

WING LEE

PROPERTY INVESTMENTS LIMITED

永利地產發展有限公司*

(Incorporated in Bermuda with limited liability)

Stock code: 864

Annual Report **2016**

** For identification purposes only*

Corporate Information	2
Chairperson's Statement	3
Management Discussion and Analysis	5
Directors and Senior Management Profile	8
Corporate Governance Report	11
Environmental, Social & Governance Report	21
Other Information	26
Directors' Report	30
Independent Auditor's Report	40
Consolidated Statement of Profit or Loss and Other Comprehensive Income	45
Consolidated Statement of Financial Position	46
Consolidated Statement of Changes in Equity	48
Consolidated Statement of Cash Flows	49
Notes to the Consolidated Financial Statements	50
Financial Summary	99
Summary of Investment Properties held by the Group	100

WING LEE PROPERTY INVESTMENTS LIMITED

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Ms. Chau Choi Fa (*Chairperson*)
Ms. Wong Siu Wah (*Chief Executive Officer*)
Ms. Wong Vivien Man-Li
Mr. Lui Siu Fung

Independent Non-executive Directors

Mr. Lam John Cheung-wah
Dr. Tse Kwok Sang
Mr. Chui Chi Yun Robert

COMPANY SECRETARY

Mr. Ng Ho Yin Owen

INDEPENDENT AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants

LEGAL ADVISORS

Bermuda

Conyers Dill & Pearman

Hong Kong

Reed Smith Richards Butler

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking
Corporation Limited
Hang Seng Bank Limited
Dah Sing Bank, Limited

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton, HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL

PLACE OF BUSINESS

Office J, 11/F, King Palace Plaza
55 King Yip Street
Kwun Tong, Kowloon
Hong Kong

SHARE REGISTRARS

Bermuda Principal

Codan Services Limited
Clarendon House, 2 Church Street
Hamilton, HM 11
Bermuda

Hong Kong Branch

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

STOCK CODE

Stock Code on The Stock Exchange of
Hong Kong Limited: 864

CORPORATE WEBSITE

www.wingleeproperties.com

On behalf of the board of directors (the "Board") of Wing Lee Property Investments Limited (the "Company"), I am pleased to present the audited financial results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2016 (the "year" or "reporting period").

BUSINESS REVIEW

The Group continued to focus its investments on Hong Kong properties and the leasing of completed commercial and residential properties in Hong Kong.

As at 31 December 2016, the aggregate market value of investment properties held by the Group, as appraised by RHL Appraisal Limited ("RHL"), an independent property valuer, amounted to approximately HK\$1,047.4 million, representing an decrease of approximately HK\$25.1 million as compared to 2015. The decrease was mainly due to the decrease in net changes in fair value of the Group's investment property portfolio for 2016 of approximately HK\$7.6 million and the disposal of one residential property in 2016 at a carrying value of HK\$17.5 million, which was the same as the consideration. Therefore, the Group did not record any gain on disposal for the disposal.

The total rental income for the year ended 31 December 2016 was approximately HK\$32.6 million, representing an increase of approximately 9.7% as compared to 2015. The increase was primarily attributable to an increase in rental rates and the full year rental effect for two investment properties that was acquired in the latter of 2015.

The Group's loss and total comprehensive expense attributable to the owners of the Company for 2016 was approximately HK\$1.1 million, whereas the Company recorded a total comprehensive income in 2015 of approximately HK\$26.0 million. This was mainly attributable to a decrease in net changes in fair value of the Group's investment properties in 2016 of approximately HK\$7.6 million, while an increase in fair value of approximately HK\$13.9 million was recorded in 2015. In addition, the Company recorded share-based payment expenses of approximately HK\$7.8 million during the year ended 31 December 2016 in respect of its grant of share options in December 2016, whilst there was no such expense in 2015. As the net decrease in fair values of the Group's investment properties and the accounting effect underlying granting of share options are non-cash items and the business of the Group is long-term investment and leasing of properties, they do not have any material adverse effect on the operations of the Group.

PROSPECTS

The Hong Kong government imposed in November 2016 a new flat-rate 15% stamp duty on non-first time buyers of residential properties. In the event the Group invests in residential properties, the new ad valorem stamp duty will increase our investment costs.

In December 2016, the Federal Reserve of the United States raised interest rates for the first time in 2016 and forecasted a rise in borrowing costs in 2017. In the event interest rates in Hong Kong follow the increase in the U.S. rates, the costs of borrowing will increase and may affect rental yields of the Company's investments.

WING LEE PROPERTY INVESTMENTS LIMITED

CHAIRPERSON'S STATEMENT

It is anticipated that the general property leasing market will be met with a challenging year ahead. Although tourists levels have been reported to have increased, retail sales have not fully recovered and are expected to continue to affect shop rentals in the foreseeable future.

While the Group endeavours to maintain the current rental levels with our tenants, if adverse market sentiment continues to develop, the Group may be required to review its rental levels and adjust to the market. Apart from rental income, adverse market sentiment may also bring a negative impact on the valuation of the Group's properties.

Subject to market conditions, it is anticipated that the properties will continue to provide the Group with stable rental income as the Group's portfolio of rental properties continues to maintain high occupancy rates.

Most of the Group's current bank borrowings will be fully paid off within the next four years which will result in a decrease in finance costs and further strengthening the Group's investment power.

Currently, the Group does not have plans for any material investments or acquisitions of capital assets. Due to market uncertainties, the Group will continue to maintain a conservative treasury policy.

In efforts to maintain competitiveness and ensure shareholder returns, the Group will continue to cautiously explore and expand its investment portfolio and may look beyond the Hong Kong region for investment opportunities.

APPRECIATION

On behalf of the Board, I would like to thank all of our shareholders, tenants and professional parties for their continued support and I would also like to extend my gratitude to all of our colleagues for their efforts and contributions to the Company.

Chau Choi Fa

Chairperson

Hong Kong, 24 February 2017

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATIONS

The Group continues to engage in the business of property investment, principally the leasing of completed commercial and residential properties in Hong Kong. As at 31 December 2016, the Group held an investment property portfolio of 35 properties located in Hong Kong and one property located in the People's Republic of China ("the PRC").

During the year, the Group disposed of one residential property located at Tai Hang Road with a carrying value of HK\$17.5 million at the time of disposal which was the same as the consideration. Therefore, the Group did not record any gain on disposal for the disposal.

The Group did not introduce or announce any new business or services for the year ended 31 December 2016.

RESULTS

Our loss and total comprehensive expense for the year attributable to owners of the Company for 2016 was approximately HK\$1.1 million (2015: approximately HK\$26.0 million profit and total comprehensive income), representing a change from profit to loss as compared to 2015. Such decrease was mainly attributable to a decrease in fair value of the Group's investment properties. In addition, the Company recorded share-based payment expenses of approximately HK\$7.8 million during the year ended 31 December 2016 in respect of its grant of share options in December 2016, whilst there was no such expense in 2015.

Loss per share for 2016 was HK\$0.0027 (2015: earnings per share of HK\$0.067), representing a decrease of earnings of HK\$0.0697 from last year.

FINANCIAL REVIEW

Liquidity and Capital Resources

As at 31 December 2016, the net current asset of the Group amounted to approximately HK\$6.8 million. In 2016, the Group received proceeds of HK\$17.5 million from the disposal of one residential property resulting in a change from net current liabilities to net current assets for the Group. As at 31 December 2015, the net current liabilities of the Group amounted to approximately HK\$7.6 million. The current ratio as at 31 December 2016, expressed as current assets over current liabilities as of that date, was approximately 1.20 (31 December 2015: approximately 0.80).

Total equity of the Group was approximately HK\$1,028.9 million (31 December 2015: approximately HK\$1,022.2 million), representing an increase of approximately HK\$6.7 million from the previous year-end.

Bank deposits and cash of the Group as at 31 December 2016 were approximately HK\$38.9 million (2015: approximately HK\$27.8 million), which included fixed deposits of approximately HK\$32.3 million (2015: approximately HK\$24.0 million). The increase in the Group's bank deposits and cash and improvement in current ratio were mainly attributable to the disposal of one investment property by the Group during the year.

WING LEE PROPERTY INVESTMENTS LIMITED

MANAGEMENT DISCUSSION AND ANALYSIS

As at 31 December 2016, the carrying amount of our bank loans was approximately HK\$58.4 million (2015: approximately HK\$80.1 million). As at 31 December 2016, all of the bank loans were secured by mortgages over certain investment properties and property, plant and equipment of the Group with carrying amounts of approximately HK\$501.4 million (2015: approximately HK\$521.5 million) and carry interest at HIBOR plus 0.70% to 2.25% per annum (2015: HIBOR plus 0.70% to 2.25% per annum). As at 31 December 2016, the Group had available unutilized bank loan facilities of approximately HK\$30 million (2015: nil).

Of the total bank loans as at 31 December 2016, approximately HK\$22.8 million (or approximately 39.1%) was repayable within one year or on demand. Approximately HK\$14.1 million (or approximately 24.1%) was repayable after one year but within two years. Approximately HK\$19.9 million (or approximately 34.1%) was repayable after two years but within five years. Approximately HK\$1.6 million (or approximately 2.7%) was repayable after five years.

Of the total bank loans as at 31 December 2015, approximately HK\$25.9 million (or approximately 32.3%) was repayable within one year or on demand. Approximately HK\$15.6 million (or approximately 19.5%) was repayable after one year but within two years. Approximately HK\$34.7 million (or approximately 43.3%) was repayable after two years but within five years. Approximately HK\$3.9 million (or approximately 4.9%) was repayable after five years.

The Group's total debt to equity ratio, calculated as total borrowings of approximately HK\$58.4 million (31 December 2015: approximately HK\$80.1 million) divided by shareholder's equity of the Group of approximately HK\$1,028.9 million (31 December 2015: approximately HK\$1,022.2 million) was approximately 0.06 as at 31 December 2016 (31 December 2015: approximately 0.08). The decrease was mainly due to repayment of bank loans in 2016.

Capital Expenditure

Capital expenditure incurred by our Group (representing acquisition of investment properties and property, plant and equipment) for the year ended 31 December 2016 was nil (2015: approximately HK\$21.7 million). The Group anticipates that the funding required for future capital expenditure will be principally financed by cash generated from operations and bank borrowings, although the Group may consider raising additional funds as and when appropriate.

Capital commitments

The Group had no material capital commitments as at 31 December 2016 and 31 December 2015.

Contingent liabilities

The Group had no significant contingent liabilities as at 31 December 2016 and 31 December 2015.

Pledge of assets

As at 31 December 2016, certain of the Group's investment properties with a carrying value of approximately HK\$486.1 million (2015: approximately HK\$505.7 million) have been pledged to secure bank loans of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

As at 31 December 2016, one of the Group's leasehold land and buildings with a carrying value of approximately HK\$15.3 million (2015: approximately HK\$15.8 million) has been pledged to secure a bank loan of the Group.

As at 31 December 2016, the Group has one motor vehicle held under a finance lease, with a carrying value of approximately HK\$357,000 (2015: approximately HK\$467,000).

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

There was no material acquisition or disposal of subsidiaries and associated companies by the Company during the year ended 31 December 2016.

TREASURY POLICIES

The Group principally operates in Hong Kong and the revenue, operating cost and borrowings were mainly denominated in Hong Kong dollars. As a result, the Group has minimal exposure to exchange rate fluctuation.

The Group adopts conservative treasury policies in cash and financial management. Cash is generally placed in short-term deposits mostly denominated in Hong Kong dollars. The Group does not use any financial instruments for hedging purpose.

RISK MANAGEMENT

The Group has established and maintained sufficient risk management procedures to identify and control various types of risk within the organisation and the external environment with active management participation and effective internal control procedures in the best interest of the Group and its shareholders.

HUMAN RESOURCES

As at 31 December 2016, the Group had 8 employees (2015: 8 employees) in Hong Kong. The Group recorded staff costs of approximately HK\$16.5 million for the year ended 31 December 2016 (2015: approximately HK\$8.2 million).

All of our employees have employment contracts that cover matters such as wages, benefits and grounds for termination. The Group's remuneration policies and packages are reviewed by the management on a regular basis. The Group grants discretionary bonuses to qualified employees based on operation results and individual performance.

Share options were granted in 2016 resulting in recording of share-based payment expenses of approximately HK\$7.8 million whilst no such expenses were recorded in 2015 as no share options were granted in that year.

FINAL DIVIDEND

The Board recommends the payment of a final dividend of HK\$0.01 per share for the year ended 31 December 2016 to Shareholders whose names appear on the register of members of the Company on 4 May 2017 (Thursday), subject to Shareholders' approval at the forthcoming annual general meeting. The proposed final dividend, if approved, is to be payable on or before 29 May 2017 (Monday).

WING LEE PROPERTY INVESTMENTS LIMITED

DIRECTORS AND SENIOR MANAGEMENT PROFILE

EXECUTIVE DIRECTORS

Ms. Chau Choi Fa (“Ms. Chau”), aged 49, is an executive director and the chairperson of the Company. Ms. Chau is the spouse of Mr. Chow Tak Hung, the controlling shareholder of the Company, and an aunt of Mr. Lui Siu Fung, an executive director of the Company. Ms. Chau has been responsible for overseeing the property division of the Group since 2007. Ms. Chau has over 20 years of experience in property investments and related activities in Hong Kong and overseas. She is responsible for the overall strategic planning of the Group.

