000 (2015: HK$28,904,000) (note 24).

(c) unlimited corporate guarantee provided by the Company.

FINANCIAL SUMMARY

A summary of the published financial results and of the assets and liabilities of the Group for the year ended 31 December 2016 and the last four financial years is set out below. The summary does not form part of the audited financial statements.

	For the year ended 31 December				
	2016	2015	2014	2013	2012
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Financial results					
Revenue	**1,365,000**	1,394,635	1,359,459	1,236,284	1,077,351
Profit before income tax	**161,652**	194,107	116,650	96,483	83,725
Income tax expenses	**(27,601)**	(32,031)	(23,496)	(18,150)	(15,517)
Profit for the year	**134,051**	162,076	93,154	78,333	68,208
Profit/(Loss) attributable to:					
Owners of the Company	**133,844**	163,545	95,146	82,887	70,356
Non-controlling interests	**(207)**	(1,469)	(1,992)	(4,554)	(2,148)
	134,051	162,076	93,154	78,333	68,208

	As at 31 December				
	2016	2015	2014	2013	2012
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets and liabilities					
Non-current assets	**55,097**	63,344	55,108	61,451	35,887
Current assets	**724,950**	659,646	377,711	397,049	337,511
Current liabilities	**162,992**	141,384	165,831	238,134	185,392
Net current assets	**561,958**	518,262	211,880	158,915	152,119
Non-current liabilities	**18,210**	24,873	20,042	22,535	4,240
Net assets	**598,845**	556,733	246,946	197,831	183,766