Ms. Wong Siu Wah (“Ms. Wong”), aged 69, is an executive director and the chief executive officer of the Company. Ms. Wong is the mother of Ms. Wong Vivien Man-Li, an executive director of the Company. Ms. Wong has been responsible for overseeing the property business of the Group since 2001. She has over 20 years of management experience in the electronics industry as well over 20 years of experience in property investments and related activities in Hong Kong, as well as overseas. She is responsible for the overall strategic planning of the Group as well as overall administration of the Group.

Ms. Wong Vivien Man-Li (“Ms. Vivien Wong”), aged 35, is the daughter of Ms. Wong and an executive director of the Company. Ms. Vivien Wong joined the Group in 2011 and has over five years of experience in property and rental management. She holds a Bachelor of Laws degree from the University of Manchester, United Kingdom, and a Bachelor of Science degree from the University of Waterloo, Canada and is licensed to practice law as a solicitor and barrister in Ontario, Canada (currently non-practising) and is a member of the Law Society of Upper Canada. She is responsible for the overall management and corporate policy of the Group.

Mr. Lui Siu Fung (“Mr. Lui”), aged 35, is the nephew of Mr. Chow Tak Hung, the controlling shareholder of the Company, and Ms. Chau, and is an executive director of the Company. Mr. Lui joined the Group in 2008 and has over five years of work experience performing duties including in-house technical support and property maintenance. He graduated from the University of Windsor, Ontario, Canada with a Bachelor of Business degree and also holds a certificate in computer programming. He is responsible for heading property maintenance and internal information technology support of the Group.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lam John Cheung-wah (“Mr. Lam”), aged 62, joined the Group in 2013. Mr. Lam worked in the banking industry for more than 30 years. He is the vice chairman and an executive director of Nan Fung Property Holdings Limited which is engaged in property investments and development. Prior to this, he was an executive director of Dah Sing Bank, Limited and a director of Dah Sing Securities Limited, Dah Sing Life Assurance Co. Limited and Dah Sing Bank (China) Limited. Mr. Lam was employed by Hang Seng Bank Limited as an assistant general manager from 2003 to 2005. Prior to joining Hang Seng Bank Limited, Mr. Lam worked in various senior positions in The Hongkong and Shanghai Banking Corporation Limited and the Royal Bank of Canada for over 21 years. Mr. Lam obtained in June 1988 and June 1977, respectively, a Bachelor Degree in Business Management and a Marketing Diploma from Ryerson Polytechnical Institute, now Ryerson University in Toronto, Canada, and was designated as a Fellow of the Institute of Canadian Bankers in 1980. Mr. Lam is the vice chairman of China Real Estate Chamber of Commerce Hong Kong and International Chapter Limited, and also a member of the Chinese People’s Political Consultative Conference Guangzhou Committee.

Dr. Tse Kwok Sang (“Dr. Tse”), aged 60, joined the Group in 2013. He is currently Associate Professor of Finance of the School of Economics and Finance of The University of Hong Kong. Dr. Tse has published articles and other publications on the subject of real estate finance and economics, financial regulations and capital markets and investments. He served on the examination panel of the Estate Agents Authority of Hong Kong from 1999 to 2010. Currently, Dr. Tse is a Co-Opted Councillor and Co-Opted Member of the Executive Committee of the 33rd term of the Heung Yee Kuk New Territories and he was appointed by the Government of Hong Kong as a Justice of the Peace in 2010. He is also an independent non-executive director of Ajia Partners Asia Absolute Return Fund Limited which is listed on the Irish Stock Exchange. Dr. Tse obtained in June 1990 a Ph.D. in Business Administration from Michigan State University in the United States. He is an Associate Member of the Society of Actuaries. Dr. Tse has been an independent non-executive director of Sunlight Real Estate Investment Trust since its listing on the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (stock code: 435) in 2006 and is also an independent non-executive director of Addchance Holdings Limited which is also listed on the Stock Exchange (stock code: 3344). Dr. Tse was also a Member of The Hong Kong Institute of Directors.

Mr. Chui Chi Yun Robert (“Mr. Chui”) M.H., aged 60, joined the Group in 2013. He obtained a Bachelor Degree in Commerce in June 1978 and is a practising Certified Public Accountant in Hong Kong. Mr. Chui was admitted as a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants in the United Kingdom in June 1991 and May 1989, respectively. Mr. Chui is an independent non-executive director of Tse Sui Luen Jewellery (International) Limited (stock code: 417), National Arts Entertainment and Culture Group Limited (stock code: 8228), and PPS International (Holdings) Limited (stock code: 8201) and a non-executive director of Addchance Holdings Limited (stock code: 3344), all of which are companies listed on the Stock Exchange. He was an independent non-executive director of Aurum Pacific (China) Group Limited (stock code: 8148) until his resignation in March 2016.

WING LEE PROPERTY INVESTMENTS LIMITED

DIRECTORS AND SENIOR MANAGEMENT PROFILE

SENIOR MANAGEMENT

Mr. Ng Ho Yin Owen (“Mr. Ng”), aged 36, joined the Group in 2012. Mr. Ng is the company secretary and financial controller of the Company. He is a certified public accountant of the Hong Kong Institute of Certified Public Accountants and a certified practising accountant of CPA Australia. Mr. Ng is responsible for the financial and company secretarial matters of the Company. Mr. Ng has over 10 years of experience in auditing, financial management and taxation. Mr. Ng holds a Bachelor of Business (Accountancy) degree and Bachelor of Information Technology degree from the Queensland University of Technology, Australia.

The Board considers effective corporate governance a key component in the Group's sustainable development and believes that good corporate governance practices are increasingly important for maintaining and promoting shareholder value and investor confidence. The Board sets appropriate policies and implements corporate governance practices appropriate to the conduct and growth of the Group's business.

The Company has adopted the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") as its own code of corporate governance. The Board considers that the Company was in compliance with all applicable code provisions set out in the CG Code.

(A) THE BOARD OF DIRECTORS

The overall management of the Company's operation is vested in the Board.

The Board takes responsibility to oversee all major matters of the Company, including the formulation and approval of all policy matters, overall strategies, internal control and risk management systems and review of the effectiveness of such systems, monitoring of the performance of the senior management and determining the policy for corporate governance. The directors of the Company ("Directors") make decisions objectively in the interests of the Company. Currently, the Board comprises seven Directors, including four executive directors and three independent non-executive directors:

Executive Directors

Ms. Chau Choi Fa (*Chairperson*)
Ms. Wong Siu Wah (*Chief Executive Officer*)
Ms. Wong Vivien Man-Li
Mr. Lui Siu Fung

Independent Non-Executive Directors

Mr. Lam John Cheung-wah
Dr. Tse Kwok Sang
Mr. Chui Chi Yun Robert

Their biographical details and relationships are set out in the section entitled "Directors and Senior Management Profile" in the annual report. Ms. Chau Choi Fa and Ms. Wong Siu Wah are interested in certain properties in Hong Kong and the PRC (being the territories in which the Group owns properties), the details of which are set out in the paragraph "Properties Held by the Directors and our Controlling Shareholders" in the section entitled "Other information" in the annual report.

The Board delegates the authority and responsibility for implementing day-to-day operations, business strategies and management of the Group's businesses to the executive Directors, senior management and certain specific responsibilities to the Board committees.

CORPORATE GOVERNANCE REPORT

(A) THE BOARD OF DIRECTORS – continued

Chairperson and Chief Executive Officer

Ms. Chau Choi Fa is the chairperson of the Company and Ms. Wong Siu Wah is the chief executive officer (“CEO”). The roles of the chairperson and CEO are served by different individuals to achieve a balance of authority and power, which is in compliance with the Code Provision A.2.1 of the CG Code. The main responsibility of the chairperson is to lead the Board and manage its work to ensure that it effectively operates and fully discharges its responsibilities. Supported by the members of committees of the Board, the CEO is responsible for the day-to-day management of the Group’s business, recommending strategies to the Board, and determining and implementing operational decisions.

Appointments, Re-election and Removal of Directors

Each of the executive Directors and independent non-executive Directors has entered into a service contract or letter of appointment with the Company for a specific term. Such term is subject to her/his re-appointment by the Company at an annual general meeting upon such Director’s retirement by rotation at least once every three years and offering herself/himself for re-election.

The bye-laws of the Company provide that any Director appointed by the Board, (i) to fill a casual vacancy in the Board, shall hold office only until the next following general meeting of the Company and shall be subject to re-election at such meeting and (ii) as an addition to the Board shall hold office until the next annual general meeting of the Company and shall then be eligible for re-election.

Independent Non-Executive Directors

In compliance with Rule 3.10 of the Listing Rules, the Company has appointed three independent non-executive Directors, one of whom, namely Mr. Chui Chi Yun Robert, possesses the appropriate professional qualifications in accounting and financial management. Each of the three independent non-executive Directors has confirmed his independence of the Company and the Company considers each of them to be independent in accordance with the guidelines of assessing independence as set out in Rule 3.13 of the Listing Rules. Each of the three independent non-executive Directors has signed a letter of appointment with the Company for a specific term of one year.

Number of Meetings and Directors’ Attendance

Code Provision A.1.1 of the CG Code prescribes that at least four regular Board meetings should be held each year at approximately quarterly intervals with active participation of a majority of the Directors, either in person or through other electronic means of communication.

During the year ended 31 December 2016, the Board has held seven meetings. The Board will schedule to have at least four regular meetings in a year.

(A) THE BOARD OF DIRECTORS – continued

Number of Meetings and Directors' Attendance – continued

Name of Director	Attendance/Number of Meetings			
	Board Meeting	Nomination Committee	Remuneration Committee	Audit Committee
Executive Directors:				
Ms. Chau Choi Fa	7/7	1/1	N/A	N/A
Ms. Wong Siu Wah	7/7	N/A	2/2	N/A
Ms. Wong Vivien Man-Li	6/7	N/A	N/A	N/A
Mr. Lui Siu Fung	7/7	N/A	N/A	N/A
Independent Non-executive Directors:				
Mr. Lam John Cheung-wah	7/7	1/1	2/2	2/2
Dr. Tse Kwok Sang	7/7	1/1	2/2	2/2
Mr. Chui Chi Yun Robert	7/7	1/1	2/2	2/2

Training and Support for Directors

In accordance with Code Provision A.6.5 of the CG Code with regards to continuous professional development, all Directors have participated in continuous professional development to develop and refresh their knowledge and skills.

To further ensure that all Directors are adequately informed about the Company's business and operations as well as his/her responsibilities under relevant laws, rules and regulations, the Company Secretary provides all Directors with regular updates regarding the Company's performance as well as updates on latest amendments and developments to the Listing Rules and other relevant legal and regulatory requirements from time to time.

The Directors received the following training for the year ended 31 December 2016 according to the records provided by the Directors:

Directors	Training on corporate governance, regulatory development and other relevant topics
<i>Executive Directors</i>	
Ms. Chau Choi Fa (<i>Chairperson</i>)	✓
Ms. Wong Siu Wah (<i>Chief Executive Officer</i>)	✓
Ms. Wong Vivien Man-Li	✓
Mr. Lui Siu Fung	✓
<i>Independent Non-executive Directors</i>	
Mr. Lam John Cheung-wah	✓
Dr. Tse Kwok Sang	✓
Mr. Chui Chi Yun Robert	✓

CORPORATE GOVERNANCE REPORT

(A) THE BOARD OF DIRECTORS – continued

Directors' and Officers' Insurance

The Company has arranged for appropriate liability insurance for the Directors to cover their liabilities arising out of corporate activities.

Compliance with the Model Code for Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as its model code for securities transactions by Directors. Having made specific enquiries, all the Directors confirmed that they have complied with the Model Code during the year ended 31 December 2016.

Board Committees

The Board has established an Audit Committee, Remuneration Committee and Nomination Committee (collectively "Board Committees") with defined terms of reference. The terms of reference of the Board Committees are posted on the websites of the Company and the Stock Exchange. The Board Committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expense.

Audit Committee

The Audit Committee's current members include:

Mr. Chui Chi Yun Robert (*Chairperson*)

Mr. Lam John Cheung-wah

Dr. Tse Kwok Sang

All of the committee members are independent non-executive Directors. The primary duties of the Audit Committee are to assist the Board in 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 and responsibilities as assigned by the Board.

The terms of reference of the Audit Committee, a copy of which is posted on the website of the Company and the Stock Exchange, are in line with the provisions of the CG Code.

The Audit Committee shall hold at least two regular meetings in a year to review and discuss the interim and annual financial statements of the Company. Additional meetings of the Audit Committee may be held as and when required.

The Audit Committee shall meet with the external auditor at least twice a year. The external auditor may request additional meetings if they consider necessary.

(A) THE BOARD OF DIRECTORS – continued

Board Committees – continued

Audit Committee – continued

During the year ended 31 December 2016, the Audit Committee held two meetings. The attendance records are set out under the section headed, “Number of Meetings and Directors’ Attendance” in this report. The Audit Committee performed the following work during the year:

- (a) reviewed the Group’s annual audited financial statements for the year ended 31 December 2016, and reviewed the unaudited interim financial statements for the six months ended 30 June 2016 including the accounting principles and accounting standards adopted with recommendations made to the Board for approval;
- (b) reviewed the changes in accounting standards and assessed their potential impacts on the Group’s financial statements;
- (c) reviewed the Group’s internal control system and related matters; and
- (d) considered and made recommendations on the re-appointment of the independent auditor of the Group, and the terms of engagement.

Remuneration Committee

The Remuneration Committee’s current members include:

Mr. Lam John Cheung-wah (*Chairman*)
Dr. Tse Kwok Sang
Mr. Chui Chi Yun Robert
Ms. Wong Siu Wah

The majority of the members are independent non-executive Directors. The Remuneration Committee determines the policy for remuneration of executive Directors, assessing performance of executive Directors, approving the terms of executive Directors’ service contracts, reviews the remuneration package of the executive Directors, independent non-executive Directors and senior management, and makes appropriate recommendations to the Board. Staff remuneration is determined by the Group’s management by reference to the individual staff’s qualifications, work experience, performance and prevailing market conditions.

The terms of reference of the Remuneration Committee, a copy of which is posted on the website of the Company and the Stock Exchange, are in line with the provisions of the CG Code.

The Remuneration Committee met twice during the financial year. During the meeting, the Remuneration Committee reviewed the remuneration packages of the executive Directors, independent non-executive Directors and senior management.

CORPORATE GOVERNANCE REPORT

(A) THE BOARD OF DIRECTORS – continued

Board Committees – continued

Nomination Committee

The Nomination Committee's current members include :

Dr. Tse Kwok Sang (*Chairman*)
Mr. Chui Chi Yun Robert
Mr. Lam John Cheung-wah
Ms. Chau Choi Fa

The majority of the members are independent non-executive Directors. The principal duties of the Nomination Committee are to determine the policy of nomination of Directors and identify and nominate suitable candidates for appointment as Directors and make recommendations to the Board.

The terms of reference of the Nomination Committee, a copy of which is posted on the website of the Company and the Stock Exchange, are in line with the provisions of the CG Code.

The Nomination Committee has a policy concerning diversity of Board members which aims to maintain the Board with a diversity of Directors in terms of skills, experience, knowledge, expertise, culture, independence, age and gender, with a view to enhancing the quality of performance of the Board.

The Nomination Committee met once during the financial year. During the meeting, the Nomination Committee reviewed the structure and composition (including the skills, knowledge and experience) of the Board.

Corporate Governance Functions

The Board is responsible for performing the corporate governance duties set out in code provision D.3.1 of the CG Code, namely:

- (i) to develop and review the Company's policies and practices on corporate governance;
- (ii) to review and monitor the training and continuous professional development of Directors and senior management;
- (iii) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- (iv) to develop, review and monitor the code of conduct and compliance manual (including in relation to securities trading) applicable to employees and Directors; and
- (v) to review the Company's compliance with the CG Code and disclosure in the corporate governance report in the Company's annual report.

The Board had held one meeting during the Period at which the Board reviewed the Company's policies and practice on corporate governance and legal and regulatory compliance, training and continuous professional development participations of the Directors, as well as the Company's compliance with the CG Code.

(A) THE BOARD OF DIRECTORS – continued

Conflict of Interest

If a Director has a conflict of interest in relation to a transaction or proposal to be considered by the Board, the individual is required to declare such interest and to abstain from voting. The matter is considered at a Board meeting attended by Directors who have no material interest in the transaction. The Group also adopted certain internal control policies to manage potential conflicts of interest.

Company Secretary

Mr. Ng Ho Yin Owen, the company secretary and financial controller of the Company, is an employee of the Group and has day-to-day knowledge of the Company's affairs. The company secretary has 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 entitled "Directors and Senior Management Profile" in the annual report. Pursuant to code provision F.1.1 of the Codes, Mr. Ng confirmed that he had taken not less than 15 hours' relevant professional training during the year.

(B) FINANCIAL REPORTING AND INTERNAL CONTROL

Financial Reporting

The Board, supported by the financial controller and the finance and accounts department of the Company are responsible for the preparation of accounts for each financial period which give a true and fair view of the state of affairs of the Group. In preparing the accounts for the year ended 31 December 2016, the Directors have reviewed and applied suitable accounting policies, adopted appropriate Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards, made adjustments and estimates that are prudent and reasonable, and have prepared the accounts on a going concern basis. The Directors are also responsible for keeping proper accounting records which reflect the financial information of the Group with reasonable accuracy.

External Auditor's Remuneration

Deloitte Touche Tohmatsu has been appointed as the Company's external auditor since the Company's incorporation. There was no disagreement between the Board and the Audit Committee on the selection, appointment, resignation or dismissal of the external auditor.

The remuneration paid to the Company's external auditor, Deloitte Touche Tohmatsu, in respect of audit services and non-audit services for the year ended 31 December 2016 is set out below:

Type of services provided by the external auditor	Amount of fees HK\$'000
Audit services	520
Non-audit services	–
Total	520

CORPORATE GOVERNANCE REPORT

(B) FINANCIAL REPORTING AND INTERNAL CONTROL – continued

Internal Control and Risk Management

The Group conducts an annual review on whether there is a need for an internal audit department. Given the Group's simple operating structure, as opposed to a separate internal audit department, the Board is directly responsible for internal control of the Group and for reviewing its effectiveness.

The Board conducts a review on the internal control system of the Group on an annual basis and has the responsibility to maintain an effective internal control system. The Board also reviews and monitors the effectiveness of the internal control and risk management systems on a regular basis to ensure that the systems in place are adequate.

The Group's internal control system is comprised of a system of controlled management wherein various authoritative limits are placed to ensure that the Group is able to supervise, control and assess various functions within Group. The system further permits the Group to safeguard its accounting records to minimize material errors in order to provide as accurate as possible financial information.

During the year under review, the Company engaged an external independent consultant to conduct a review on the internal control system of the Group in order to maintain high standards of corporate governance. The Board has also reviewed the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function. Based on the above, the Board is of the view that the Company has established a proper internal control system which is effective and adequate.

The Company have formulated an inside information policy providing guideline on handling inside information. The Company regularly reminds the directors and employees about compliance with all policies adopted by the Company regarding inside information including the Model Code set out in Appendix 10 of the Listing Rules in relation to dealings in securities of the Company.

(C) COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company believes that effective communication with shareholders is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies. The Group also recognizes the importance of transparency and timely disclosure of corporate information, which enable shareholders and investors to make appropriate investment decisions.

The members of the Board and Board Committees and the external auditor are present to answer shareholders' questions in the annual general meetings of the Company. Meeting circulars are distributed to all shareholders before the annual general meeting and special general meetings in accordance with the timeline requirement as laid down in the Listing Rules and the bye-laws of the Company. All the resolutions proposed to be approved at the general meetings will be taken by poll and poll voting results will be published on the websites of the Stock Exchange and the Company after the meetings.

(C) COMMUNICATION WITH SHAREHOLDERS AND INVESTORS – continued

As a channel to promote effective communication, the Group maintains a website where information on the Company's announcements, financial information and other information are posted. Shareholders and investors may write directly to the Company at its principal place of business in Hong Kong with any inquiries.

The Company provides guidelines to directors and employees in the handling of inside information. Along with regulatory updates, all directors and employees are reminded of compliance with the Group's policy on Inside Information.

(D) SHAREHOLDERS' RIGHTS

Convening of Special General Meetings and Requisition by Shareholders

Shareholders shall have the right to request the Board to convene a special general meeting ("SGM"). Shareholders holding in aggregate not less than one-tenth (10%) of the paid up capital of the Company may send a written request to the Board for requisition of an SGM.

The written requisition, duly signed by the shareholders concerned, must state the purpose of the meeting and must be deposited at the registered office of the Company.

The Company will take appropriate actions and make necessary arrangements and any expenses incurred in giving effect thereto will be payable in accordance with the requirements of Section 74 of the Companies Act 1981 of Bermuda (the "Companies Act") once a valid requisition is received.

Procedures for Making Proposals at General Meetings by Shareholders

The following shareholders are entitled to put forward a proposal (which may properly be put to the meeting) for consideration at a general meeting of the Company:

- (a) any members representing not less than one-twentieth (5%) of the total voting rights of the Company on the date of the requisition; or
- (b) not less than 100 members holding shares in the Company.

The requisition specifying the proposal, duly signed by the shareholders concerned, together with a statement with respect to the matter referred to in the proposal must be deposited at the registered office of the Company. The Company will take appropriate actions and make necessary arrangements and the shareholders concerned will be responsible for any expenses incurred in giving effect thereto in accordance with the requirements of Sections 79 and 80 of the Companies Act once valid documents are received.

CORPORATE GOVERNANCE REPORT

(D) SHAREHOLDERS' RIGHTS – continued

Procedures for Making Proposals at General Meetings by Shareholders – continued

As regards to proposing a person other than the retiring Director for election as a Director in a general meeting, please refer to the procedures available on the website of the Company.

Shareholders may write directly to the Company at its principal place of business in Hong Kong with any inquiries.

(E) CONSTITUTIONAL DOCUMENTS

There was no change in the Company's constitutional documents during the year under review.

ENVIRONMENTAL, SOCIAL & GOVERNANCE REPORT

This is the Group's first Environmental, Social and Governance (the "ESG") report focusing on the Group's environmental, social & governance initiatives. When preparing this report, references have been made to Appendix 27 of the Listing Rules.

The Group has complied with the "Comply or Explain" provisions set out in the ESG Reporting Guide for the year ended 31 December 2016.

The initiatives of the Group in implementing environment and social-related policies are as follows:

- 1) To optimize efficient use of resources in efforts to minimize impact on the environment and natural resources;
- 2) To encourage employees and tenants to be environmentally conscientious; and
- 3) To contribute to the community's well-being.

STAKEHOLDER ENGAGEMENT AND MATERIALITY

In order to identify the most significant ESG aspects for the Group to report on for this ESG report, key stakeholders such as investors, shareholders and employees have been taken into consideration. As the Group is principally engaged in the leasing of completed properties, the Group did not have any major suppliers, therefore disclosures relating to supply chain management as set forth in the ESG Guide is not applicable to the Group.

STAKEHOLDERS' FEEDBACK

The Group welcomes stakeholders' feedback on our ESG approach and performance. Suggestions can be sent to us via e-mail at ESG@wingleeproperties.com.

ENVIRONMENTAL:

It is the Group's policy to ensure compliance with applicable environmental laws and regulations and minimise our environmental footprint through efficient use of resources and adoption of pro-environmental technologies. The Group endeavours to promote environmental conscientiousness not just to employees but to its tenants as well. The Group believes that increased environmental awareness is the key to environmental protection and wellness to the general community. As the Group is in the business of leasing completed commercial, residential and industrial space, its business produces minimal environmental emissions and discharges.

The Group's main office headquarters are located in Hong Kong and the main emissions and wastes produced by the Group are primarily attributable to its use of electricity, water, paper and gasoline. The Group does not produce any hazardous waste in its operations.

Given the nature of the Group's business, the Company believes that its business operations have minimal direct impact on the environment and natural resources. The Group is not aware of any material non-compliance with the relevant laws and regulations that have a significant impact on the environment and natural resource relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.

ENVIRONMENTAL, SOCIAL & GOVERNANCE REPORT

Electricity

Electricity consumed by the Group's headquarters in its normal business operations is supplied by China Light & Power (CLP). The electricity consumption by the Group at its office headquarters was approximately 15,811 kWh, producing CO₂ equivalent emissions of approximately 8,537.94 kg and an energy consumption intensity of approximately 133.55 kWh per square meter during the year. The Group encourages energy conservation by using energy-saving light fixtures and equipment as well as encouraging employees to turn off lights and equipment when not in use.

Water

There is no direct water supply to the office apart from water uses/effluent discharges at shared facilities of the office building for which no usage statistics are available. Water consumption by the Group for the year involved mainly bottled drinking water uses at its offices premises and the Group's business operations do not require any other water usage. The Group's office headquarters utilised a total of approximately 0.71m³ of drinking water with a water consumption intensity of approximately 0.09m³ per employee for domestic consumption during the year.

Paper

During the year, the Group used a total of approximately 416.78 kg of print paper in its normal business operations of which approximately 414.28 kg were attributable to printed materials distributed to Shareholders. The total CO₂ equivalent emissions for the paper used was approximately 2,000.54 kg of which approximately 1,988.54 kg was attributable to printed materials distributed to Shareholders. In efforts to prevent paper wastage, the Group encourages employees to print double sided two pages to one page and re-use paper to the extent practicable. Employee are also encouraged to go paperless by limiting printouts and communicate via e-mail as opposed to fax. The Group has not otherwise adopted any dedicated recycling programme regarding paper uses.

Gasoline

The Group owns one private vehicle that runs on unleaded petrol gas. During the year, a total of approximately 803.00 litres of unleaded petrol was used for the motor vehicle. The Group encourages employees to always keep the environment in mind when undertaking business activities including use of public transportation to travel to properties. Employees are encouraged to optimize resources to help the Group minimize its impact on the environment and natural resources.

WING LEE PROPERTY INVESTMENTS LIMITED

ENVIRONMENTAL, SOCIAL & GOVERNANCE REPORT

Emissions data from the vehicle owned by the Group are set out as follows:

	Nitrogen oxides (NO _x) (g)	Sulphur Oxides (SO _x) (g)	Particulate Matters (PM) (g)	Carbon Dioxide (CO ₂) (kg)
Unleaded Petrol used by the private vehicle owned by the Group during the year ended 31 December 2016	404.72	11.80	29.80	2,173.30

SOCIAL:

Employment:

As at 31 December 2016, the Group had 8 employees (2015: 8 employees) in Hong Kong. All of our employees have employment contracts that cover matters such as wages, benefits and grounds for termination. The Group's remuneration policies and packages are reviewed by the management on a regular basis. The Group grants discretionary bonuses to qualified employees based on operation results and individual performance. The employees are also entitled to medical insurance, participation in the mandatory provident fund (under which a fixed percentage (subject to statutory cap) of an employee's salary will be contributed toward the scheme) and various types of paid leave.

The Group is not aware of any material non-compliance with any relevant laws and regulations that have a significant impact on the Group relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare during the reporting period.

There was no staff movement during 2016.

Work force by Gender

	Percentage (%)
Male	50.0
Female	50.0

Workforce by Age Group

	18-25	26-35	36-45	46-55	56 and above
2016	0%	37.5%	12.5%	37.5%	12.5%

ENVIRONMENTAL, SOCIAL & GOVERNANCE REPORT

Employee Health & Safety:

The Group endeavours to provide a safe working environment for its employees. As part of the Group's employee health & safety policy, the Group has adopted the Occupational Health for Office Workers guideline published by the Occupational Safety and Health Branch, Labour Department. During the reporting period, no work related fatalities or lost days due to work injury were recorded.

The Group is not aware of any material non-compliance with the relevant laws and regulations that have a significant impact on the Group relating to providing a safe working environment & protecting employees from occupational hazards during the reporting period.

Development & Training:

All new employees are required to attend orientation training to ensure the employee is aware and familiarizes themselves with the Group's values and goals and to ensure the employee understands their role in the Group. Employees are encouraged to attend seminars relevant to their position to enhance their role within the Group.

Labour Standard:

All employees are recruited through the Human Resources Department to ensure they fulfill the job requirements underlying their respective positions.

The Group regularly reviews its employment practice and Group's guidelines on staff recruitment to ensure that it is in full compliance with the Employment Ordinance and other regulations related to, among other things, prevention of child labour and forced labour.

The Group is not aware of any material non-compliance with the relevant laws and regulations that have a significant impact on the Group relating to prevention of child and forced labour.

OPERATING PRACTICES:

Property Maintenances and Personal Data Practices:

The Group endeavours to ensure all properties are kept well maintained. Spot checks as well as annual review by an Authorized Person is performed on all properties to ensure properties are in line with government rules and regulations.

The Group's policy on Privacy of Personal Data provides guidelines for managing different kinds of personal data and the establishment of a privacy framework that secures the personal data of our tenants.

The Group is not aware of any material non-compliance with the relevant laws and regulations that have a significant impact on the Group relating to health and safety, advertising, labeling and privacy matters relating to products and services provided and methods of redress.

ENVIRONMENTAL, SOCIAL & GOVERNANCE REPORT

Anti-Corruption:

The Group adopts a zero-tolerance policy on bribery, extortion, fraud and money laundering. It is also the responsibility of all employees to maintain ethical behavior. All financials are triple checked through different levels of personnel to ensure compliance with all relevant laws and regulations relating to bribery, extortion, fraud and money laundering. All employees are encouraged to raise any related concerns to the senior management in a strictly confidential manner. Any matters of genuine concern are to be thoroughly investigated and actions will be taken accordingly.

The Group is not aware of any material non-compliance with the relevant laws and regulations that have a significant impact on the Group relating to bribery, extortion, fraud and money laundering during the reporting period.

Community:

Community Investment:

The Group encourages young minds to reach their potential. The Group donated HK\$50,000 to The University of Hong Kong during 2016 in efforts to encourage youths to achieve their personal goals. The donation is awarded to those students with excellent admission scores. The Group also donated HK\$1,000 to Orbis International during the year. The Group supports Orbis International's endeavours to improve the livelihood of those who are visually impaired.

OTHER INFORMATION

PROPERTIES HELD BY THE DIRECTORS AND OUR CONTROLLING SHAREHOLDERS

References to “controlling shareholders” in this section mean Bright Asia Holdings Limited (“Bright Asia”) and Mr. Chow Tak Hung, the spouse of Ms. Chau Choi Fa, an executive director and the chairperson of our company. Save as set out below, Bright Asia has no interest in investment properties other than those held via the Company.

Properties held by Bright Asia

As at 31 December 2016, Bright Asia and its subsidiaries held the following properties (the “Retained Properties”):

- (i) an industrial complex located at Xinling Road, Sulong Town, Luoding Village, Yunfu City, Guangdong Province, the PRC. This property has a total gross floor area of approximately 11,719.51 sq.m. (approximately 126,148.81 sq.ft.) (*Note 1*);
- (ii) an industrial complex located at Second Industrial Zone, Sijia Management Area, Qingfeng Road West, Shijie Town, Dongguan City, Guangdong Province, PRC. This property has a total gross floor area of approximately 30,537.05 sq.m. (approximately 328,700.83 sq.ft.) (*Note 2*); and

Note:

- 1. The property had not been leased out during the year ended 31 December 2016.
- 2. The rental income for the year ended 31 December 2016 was approximately HK\$1.7 million and the fair value as at 31 December 2016 was approximately HK\$32.6 million.

PROPERTIES HELD BY THE DIRECTORS AND OUR CONTROLLING SHAREHOLDERS – continued**Personal Investments**

As at 31 December 2016, Ms. Wong Siu Wah (“Ms. Wong”) and Ms. Chau Choi Fa (“Ms. Chau”) both of whom are executive directors of the Company were, in addition to their personal residences, interested in the following properties in Hong Kong and the PRC (being the territories in which the Group owns properties) (the “Personal Investments”):

- (i) a commercial property located at G/F and cockloft (otherwise called mezzanine floor), No. 99 Queen’s Road East, Hong Kong with a saleable floor area of approximately 610 sq. ft. (with yard: 50 sq. ft. and cockloft: 400 sq. ft.) (*Note 1*);
- (ii) a commercial property located at Shop B5 on G/F and Cockloft, Tai Wong Building, Nos. 3-5 Tai Wong Street East, Hong Kong with a saleable floor area of approximately 1,090 sq. ft. (with yard: 35 sq. ft. and cockloft: 440 sq. ft.) (*Note 1*);
- (iii) a commercial and residential property located at No. 22 Man On Street (whole building), Tai Kok Tsui, Kowloon with a saleable floor area of approximately 870 sq. ft. (commercial space) and 3,130 sq. ft. (residential space) (*Note 1*);
- (iv) a commercial property located at Shop No. 3, G/F, Rialto Building, No. 2 Landale Street, Hong Kong with a saleable floor area of approximately 670 sq. ft. (*Note 1*);
- (v) a commercial property located at 2/F, No. 61 Wellington Street, Hong Kong with a saleable floor area of approximately 470 sq. ft. (*Note 1*);
- (vi) a commercial property located at G/F and cockloft, No. 299 Portland Street, Kowloon with a saleable floor area of approximately 620 sq. ft. (with cockloft: 460 sq. ft.) (*Note 1*);
- (vii) a residential property located at Levels 3-7, Block E, Shangyi Village, Shijie Town, Dongguan, Guangdong Province, PRC with a gross floor area of approximately 1,553 sq. m. (approximately 16,716 sq. ft.) (*Note 2*);
- (viii) a residential property located at Levels 3-7, Block D, Shangyi Village, Shijie Town, Dongguan, Guangdong Province, PRC with a gross floor area of approximately 1,890 sq. m. (approximately 20,344 sq. ft.) (*Note 2*).

OTHER INFORMATION

PROPERTIES HELD BY THE DIRECTORS AND OUR CONTROLLING SHAREHOLDERS – continued

Personal Investments – continued

Notes:

1. This property is held by Ms. Chau and Ms. Wong or companies jointly owned by Ms. Chau and Ms. Wong.
2. This property is held by a company in which Mr. Chow Tak Hung, Ms. Chow Woon Yin and Ms. Wong are interested.

Ms. Chau and Ms. Wong also hold one property in Tai Tam and two properties in Jardine's Lookout Garden Mansion, which are used as personal residences of Ms. Chau, Ms. Wong and/or their respective family members.

The aggregate rental income of the Personal Investments for the year ended 31 December 2016 was approximately HK\$7.2 million and the aggregate fair value of the Personal Investments as at 31 December 2016 was approximately HK\$275.6 million.

Taking into account the number and availability of alternative units in the Hong Kong property market, and given that the size of the Group's property portfolio in Hong Kong is significantly larger than that of the Personal Investments and Retained Properties in Hong Kong, and properties located in the PRC are not the Company's investment focus, the Board is of the view that competition from the holding of properties by the controlling shareholders and Directors as set out above with the business of the Group is not extreme.

In addition, given the independence of the Group from the controlling shareholders in terms of boards and management, operation, finance and administrative capability and clear delineation of business amongst them as detailed in the listing document of the company dated 28 February 2013 (the "Listing Document"), the Board is satisfied that the Group is capable of carrying on its business independently from the controlling shareholders (including their respective associates).

Confirmation of compliance with internal policy and deed of non-competition

The Directors confirmed that they have complied with the Company's internal policy on property transactions. Our controlling shareholders (namely Mr. Chow Tak Hung and Bright Asia), Ms. Chow Woon Yin and Ms. Wong (collectively the "Covenantors"), both of whom are also shareholders of Bright Asia, have also confirmed that they have complied with the provisions of the deed of non-competition dated 6 February 2013 (the "Deed of Non-competition") entered into by them in favour of the Company.

PROPERTIES WITH BUILDING ORDERS AND/OR WARNING NOTICES REGISTERED AGAINST THEIR TITLE

Certain of our properties are encumbered with building orders and/or warning notices, details of which have been disclosed in the Listing Document. Set out below is a summary of the latest progress of rectification of such building orders and warning notices as at 24 February 2017, being the latest date for ascertaining information in relation to these building orders and warning notices.

Property/ Building concerned	Subject of legal compliance issue	Status as at 24 February 2017
Wah Fung Building, Nos. 296-298 Lockhart Road, Wanchai, Hong Kong (in which four of our properties are located)	Two building orders were issued to the incorporated owners of the building in 2010 in relation to the rectification of the defective parts of the exterior and common area.	We will continue to cooperate with the incorporated owners in rectification of the subject matters in these orders.
Ground Floor No. 3 Ma Tau Kok Road, Kowloon	One building order issued to Fast Silver Development Limited relating to a glass enclosure located in a common area of the building.	The building order is currently being appealed as the common area does not belong to G/F unit exclusively.

Following the relaxation of our property acquisition policy as stated in the Company's announcement dated 30 April 2015, in 2015, we purchased a property located at Flat A, 1/F, Kam Tak Mansion, 88-90 Queen's Road East, Wanchai, Hong Kong with a pre-existing warning notice, and prior to its purchase had come to the view that, based upon confirmation by an authorised person (as permitted under the Buildings Ordinance) the costs of rectification or compliance with such warning notice were acceptable to the Group, or if the warning notice was not complied with, it would not result in material liability to the Group.

WING LEE PROPERTY INVESTMENTS LIMITED

DIRECTORS' REPORT

The Directors are pleased to present the annual report and the audited consolidated financial statements of the Company for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its subsidiaries are property investments, principally, the leasing of completed commercial and residential properties in Hong Kong.

BUSINESS REVIEW

The business review of these activities as required by Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) can be found in the Chairperson's Statement, Management Discussion and Analysis, and Environmental, Social and Governance Report set out on pages 3 to 4, 5 to 7 and 21 to 25 of this annual report respectively. Description of the risks and uncertainties facing the Company can be found throughout this annual report.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2016 are set out in the consolidated statement of profit or loss and other comprehensive income on page 45.

The Board recommends the payment of a final dividend of HK\$0.01 per share for the year ended 31 December 2016 to Shareholders whose names appear on the register of members of the Company on 4 May 2017 (Thursday), subject to Shareholders' approval at the annual general meeting. The proposed final dividend, if approved, is to be payable on or before 29 May 2017 (Monday).

CLOSURE OF REGISTER OF MEMBERS

To ascertain the shareholders' entitlement to attend and vote at the forthcoming annual general meeting of the Company, the register of members of the Company will be closed from 20 April 2017 (Thursday) to 24 April 2017 (Monday), both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the forthcoming annual general meeting, all transfers of shares, accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 19 April 2017 (Wednesday).

Subject to the approval of the shareholders at the forthcoming annual general meeting of the Company, the proposed final dividend will be payable to the shareholders whose names appear on the register of members of the Company on 4 May 2017 (Thursday). To ascertain the entitlement of the shareholders to the proposed final dividend, the register of members of the Company will be closed from 28 April 2017 (Friday) to 4 May 2017 (Thursday) both days inclusive, during which period no transfer of Shares will be registered. In order to qualify for the proposed final dividend, all transfer of Shares, accompanied by the relevant share certificates, must be lodged with the Hong Kong branch Share registrar of the Company, 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 27 April 2017 (Thursday). The ex-dividend date will be 26 April 2017 (Wednesday).

DONATIONS

Charitable donations made by the Group during the year amounted to HK\$51,000.

SUMMARY OF FINANCIAL INFORMATION

A summary of the published results, assets and liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements, is set out on page 99. The summary does not form part of the audited consolidated financial statements.

INVESTMENT PROPERTIES

The Group did not acquire any properties during the year. The Group disposed one investment property at a consideration of approximately HK\$17.5 million during the year. Details of the movements in investment properties of the Group during the year are set out in note 13 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

The Group did not acquire any property, plant and equipment during the year. Details of the movements in property, plant and equipment of the Group during the year are set out in note 14 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in note 22 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

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

Neither the Company nor any of its subsidiaries redeemed, purchased or cancelled any redeemable securities during the year ended 31 December 2016. As at 31 December 2016, there were no outstanding redeemable securities of the Company.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 30 to the consolidated financial statements and in the consolidated statement of changes in equity on page 48 respectively.

DISTRIBUTABLE RESERVES

At 31 December 2016, the distributable reserves of the Company amounted to approximately HK\$24.7 million, calculated in accordance with the Companies Act 1981 of Bermuda (as amended) (2015: HK\$4.0 million).

WING LEE PROPERTY INVESTMENTS LIMITED

DIRECTORS' REPORT

MAJOR CUSTOMERS AND SUPPLIERS

In relation to the Group's property leasing business, the percentages of gross rental income for the year ended 31 December 2016 attributable to the largest tenant and the five largest tenants in aggregate were approximately 8.5% and 34.3% respectively.

Taking into account the nature of the Group's business and operations, the Group did not have any major suppliers in relation to its property investment business during the year.

Save as disclosed above, none of the Directors, their associates or any shareholders, which to the knowledge of the Directors own more than 5% of the Company's issued share capital, had any interest in the share capital of the five largest tenants of the Group.

DIRECTORS

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

Executive directors:

Ms. Chau Choi Fa (*Chairperson*)

Ms. Wong Siu Wah (*Chief Executive Officer*)

Ms. Wong Vivien Man-Li

Mr. Lui Siu Fung

Independent non-executive directors:

Mr. Lam John Cheung-wah

Dr. Tse Kwok Sang

Mr. Chui Chi Yun Robert

In accordance with the provisions of the Company's bye-laws, Ms. Chau Choi Fa, Dr. Tse Kwok Sang and Mr. Chui Chi Yun Robert will retire at the forthcoming annual general meeting of the Company and being eligible, offer themselves for election. All other Directors will continue in office.

The Company has received, from each of the independent non-executive Directors, a confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors are independent.

DIRECTORS' SERVICE CONTRACTS

Each of the executive directors of the Company has entered into a letter of appointment with the Company for a term of three years commencing on 6 February 2016 and either the executive Director or the Company may terminate the agreement by giving the other party not less than three months' notice in writing.

Each of the independent non-executive Directors has entered into a letter of appointment with the Company for a term of one year commencing from 6 February 2017 and either the independent non-executive Director or the Company may terminate the agreement by giving the other party not less than three months' notice in writing.

Save as disclosed above, none of the Directors being proposed for re-election at the forthcoming annual general meeting has a service contract or letter of appointment with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

Under the letters of appointment, each of the Directors is entitled to an indemnity in his/her favour to the extent such indemnity applies pursuant to the bye-laws of the Company.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Other than those disclosed in this report, there were no transactions, arrangements or contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, which subsisted at the end of the year or at any time during the year ended 31 December 2016.

CONTROLLING SHAREHOLDER'S INTERESTS IN CONTRACTS OF SIGNIFICANCE

There was no contract of significance between any members of the Group and the Company's controlling shareholders subsisting at the end of the year or at any time during the year.

TAX RELIEF

The Company is not aware of any tax relief and exemption available to the shareholders by reason of their holding of the Company's securities.

REMUNERATION POLICY

The remuneration policy of the employees of the Group is set up by the Remuneration Committee and is based on merit, qualifications and competence of employees.

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

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company (not being a contract of service with any Director of the Company or any person in its full-time employment) was entered into or was subsisting during the year.

WING LEE PROPERTY INVESTMENTS LIMITED

DIRECTORS' REPORT

DIRECTORS' 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 of the Company ("Shares"), underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong) ("SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, were as follows:

Long positions in the Shares

Name of Director	Capacity/Nature of Interest	Number of Shares	Approximate percentage of interest in the Company's issued Shares
Ms. Chau Choi Fa	Interest of spouse (<i>Note</i>)	268,443,324	69.51%
Ms. Wong Vivien Man-Li	Beneficial interest	9,638	0.002%
Mr. Lui Siu Fung	Beneficial interest	9,638	0.002%

Note:

Ms. Chau Choi Fa is the spouse of Mr. Chow Tak Hung. Mr. Chow Tak Hung holds 60% interest in Bright Asia Holdings Limited ("Bright Asia"). Bright Asia held 268,443,324 Shares (representing approximately 69.51% of the issued Shares). By virtue of Part XV of the SFO, Ms. Chau Choi Fa (being the spouse of Mr. Chow Tak Hung) is deemed to be interested in those 268,443,324 Shares.

Long positions in the issued share capital of the Company's associated corporations (as defined in the SFO)

Name of Director	Name of associated corporation	Capacity/Nature of Interest	Number of shares (description)	Percentage of such associated corporation's issued share capital
Ms. Wong Siu Wah	Bright Asia (Note 1)	Beneficial interest	2,000 (ordinary shares)	20%
Ms. Chau Choi Fa	Bright Asia (Note 1)	Interest of spouse (Note 2)	6,000 (ordinary shares)	60%

Notes:

- Bright Asia is interested in 268,443,324 Shares (representing approximately 69.51% of the issued Shares). Bright Asia is therefore a holding company of the Company, and an associated corporation of the Company for the purposes of the SFO.
- Ms. Chau Choi Fa is the spouse of Mr. Chow Tak Hung, who holds 60% interest in Bright Asia.

SHARE OPTION SCHEME

The shareholders of the Company ("Shareholders") approved the adoption of a share option scheme (the "Scheme") at the Company's annual general meeting held on 31 March 2015, pursuant to the which the Board may, at its absolute discretion be entitled to make an offer of the grant of an option to any eligible persons to subscribe for Shares, subject to the terms and conditions of the Scheme. The purpose of the Scheme is to reward eligible participants who have contributed or will contribute to the Group and to provide incentive for the eligible participants to work towards enhancing the value of the Company, and to maintain or attract business relationships with eligible participants whose contributions are or may be beneficial to the growth of the Group.

Eligible participants (the "Participants") of the Scheme comprise (a) Directors; (b) employees of the Group; and (c) any advisors, consultants, business partners, service providers of any member of the Group who the Board considers, in its sole discretion, have contributed or will contribute to the Group.

The maximum number of Shares which may be issued upon exercise of all options granted or to be granted under the Scheme ("Options") and any other share option schemes of the Company shall not in aggregate exceed 10% in nominal amount of the Shares in issue on the date the Scheme was adopted, unless approval is obtained from the Shareholders. As at the date of this Annual Report, there were 38,617,575 Shares available for issue under the Scheme, representing 10% of the issued Shares as at the date of this Annual Report.

WING LEE PROPERTY INVESTMENTS LIMITED

DIRECTORS' REPORT

The maximum number of Shares issued and to be issued upon exercise of the Options granted to each grantee under the Scheme (including both exercised and outstanding Options) in any 12-month period shall not (when aggregated with any Shares subject to options granted during such period under any other share option scheme(s) of the Company) exceed 1% of the Shares in issue for the time being. Any further grant of share Options in excess of this limit is subject to Shareholders' approval in a general meeting.

Any grant of Options to any Director, chief executive or substantial shareholder (as such term as defined in the Listing Rules) of the Company, or any of their respective associates under the Scheme is subject to the prior approval of the independent non-executive Directors (excluding independent non-executive Directors who are the proposed grantees of the Options in question). Where any grant of Options to a substantial shareholder or an independent non-executive Director, or any of their respective associates, would result in the Shares issued and to be issued upon exercise of all Options already granted and to be granted (including Options exercised, cancelled or outstanding) to such person in the 12-month period up to and including the date of such grant (i) representing in aggregate over 0.1% of the Shares in issue on the date of such grant; and (ii) having an aggregate value, based on the closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant, in excess of HK\$5 million, such grant will be subject to prior approval of the Shareholders.

An offer shall remain open for acceptance by the Participant concerned for a period of five business days from the date of grant provided that no offer shall be open for acceptance after the expiry of the period as notified by the Board to the grantee at the time of making the grant but which shall not expire later than 10 years from the date of grant (the "Option Period"), or after the Scheme is terminated or after the Participant has ceased to be a Participant. HK\$1.00 is payable as consideration for acceptance of the Option.

The Board may, at its discretion, determine the minimum period for which an Option must be held before it can be exercised, but subject to the aforesaid, an Option may be exercised in accordance with the terms of the Scheme at any time during the Option Period.

The exercise price of the Option is determined by the Board, and will not be less than the higher of (i) the closing price of the Shares on the date of grant, (ii) the average closing price of the Shares for the five business days immediately preceding the date of grant and (iii) the nominal value of the Shares.

The Scheme shall be valid and effective for a period of 10 years commencing on the date of adoption, 31 March 2015.

THE SCHEME

A total of 11,971,446 share options (none of which is subject to any vesting period) were granted under the Scheme on 16 December 2016 and no options were granted during the year ended 31 December 2015. Details of the movements of the share options granted to the Directors under the Scheme during the year were as follows:

Name or category of the participants	Number of share options					Date of grant of the share options	Exercise period of the share options	Exercise price of the share options HK\$ per share	Fair value of the share options granted to each category of participants as at the date of grant HK\$
	Outstanding as at 1 January 2016	Granted during the year	Exercised during the year	Cancelled/ lapsed during the year	Outstanding as at 31 December 2016				
Executive Directors									
Ms. Chau Choi Fa	-	386,175	-	-	386,175	16/12/2016	16/12/2016-15/12/2026	1.254	250,507
Ms. Wong Siu Wah	-	3,861,757	-	-	3,861,757	16/12/2016	16/12/2016-15/12/2026	1.254	2,505,070
Ms. Wong Vivien Man-Li	-	3,861,757	-	-	3,861,757	16/12/2016	16/12/2016-15/12/2026	1.254	2,505,070
Mr. Lui Siu Fung	-	3,861,757	-	-	3,861,757	16/12/2016	16/12/2016-15/12/2026	1.254	2,505,070
	-	11,971,446	-	-	11,971,446				7,765,716

Note:

The Company's Shares closed at HK\$1.24 on 15 December 2016, being the date immediately before the date of grant.

Save for the above, no other share options were granted by the Company during the year ended 31 December 2016. No share options was exercised, cancelled or lapsed under the Scheme during the year ended 31 December 2016 (2015: No share options were exercised).

The fair value of the equity-settled share options granted on 16 December 2016 was HK\$7,765,716 which was estimated as at the date of grant, using the Binomial option pricing model. The inputs into the model were as follows:

Model	Binomial
Number of share options	11,971,446
Expected/contractual life	10 years
Exercise price per share	HK\$1.254
Exercise multiple	2.8
Expected volatility	48.9%
Risk-free interest rate	1.813%
Expected dividend yield	N/A

WING LEE PROPERTY INVESTMENTS LIMITED

DIRECTORS' REPORT

As the Binomial models require the input of highly subjective assumptions, including the volatility of share prices, changes in subjective input assumptions can materially affect the fair value estimate.

Expected volatility used in the valuation of options was determined by using the historical volatility of the Company's share price since the Company's shares were listed on the Stock Exchange in March 2013. The contractual life used in the Binomial model is the full life of share options from date of grant to expiry date provided by the Company. For estimation of the early exercise behaviour of directors, the management assumed an exercise multiple of 2.8 times for options granted in 2016 based on a research on the exercise behaviour of the Company's directors.

No other feature of the share options granted was incorporated into the measurement of fair value.

The total number of Shares of the Company available for issue upon exercise of the 11,971,446 options granted on 16 December 2016 under the Scheme was 11,971,446 Shares, at which represented approximately 3.10% of the then total issued share capital of the Company. The exercise in full of the share options in the Company would result in the issue of 11,971,446 additional ordinary shares and an additional share capital of HK\$119,714.46 in the Company.

There were 11,971,446 share options outstanding under the Scheme as at the date of this Annual Report, and the total number of Shares available for issue is 11,971,446 which represented approximately 3.10% of the total issued share capital of the Company as at the date of this Annual Report.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2016, so far as was known to the Directors or chief executive of the Company, the following persons (not being a Director or the chief executive officer of the Company) had an interest or a short position in Shares or underlying Shares which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or were, 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:

Name	Capacity/ Nature of interest	Number of Shares	Approximate percentage of interest in Company's issued Shares
Bright Asia	Beneficial interest	268,443,324	69.51%
Mr. Chow Tak Hung	Interest in controlled corporation (<i>Note 1</i>)	268,443,324	69.51%

Note:

1. Mr. Chow Tak Hung held 60% of the issued share capital of Bright Asia. Mr. Chow Tak Hung is therefore deemed under the SFO to be interested in the 268,443,324 Shares by Bright Asia.

CONNECTED TRANSACTIONS

On 8 November 2016, the Group entered into a sale and purchase agreement in relation to the disposal of an investment property to the son of an executive director of the Company (the "Purchaser") at a consideration of HK\$17,500,000, which was the same as the carrying value of the investment property at the time of disposal. The Purchaser, being an associate of a director, is therefore a connected person of the Company for the purposes of the Listing Rules and the Disposal constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. The disposal was subject to the reporting and announcement requirements but was exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Save as aforesaid, during the year, the Group has not entered into any connected transactions that are subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules.

DISCLOSURE REQUIRED UNDER RULE 13.51B(1) OF THE LISTING RULES

Mr. Chui Chi Yun Robert, an independent non-executive director of the Company, has reigned as an independent non-executive director of Aurum Pacific (China) Group Limited (stock code: 8148) in March 2016. His term of appointment as the Commissioner of the Hong Kong Road Safety Patrol has expired in 2016 he also stepped down from being a member of the Road Safety Campaign Committee of the Road Safety Council. Mr. Lam John Cheung-wah became a member of the Chinese People's Political Consultative Conference Guangzhou Committee in 2016. Updated biographical details of Mr. Chui and Mr. Lam are set out on page 9 of this report.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this report and based on publicly available information and the best knowledge of the Directors, the Company has sufficient public float as required under Rule 8.08 of the Listing Rules.

AUDITOR

A resolution will be submitted to the annual general meeting to re-appoint Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

Chau Choi Fa

Chairperson

Hong Kong, 24 February 2017

Deloitte.

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TO THE SHAREHOLDERS OF

WING LEE PROPERTY INVESTMENTS LIMITED

(incorporated in Bermuda with limited liability)

Opinion

We have audited the consolidated financial statements of Wing Lee Property Investments Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 45 to 98, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and 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 consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSA”) 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.

INDEPENDENT AUDITOR'S REPORT

Key Audit Matters

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

Key audit matter

Valuation of investment properties

We identified the valuation of investment properties as a key audit matter due to the key source of estimation uncertainty and the significant assumptions and judgements involved in the valuation.

As disclosed in notes 4 and 13 to the consolidated financial statements, the Group's investment properties amounted to HK\$1,047,366,000 as at 31 December 2016. Loss on net changes in fair value of investment properties of HK\$7,627,000 was recognised in the consolidated statement of profit or loss and other comprehensive income for the year then ended.

The fair value of the Group's investment properties was determined by adopting the valuation techniques with significant unobservable inputs, assumptions of market conditions and judgements. The Group also worked closely with the independent qualified valuers to establish and determine the appropriate valuation techniques.

How our audit addressed the key audit matter

Our procedures in relation to assessing the appropriateness of the carrying values of the investment properties included:

- Reviewing the valuation report from independent qualified valuers and holding discussion with management and independent qualified valuers to understand the valuation basis, methodology used and underlying assumptions applied;
- Evaluating management's process in respect of reviewing the valuation performed by independent qualified valuers;
- Evaluating of the competence, capabilities and objectivity of independent qualified valuers;
- Selecting samples from the Group's investment property portfolio and obtaining the underlying data including comparables of market transactions being used by the independent qualified valuers and assessing whether they are appropriate; and
- Performing market research and analysis to assess whether the changes in fair value of investment properties resulted from the valuation was reasonable and consistent with market trends to our knowledge.

INDEPENDENT AUDITOR'S REPORT

Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the 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 Directors and Those Charged with Governance for the Consolidated Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the content 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.

INDEPENDENT AUDITOR'S REPORT

As part of an audit in accordance with HKSAs, we exercise professional judgment 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 those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

INDEPENDENT AUDITOR'S REPORT

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

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

The engagement partner on the audit resulting in the independent auditor's report is Kwok Lai Sheung.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

24 February 2017

WING LEE PROPERTY INVESTMENTS LIMITED

FOR THE YEAR ENDED 31 DECEMBER 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	NOTES	2016 HK\$'000	2015 HK\$'000
Turnover	5	32,585	29,704
Direct operating expenses		(1,289)	(1,151)
		31,296	28,553
Other income	6	406	584
Other gains or losses		(2)	(616)
Net changes in fair value of investment properties	13	(7,627)	13,945
Administrative expenses		(20,490)	(12,272)
Finance costs	7	(1,114)	(1,312)
Profit before taxation	8	2,469	28,882
Taxation	10	(3,527)	(2,891)
(Loss) profit and total comprehensive (expense) income for the year attributable to owners of the Company		(1,058)	25,991
(Loss) earnings per share – basic and diluted	12	HK cents (0.27)	HK cents 6.73

WING LEE PROPERTY INVESTMENTS LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2016

	NOTES	2016 HK\$'000	2015 HK\$'000
Non-current assets			
Investment properties	13	1,047,366	1,072,493
Property, plant and equipment	14	16,764	17,476
		<hr/>	<hr/>
		1,064,130	1,089,969
<hr/>			
Current assets			
Rental and other receivables	15	1,260	1,030
Held for trading investments	16	1,410	1,321
Tax recoverable		36	377
Fixed deposits	17	32,295	24,000
Bank balances and cash	17	6,626	3,824
		<hr/>	<hr/>
		41,627	30,552
<hr/>			
Current liabilities			
Other payables and rental deposits received	18	11,295	11,955
Taxation payable		556	187
Bank loans – due within one year	19	22,848	25,873
Obligations under a finance lease	20	112	107
		<hr/>	<hr/>
		34,811	38,122
<hr/>			
Net current assets (liabilities)		6,816	(7,570)
<hr/>			
Total assets less current liabilities		1,070,946	1,082,399
<hr/>			
Non-current liabilities			
Bank loans – due after one year	19	35,551	54,234
Obligations under a finance lease	20	228	339
Deferred tax liabilities	21	6,266	5,633
		<hr/>	<hr/>
		42,045	60,206
<hr/>			
Net assets		1,028,901	1,022,193

WING LEE PROPERTY INVESTMENTS LIMITED

AT 31 DECEMBER 2016

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	NOTES	2016 HK\$'000	2015 HK\$'000
Capital and reserves			
Share capital	22	3,862	3,862
Reserves		1,025,039	1,018,331
<hr/>			
Total equity		1,028,901	1,022,193

The consolidated financial statements on pages 45 to 98 were approved and authorised for issue by the board of directors on 24 February 2017 and are signed on its behalf by:

Chau Choi Fa
DIRECTOR

Wong Siu Wah
DIRECTOR

WING LEE PROPERTY INVESTMENTS LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2016

	Equity attributable to owners of the Company						Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Share options reserve HK\$'000	Special reserve HK\$'000 (Note a)	Capital reserve HK\$'000 (Note b)	Retained profits HK\$'000	
At 1 January 2015	3,862	705,280	-	(382,929)	7,314	666,537	1,000,064
Profit and total comprehensive income for the year	-	-	-	-	-	25,991	25,991
Dividend paid (Note 11)	-	-	-	-	-	(3,862)	(3,862)
At 31 December 2015	3,862	705,280	-	(382,929)	7,314	688,666	1,022,193
Loss and total comprehensive expense for the year	-	-	-	-	-	(1,058)	(1,058)
Recognition of equity-settled share-based payments	-	-	7,766	-	-	-	7,766
At 31 December 2016	3,862	705,280	7,766	(382,929)	7,314	687,608	1,028,901

Notes:

- (a) The special reserve represents the difference between the aggregate share capital of the subsidiaries acquired by the Company and the Company's investment cost in Tierra Development Limited pursuant to a group reorganisation in 2012.
- (b) The capital reserve represents deemed contribution from a then fellow subsidiary in prior years.

WING LEE PROPERTY INVESTMENTS LIMITED

FOR THE YEAR ENDED 31 DECEMBER 2016

CONSOLIDATED STATEMENT OF CASH FLOWS

	2016 HK\$'000	2015 HK\$'000
Operating activities		
Profit before taxation	2,469	28,882
Adjustments for:		
Interest income	(143)	(453)
Interest expenses	1,114	1,312
Depreciation of property, plant and equipment	712	684
Dividend income from held for trading investments	(86)	(76)
Share-based payments	7,766	–
Unrealised fair value (gain) loss of held for trading investments	(19)	250
Net changes in fair value of investment properties	7,627	(13,945)
Operating cash flows before movements in working capital	19,440	16,654
Increase in rental and other receivables	(230)	(246)
(Decrease) increase in other payables and rental deposits received	(660)	1,948
Net cash generated from operations	18,550	18,356
Hong Kong Profits Tax paid	(2,144)	(2,901)
The People's Republic of China (the "PRC") Enterprise Income Tax paid	(40)	(44)
Net cash from operating activities	16,366	15,411
Investing activities		
Proceeds from disposal of an investment property	17,500	–
Interest received	143	453
Dividend received	16	–
Purchase of investment properties	–	(21,688)
Purchase of property, plant and equipment	–	(57)
Net cash from (used in) investing activities	17,659	(21,292)
Financing activities		
Repayment of bank loans	(21,708)	(17,692)
Interest paid	(1,114)	(1,312)
Repayment of obligations under a finance lease	(106)	(47)
Dividend paid	–	(3,862)
Cash used in financing activities	(22,928)	(22,913)
Net increase (decrease) in cash and cash equivalents	11,097	(28,794)
Cash and cash equivalents at beginning of the year	27,824	56,618
Cash and cash equivalents at end of the year	38,921	27,824
Cash and cash equivalents at end of the year, represented by		
Bank balances and cash	6,626	3,824
Fixed deposits	32,295	24,000
	38,921	27,824

1. GENERAL

Wing Lee Property Investments Limited (the “Company”) was incorporated and registered as an exempted company with limited liability in Bermuda under the Companies Act 1981 of Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). Its immediate holding company and ultimate holding company is Bright Asia Holdings Limited, a company which was incorporated in the British Virgin Islands. The address of the registered office and principal place of business of the Company are disclosed in the corporate information section to the annual report.

The Company acts as an investment holding company and its subsidiaries are principal engaged in property investment. The consolidated financial statements are presented in Hong Kong dollars (“HK\$”) which is also the functional currency of the Company.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)**Amendments to HKFRSs that are mandatory effective for the current year**

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time in the current year:

Amendments to HKFRS 11	Accounting for acquisitions of interest in joint operations
Amendments to HKAS 1	Disclosure initiative
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception
Amendments to HKFRSs	Annual improvements to HKFRSs 2012-2014 cycle

The application of the amendments to HKFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) – continued

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial instruments ¹
HKFRS 15	Revenue from contracts with customers and the related amendments ¹
HKFRS 16	Leases ²
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions ¹
Amendments to HKFRS 4	Applying HKFRS 9 Financial instruments with HKFRS 4 Insurance contract ¹
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture ³
Amendments to HKAS 7	Disclosure initiative ⁴
Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses ⁴

¹ Effective for annual periods beginning on or after 1 January 2018.

² Effective for annual periods beginning on or after 1 January 2019.

³ Effective for annual periods beginning on or after a date to be determined.

⁴ Effective for annual periods beginning on or after 1 January 2017.

HKFRS 9 Financial instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9

- all recognised financial assets that are within the scope of HKFRS9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

**2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS
("HKFRSs") – continued****HKFRS 9 Financial instruments – continued***Key requirements of HKFRS 9 – continued*

- with regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.
- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.
- the new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the retrospective quantitative effectiveness test has been removed. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

Based on the Group's financial instruments and risk management policies as at 31 December 2016, application of HKFRS 9 in the future may have an impact on the measurement of the Group's financial assets. In particular, the expected credit loss model may result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost.

**2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS
("HKFRSs") – continued****HKFRS 15 Revenue from contracts with customers**

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 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 or services. Specifically, the Standard introduces a 5-step 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 the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company anticipate that the application of HKFRS 15 in the future may result in more disclosures, however, they do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 Leases and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

**2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS
("HKFRSs") – continued****HKFRS 16 Leases – continued**

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

Under HKAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement and prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2016, the Group has no non-cancellable operating lease commitments. For future arrangements that will meet the definition of a lease under HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors complete a detailed review.

**2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS
("HKFRSs") – continued****Amendments to HKFRS 2 Classification and measurement of share-based payment transactions**

The amendments clarify the following:

- (a) In estimating the fair value of a cash-settled share-based payment, the accounting for the effects of vesting and non-vesting conditions should follow the same approach as for equity-settled share-based payments.
- (b) Where tax law or regulation requires an entity to withhold a specified number of equity instruments equal to the monetary value of the employee's tax obligation to meet the employee's tax liability which is then remitted to the tax authority, i.e. the share-based payment arrangement has a 'net settlement feature', such an arrangement should be classified as equity-settled in its entirety, provided that the share-based payment would have been classified as equity-settled had it not included the net settlement feature.
- (c) A modification of a share-based payment that changes the transaction from cash-settled to equity-settled should be accounted for as follows:
 - (i) the original liability is derecognised;
 - (ii) the equity-settled share-based payment is recognised at the modification date fair value of the equity instrument granted to the extent that services have been rendered up to the modification date; and
 - (iii) any difference between the carrying amount of the liability at the modification date and the amount recognised in equity should be recognised in profit or loss immediately.

Amendments to HKAS 7 Disclosure initiative

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities including both changes arising from cash flows and non-cash changes. Specially, the amendments require the following changes in liabilities arising from financing activities to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

The amendments apply prospectively for annual periods beginning on or after 1 January 2017 with earlier application permitted. The application of the amendments will result in additional disclosures on the Group's financing activities, specifically reconciliation between the opening and closing balances in the consolidated statement of financial position for liabilities arising from financing activities will be provided on application.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) – continued**Amendments to HKAS 12 Recognition of deferred tax assets for unrealised losses**

The amendments provide guidance on how an entity determines, in accordance with HKAS 12 Income taxes, whether to recognise a deferred tax asset in relation to unrealised tax losses of a debt instrument that is classified as an available-for-sale financial asset in accordance with HKAS 39 Financial instruments: recognition and measurement under certain specific facts and circumstances.

The directors of the Company do not anticipate that the application of the amendments to HKFRS 2, HKAS 7, HKAS 12 and other amendments to HKFRSs will have a material impact on the Group’s consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (“Listing Rules”) and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and held for trading investments which are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 Share-based payment, leasing transactions that are within the scope of HKAS 17 Leases, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 Inventories or value in use in HKAS 36 Impairment of assets.

A fair value measurement of a non-financial asset takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES – continued**Revenue recognition**

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Rental income from operating leases is recognised in profit or loss on a straight line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset. Other than investment properties measured under fair value model, such costs are recognised as an expense on a straight line basis over the lease term.

Dividend income from held for trading investments is recognised when the shareholder's rights to receive payment have been established.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are classified and accounted for as investment properties and are measured using the fair value model. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES – continued**Property, plant and equipment**

Property, plant and equipment including leasehold land and building held for use in production or supply of goods and services, or for administrative purposes are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight line method. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments, including the cost of acquiring land held under operating leases, are recognised as an expense on a straight line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period of which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES – continued**Impairment losses on tangible assets**

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Borrowing costs

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

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

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Retirement benefit costs

Payments to defined contribution retirement benefits scheme and the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered services entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries and annual leave) after deducting any amount already paid.

3. SIGNIFICANT ACCOUNTING POLICIES – continued**Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from “profit before taxation” as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

3. SIGNIFICANT ACCOUNTING POLICIES – continued**Taxation – continued**

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. 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 retranslation 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.

Equity-settled share-based payment transactions

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of determination of the fair value of equity-settled share-based transactions are set out in note 23.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share options reserve).

At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share options reserve. For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES – continued**Equity-settled share-based payment transactions – continued**

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Financial assets are classified into financial assets at fair value through profit or loss (“FVTPL”) and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that requires delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

3. SIGNIFICANT ACCOUNTING POLICIES – continued**Financial instruments – continued***Financial assets – continued**Financial assets at fair value through profit or loss*

Financial assets at FVTPL represent financial assets that are held for trading. A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition, it is part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividends or interest earned on the financial assets and is included in other gains and losses in the consolidated statement of profit or loss and other comprehensive income.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including rental and other receivables, fixed deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment of financial assets below).

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

3. SIGNIFICANT ACCOUNTING POLICIES – continued**Financial instruments – continued***Financial assets – continued**Impairment of financial assets – continued*

For certain categories of financial assets, such as rental receivables, that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of rental receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a rental receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the group are recognised at the proceeds received, net of direct issue costs.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Financial liabilities and equity instruments – continued

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities (including other payables and bank loans) are subsequently measured at amortised cost, using the effective interest method.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises a financial liability when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The following are the key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Fair value of investment properties

Investment properties are carried in the consolidated statement of financial position at their fair values at the end of each reporting period as disclosed in note 13. The fair values were based on a valuation on these properties conducted by an independent firm of professional valuers using property valuation techniques which involve certain assumptions of market conditions. Changes to these assumptions and inputs would result in changes in the fair value of the Group's investment properties and corresponding adjustments to the amount of gain or loss reported in profit or loss.

Fair value measurements and valuation processes

At the end of each reporting period, the Group's investment properties are measured at fair value for financial reporting purposes. The management of the Group will determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of the Group's investment properties, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation of the Group's investment properties. At the end of each reporting period, the management of the Group works closely with the qualified external valuers to establish and determine the appropriate valuation techniques and inputs for Level 2 and Level 3 fair value measurements. The Group will first consider and adopt Level 2 inputs where inputs can be derived observable quoted prices in the active market. When Level 2 inputs are not available, the Group will adopt valuation techniques that include Level 3 inputs. Where there is a material change in the fair value of the assets, the causes of the fluctuations will be reported to the board of directors of the Company.

Information about the valuation techniques and inputs used in determining the fair value of the Group's investment properties are disclosed in note 13.

5. SEGMENT INFORMATION

The Group's operating activities are attributable to a single operating segment focusing on properties investment. This operating segment has been identified on the basis of internal management reports prepared in accordance with accounting policies conform to HKFRSs, that are regularly reviewed by the executive directors of the Company (the "Executive Directors"). The Executive Directors regularly review revenue analysis by locations of the investment properties and relevant types of properties which generate rental income as presented below, and hence no analysis of this single operating segment is presented. Other than revenue analysis, no operating results and other discrete financial information is available for the assessment of performance of the respective locations. The Executive Directors review the overall results of the Group as a whole to make decisions about resources allocation.

Turnover represents the rental income received from operating leases.

An analysis of the Group's turnover by geographical locations of the investment properties and relevant types of properties which generate rental income are as follows:

	Turnover from external customers	
	2016 HK\$'000	2015 HK\$'000
Hong Kong		
Hong Kong Island:		
Commercial	19,664	18,409
Residential	1,165	997
Kowloon:		
Commercial	5,724	4,790
Residential	2,936	2,672
Industrial	2,674	2,406
PRC		
Shenzhen:		
Commercial	422	430
	32,585	29,704

During the years ended 31 December 2016 and 2015, no individual customer contributed over 10% of the total turnover of the Group.

WING LEE PROPERTY INVESTMENTS LIMITED

FOR THE YEAR ENDED 31 DECEMBER 2016

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. SEGMENT INFORMATION – continued

Information about the Group's non-current assets presented base on the geographic location of the asset is as follows:

	2016 HK\$'000	2015 HK\$'000
Hong Kong	1,055,574	1,081,616
PRC	8,556	8,353
	<hr/>	<hr/>
	1,064,130	1,089,969

6. OTHER INCOME

	2016 HK\$'000	2015 HK\$'000
Interest income	143	453
Dividend income from held for trading investments (note a)	86	76
Others (note b)	177	55
	<hr/>	<hr/>
	406	584

Note a: The amount represents dividend income received as scrip dividend of HK\$70,000 (2015: HK\$76,000) and cash dividend of HK\$16,000 (2015: nil).

Note b: At 31 December 2016, included in the balance is an amount of HK\$125,000 (2015: nil) representing compensation received from tenants in respect of the early termination of leases and compensation on demolishing installations and fixtures on the rented properties.

7. FINANCE COSTS

	2016 HK\$'000	2015 HK\$'000
Interests on bank loans	1,097	1,300
Interests on a finance lease	17	12
	<hr/>	<hr/>
	1,114	1,312

8. PROFIT BEFORE TAXATION

	2016 HK\$'000	2015 HK\$'000
Profit before taxation has been arrived at after charging:		
Directors' emoluments (note 9)	14,641	6,434
Other staff's retirement benefits scheme contributions	60	55
Other staff costs	1,819	1,662
<hr/>		
Total staff costs	16,520	8,151
<hr/>		
Auditor's remuneration	520	520
Depreciation of property, plant and equipment	712	684
Net exchange loss (included in other gains or losses)	22	366
Unrealised fair value loss of held for trading investments (included in other gains or losses)	-	250
and after crediting:		
Scrip dividend income from held for trading investments (included in other income)	70	76
Cash dividend income from held for trading investments (included in other income)	16	-
Unrealised fair value gain of held for trading investments (included in other gains or losses)	19	-
Interest income (included in other income)	143	453
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WING LEE PROPERTY INVESTMENTS LIMITED

FOR THE YEAR ENDED 31 DECEMBER 2016

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Details of emoluments paid by the Group to the directors of the Company are as follows:

	Directors' fee	Basic salaries and allowances	Performance related incentive bonus	Retirement benefits scheme contributions	Share-based payments	Total directors' emoluments
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Year ended 31 December 2016						
<i>Executive directors</i>						
Ms. Chau Choi Fa (note b)	–	1,383	500	18	251	2,152
Ms. Wong Siu Wah (note b)	–	1,383	500	–	2,505	4,388
Ms. Wong Vivien Man-Li	–	1,803	500	18	2,505	4,826
Mr. Lui Siu Fung	–	344	50	16	2,505	2,915
<i>Independent non-executive directors</i>						
Mr. Lam John Cheung-Wah	120	–	–	–	–	120
Dr. Tse Kwok Sang	120	–	–	–	–	120
Mr. Chui Chi Yun Robert	120	–	–	–	–	120
	360	4,913	1,550	52	7,766	14,641
Year ended 31 December 2015						
<i>Executive directors</i>						
Ms. Chau Choi Fa (note b)	–	1,254	500	18	–	1,772
Ms. Wong Siu Wah (note b)	–	1,254	500	–	–	1,754
Ms. Wong Vivien Man-Li	–	1,674	500	18	–	2,192
Mr. Lui Siu Fung	–	293	50	13	–	356
<i>Independent non-executive directors</i>						
Mr. Lam John Cheung-Wah	120	–	–	–	–	120
Dr. Tse Kwok Sang	120	–	–	–	–	120
Mr. Chui Chi Yun Robert	120	–	–	–	–	120
	360	4,475	1,550	49	–	6,434

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS – continued

Notes:

- a. The performance related incentive bonus payment is determined with reference to the operating results and individual performance during both years.
- b. Ms. Chau Choi Fa and Ms. Wong Siu Wah are also the chairperson and chief executive officer (“CEO”) of the Company, respectively, and their emoluments disclosed above include those services rendered by them as chairperson and CEO of the Company, respectively.

The five highest paid individuals for the year ended 31 December 2016 included four (2015: four) directors. The emoluments of the remaining one (2015: one) highest paid individual for the year ended 31 December 2016 were as follows:

	2016 HK\$'000	2015 HK\$'000
Basic salaries and allowances	712	665
Performance related bonus	200	200
Retirement benefits scheme contributions	18	18
	930	883

The emoluments of this employee, who is the Group’s senior management member, were within the band of HK\$nil to HK\$1,000,000.

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

10. TAXATION

	2016 HK\$'000	2015 HK\$'000
The charge comprises:		
Hong Kong Profits Tax:		
Current year	2,898	2,453
Overprovision in prior years	(44)	(294)
	2,854	2,159
PRC Enterprise Income Tax	40	44
	2,894	2,203
Deferred taxation charge (note 21)	633	688
	3,527	2,891

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

According to Article 3 of the Enterprise Income Tax Law (中華人民共和國企業所得稅) and Article 91 of the Implementation of the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法實施條例), a non-resident enterprise without any establishment in China deriving income sourced in China is liable to Enterprise Income Tax on such income, at 10% of the gross amount. A group entity earns rental income derived from a property located in the PRC and is subject to PRC income tax calculated at 10% of the gross rental income received in the PRC.

10. TAXATION – continued

Taxation for the year is reconciled to profit before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2016 HK\$'000	2015 HK\$'000
Profit before taxation	2,469	28,882
Tax charge at applicable tax rate of 16.5%	407	4,766
Tax effect of income not taxable for tax purpose	(252)	(3,436)
Tax effect of expenses not deductible for tax purpose	3,172	1,503
Tax effect of tax losses not recognised	–	45
Utilisation of tax losses previously not recognised	(5)	–
Overprovision in prior years	(44)	(294)
Effect of different applicable tax rate for operations in the PRC	(29)	(27)
Land appreciation tax and capital gains tax	255	337
Others	23	(3)
Taxation for the year	3,527	2,891

Deferred tax on Land Appreciation Tax (“LAT”) is provided for according to the Provisional Regulations of the PRC on Land Appreciation Tax (中華人民共和國土地增值稅暫行條例) and its implementing rules which stipulate that LAT shall be chargeable on the appreciation in value, representing the excess balance of the proceeds from sales of real estates over the relevant direct costs, at rates progressing from 30% to 60%.

Deferred tax on Enterprise Income tax for capital gain of a property held by the Group in the PRC is provided at 10% of the estimated net gain upon disposal of the property, representing the estimated sales proceeds from sale of property less its relevant costs including business tax and LAT.

WING LEE PROPERTY INVESTMENTS LIMITED

FOR THE YEAR ENDED 31 DECEMBER 2016

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11. DIVIDENDS

	2016 HK\$'000	2015 HK\$'000
Dividends for ordinary shareholders of the Group recognised as distribution during the year:		
Final dividend paid – nil (2015: HK\$0.01 per share paid for 2014)	–	3,862

No dividend was paid or proposed for ordinary shareholders of the Company during 2016. Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2016 of HK\$0.01 (2015: nil) per share has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming annual general meeting.

12. (LOSS) EARNINGS PER SHARE

The calculation of the basic and diluted (loss) earnings per share attributable to the owners of the Company is based on the following data:

	2016 HK\$'000	2015 HK\$'000
(Loss) earnings		
(Loss) profit for year attributable to the owners of the Company for the purpose of basic (loss) earnings per share	(1,058)	25,991
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	386,175,758	386,175,758

The diluted loss per share is the same as basic loss per share for the year ended 31 December 2016 as the shares issuable in respect of outstanding share options have anti-dilutive effect on the basic loss per share. No diluted (loss) earnings per share is presented as there were no dilutive potential ordinary shares during both years.

13. INVESTMENT PROPERTIES

	2016 HK\$'000	2015 HK\$'000
FAIR VALUE		
At beginning of the year	1,072,493	1,036,860
Additions	–	21,688
Disposal (note 28)	(17,500)	–
Net (decrease) increase in fair value	(7,627)	13,945
	<hr/>	
At end of the year	1,047,366	1,072,493
	<hr/>	
The carrying value of the investment properties shown above situated on:		
Land in Hong Kong	1,038,810	1,064,140
Land in the PRC	8,556	8,353
	<hr/>	
	1,047,366	1,072,493
	<hr/>	

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purpose are measured using the fair value model and are classified and accounted for as investment properties.

The fair value of the Group's investment properties at 31 December 2016 and 31 December 2015 have been arrived at on the basis of a valuation carried out on those dates by RHL Appraisal Limited ("RHL"), an independent firm of professional property valuers not related to the Group whose address is Room 1010, Star House, Tsimshatsui, Kowloon, Hong Kong.

The valuation was arrived at by using direct comparison method by making reference to the comparable market transactions as available. The direct comparison method is based on market observable transactions of similar properties and adjusted to reflect the conditions and locations of the subject property. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

The following table gives information about how the fair values of these investment properties are determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable. There has been no change in the valuation technique used in both years.

WING LEE PROPERTY INVESTMENTS LIMITED

FOR THE YEAR ENDED 31 DECEMBER 2016

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13. INVESTMENT PROPERTIES – continued

	Carrying value of investment properties		Fair value hierarchy	Valuation technique(s) and significant unobservable inputs	Relationship of unobservable inputs to fair value
	31.12.2016 HK\$'000	31.12.2015 HK\$'000			
Industrial properties in Kowloon	74,750	74,650	Level 3	Direct comparison method – based on price per square foot, using market observable comparable prices of similar properties ranging from HK\$5,551 to HK\$6,212 (2015: HK\$5,551 to HK\$5,791) per sq.ft, and adjusted taking into account of locations and other individual factors such as floor level, building age, size and conditions of the properties.	The higher the price, the higher the fair value.
Residential properties in Hong Kong Island	16,220	33,590	Level 3	Direct comparison method – based on price per square foot, using market observable comparable prices of similar properties ranging from HK\$9,923 to HK\$12,813 (2015: HK\$9,867 to HK\$21,216) per sq.ft, and adjusted taking into account of locations and other individual factors such as floor level, building age, view, size and conditions of the properties.	The higher the price, the higher the fair value.

13. INVESTMENT PROPERTIES – continued

	Carrying value of investment properties		Fair value hierarchy	Valuation technique(s) and significant unobservable inputs	Relationship of unobservable inputs to fair value
	31.12.2016 HK\$'000	31.12.2015 HK\$'000			
Residential properties in Kowloon	64,990	63,950	Level 3	Direct comparison method – based on price per square foot, using market observable comparable prices of similar properties ranging from HK\$6,040 to HK\$8,051 (2015: HK\$5,470 to HK\$6,996) per sq.ft, and adjusted taking into account of locations and other individual factors such as floor level, building age, view, size and conditions of the properties.	The higher the price, the higher the fair value.
Commercial retail properties in Hong Kong Island	677,000	685,500	Level 3	Direct comparison method – based on price per square foot, using market observable comparable prices of similar properties ranging from HK\$29,172 to HK\$148,305 (2015: HK\$30,123 to HK\$147,912) per sq.ft, and adjusted taking into account of locations and other individual factors such as shop frontage, size, layout and conditions of the properties.	The higher the price, the higher the fair value.

WING LEE PROPERTY INVESTMENTS LIMITED

FOR THE YEAR ENDED 31 DECEMBER 2016

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13. INVESTMENT PROPERTIES – continued

	Carrying value of investment properties		Fair value hierarchy	Valuation technique(s) and significant unobservable inputs	Relationship of unobservable inputs to fair value
	31.12.2016 HK\$'000	31.12.2015 HK\$'000			
Commercial office properties in Hong Kong Island	39,850	40,150	Level 3	Direct comparison method – based on price per square foot, using market observable comparable prices of similar properties ranging from HK\$9,065 to HK\$17,101 (2015: HK\$8,619 to HK\$23,764) per sq.ft, and adjusted taking into account of locations and other individual factors such as floor level, building age, size and conditions of the properties.	The higher the price, the higher the fair value.
Commercial retail properties in Kowloon	166,000	166,300	Level 3	Direct comparison method – based on price per square foot, using market observable comparable prices of similar properties ranging from HK\$43,374 to HK\$93,778 (2015: HK\$50,038 to HK\$86,629) per sq.ft, and adjusted taking into account of locations and other individual factors such as shop frontage, size, layout and conditions of the properties.	The higher the price, the higher the fair value.

13. INVESTMENT PROPERTIES – continued

	Carrying value of investment properties		Fair value hierarchy	Valuation technique(s) and significant unobservable inputs	Relationship of unobservable inputs to fair value
	31.12.2016 HK\$'000	31.12.2015 HK\$'000			
Commercial property in the PRC	8,556	8,353	Level 3	Direct comparison method – based on price per square metre, using market observable comparable prices of similar properties at HK\$30,000 (2015: ranged from HK\$29,200 to HK\$34,100) per sq.m, and adjusted taking into account of locations and other individual factors such as road frontage, size and conditions of the properties.	The higher the price, the higher the fair value.

All of the Group's investment properties were assumed to be recovered through sales and deferred tax liabilities in respect of fair value changes on investment properties have been estimated taking into account this assumption. The Group has not recognised deferred tax liabilities in relation to changes in fair value of the investment properties that are situated in Hong Kong during the years ended 31 December 2015 and 2016 as the Group is not subject to any income taxes on disposal of these investment properties. The Group has recognised deferred tax liabilities on changes in fair value of the investment property that is situated in the PRC as the property in the PRC is subject to LAT and capital gain tax upon disposal.

WING LEE PROPERTY INVESTMENTS LIMITED

FOR THE YEAR ENDED 31 DECEMBER 2016

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and building	Leasehold improvement	Motor vehicle	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
COST				
At 1 January 2015	18,167	334	–	18,501
Additions	–	–	550	550
At 31 December 2015 and 2016	18,167	334	550	19,051
DEPRECIATION				
At 1 January 2015	790	101	–	891
Provided for the year	534	67	83	684
At 31 December 2015	1,324	168	83	1,575
Provided for the year	536	66	110	712
At 31 December 2016	1,860	234	193	2,287
CARRYING VALUES				
At 31 December 2016	16,307	100	357	16,764
At 31 December 2015	16,843	166	467	17,476

The above items of property, plant and equipment are depreciated on a straight line basis at the following rates per annum:

Leasehold land and building	Over the shorter of the term of the lease, or 50 years
Leasehold improvement	20%
Motor vehicle	20%

The above leasehold land and building comprise a property situated in Hong Kong.

The net book value of motor vehicle represents an amount of HK\$357,000 (2015: HK\$467,000) in respect of an asset held under a finance lease.

15. RENTAL AND OTHER RECEIVABLES

	2016 HK\$'000	2015 HK\$'000
Rental receivables	644	440
Other receivables, deposits and prepayments	616	590
	1,260	1,030

The following is an aged analysis of rental receivables (presented based on rental demand notices issued on the first calendar day of each month) at the end of the reporting period:

Age	2016 HK\$'000	2015 HK\$'000
0 – 90 days	157	303
91 – 180 days	–	137
181 – 365 days	487	–
	644	440

No credit period was granted to tenants of rental of premises. Before accepting any new tenants, the Group will internally assess the credit quality of the potential tenants. All the rental receivables at the end of the reporting period were past due for which the Group has not provided for impairment loss and all aged within 365 days. Based on historical experiences of the Group, these rental receivables past due but not impaired are generally recoverable. The Group does not hold any collateral over these balances.

16. HELD FOR TRADING INVESTMENTS

	2016 HK\$'000	2015 HK\$'000
Equity securities listed in Hong Kong at market value	1,410	1,321

17. FIXED DEPOSITS/BANK BALANCES AND CASH

The fixed deposits are short-term fixed deposits with an original maturity of three months or less and carry fixed interest rate ranging from 1.03% to 4.60% per annum at 31 December 2016 (2015: 0.45% to 0.56% per annum). At 31 December 2016, bank balances carry interest at prevailing market rates which range from 0.00% to 0.001% (2015: 0.00% to 0.001%) per annum.

At 31 December 2016, included in fixed deposits and bank balances and cash is an amount of HK\$281,000 (2015: HK\$352,000) which is denominated in Renminbi, being amount denominated in currency other than the functional currency of the relevant group entity.

WING LEE PROPERTY INVESTMENTS LIMITED

FOR THE YEAR ENDED 31 DECEMBER 2016

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18. OTHER PAYABLES AND RENTAL DEPOSITS RECEIVED

	2016 HK\$'000	2015 HK\$'000
Accrued expenses	3,007	3,435
Rental deposits received	8,255	8,487
Other payables	33	33
	<hr/>	<hr/>
	11,295	11,955

19. BANK LOANS

	2016 HK\$'000	2015 HK\$'000
The bank loans are repayable as follows*:		
Within one year	17,253	17,880
More than one year, but not exceeding two years	14,086	15,676
More than two years, but not more than five years	19,898	34,687
More than five years	1,567	3,871
	<hr/>	<hr/>
	52,804	72,114
Carrying amounts of bank loans that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities)	5,595	7,993
	<hr/>	<hr/>
	58,399	80,107
Less: Amounts due within one year shown under current liabilities	(22,848)	(25,873)
	<hr/>	<hr/>
Amounts shown under non-current liabilities	35,551	54,234

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

At 31 December 2016, the bank loans carry interest at HIBOR plus 0.70% to 2.25% per annum (2015: HIBOR plus 0.70% to 2.25% per annum) with effective interest rates of the bank loans range from 1.45% to 3.00% per annum (2015: 0.92% to 2.47% per annum).

At 31 December 2016, bank loans of HK\$54,255,000 (2015: HK\$75,393,000) are secured by mortgages over the Group's investment properties with carrying amount of HK\$486,130,000 (2015: HK\$505,730,000).

At 31 December 2016, a bank loan of HK\$4,144,000 (2015: HK\$4,714,000) is secured by a mortgage over the Group's leasehold land and building with carrying amount of HK\$15,285,000 (2015: HK\$15,786,000).

20. OBLIGATIONS UNDER A FINANCE LEASE

	2016 HK\$'000	2015 HK\$'000
Analysed for reporting purposes as:		
Current liabilities	112	107
Non-current liabilities	228	339
	340	446

The Group has one motor vehicle held under a finance lease. The lease term is 5 years (2015: 5 years). Interest rate underlying is fixed at contract date at 1.8% (2015: 1.8%) per annum.

	Minimum lease payments		Present value of minimum lease payments	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Obligations under a finance lease payable:				
Within one year	124	124	112	107
Within a period of more than one year but not more than two years	124	124	117	112
Within a period of more than two years but not more than five years	114	237	111	227
	362	485	340	446
Less: future finance charges	(22)	(39)	N/A	N/A
	340	446	340	446
Less: Amount due for settlement within 12 months (shown under current liabilities)			(112)	(107)
			228	339
Amount due for settlement after 12 months				

21. DEFERRED TAXATION

The following are the major deferred tax liabilities (assets) recognised and movements thereon during the year:

	Accelerated tax depreciation	Land appreciation tax and capital gains tax	Tax losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2015	2,369	2,603	(27)	4,945
Charge (credit) to profit or loss (note 10)	417	337	(66)	688
At 31 December 2015	2,786	2,940	(93)	5,633
Charge to profit or loss (note 10)	304	255	74	633
At 31 December 2016	3,090	3,195	(19)	6,266

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset.

At 31 December 2016, the Group has unused tax losses of HK\$113,000 (2015: HK\$594,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK\$113,000 (2015: HK\$564,000) of such losses at 31 December 2016. No deferred tax asset had been recognised at 31 December 2016 in respect of the remaining tax losses of HK\$nil (2015: HK\$30,000) due to the unpredictability of future profit streams.

22. SHARE CAPITAL

	Number of shares	Amount in HK\$	Shown in the consolidated financial statements HK\$'000
Ordinary shares of HK\$0.01 each			
Authorised:			
At 1 January 2015, 31 December 2015 and 2016	1,000,000,000	10,000,000	
Issued and fully paid:			
At 1 January 2015, 31 December 2015 and 2016	386,175,758	3,861,757	3,862

23. SHARE-BASED PAYMENT TRANSACTIONS

The Company's share option scheme (the "Scheme") was adopted for a period of 10 years commencing 31 March 2015 pursuant to an ordinary resolution passed at the annual general meeting of the Shareholders held on 31 March 2015 for the purpose of providing incentives or rewards to selected eligible participants for their contribution to the Group.

Under the Scheme, the Company may grant options to selected employees and directors of the Company and its subsidiaries, to subscribe for shares in the Company. Additionally, the Company may, from time to time, grant share options to eligible advisors, consultants, business partners and service providers of the Company and its subsidiaries at the discretion of the Board.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point of time, without prior approval from the Company's shareholders.

The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any 12-month period is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

23. SHARE-BASED PAYMENT TRANSACTIONS – continued

Any grant of Options to any Director, chief executive or substantial shareholder (as such term as defined in the Listing Rules) of the Company, or any of their respective associates under the Scheme is subject to the prior approval of the independent non-executive Directors (excluding independent non-executive Directors who are the proposed grantees of the Options in question). Where any grant of Options to a substantial shareholder or an independent non-executive Director, or any of their respective associates, would result in the Shares issued and to be issued upon exercise of all Options already granted and to be granted (including Options exercised, cancelled or outstanding) to such person in excess of 0.1% of the Company's share capital or with a value in excess of HK\$5,000,000 must be also approved by the Company's shareholders.

The offer of a grant of share options may be accepted within 5 business days from the date of the offer, upon payment of a nominal consideration of HK\$1 by the grantee. The exercise period for the share options granted is determined by the Board, which period may commence from the date of acceptance of the offer for the grant of share options but shall end in any event not later than 10 years from the date of the grant of the option subject to the provisions for early termination under the Scheme. The exercise price of the share options is determinable by the Directors, but may not be less than the higher of (i) the Stock Exchange closing price of the Shares on the date of the offer of the share options which must be a business day; (ii) the average Stock Exchange closing price of the Shares for the five business days immediately preceding the date of the offer; and (iii) the nominal value of the Shares.

On 16 December 2016, a total of 11,971,446 share options with the estimated fair value of HK\$7,766,000 at the date of grant, were granted to directors of the Company at an exercise price of HK\$1.254 per share under the terms of the Scheme.

A summary of the movements of the outstanding options during the year ended 31 December 2016 under the Scheme is as follows:

Type of participant	Date of grant	Exercise period	Exercise price per share HK\$	Number of share options			Outstanding at 31.12.2016
				Outstanding at 1.1.2016	Granted in 2016	Exercised in 2016	
Directors	16.12.2016	16.12.2016 to 15.12.2026	1.254	-	11,971,446	-	11,971,446

At the end of the reporting period, 11,971,446 share options are exercisable (2015: nil).

23. SHARE-BASED PAYMENT TRANSACTIONS – continued

These fair value of options at grant date were calculated using the Binomial option pricing model (“Binomial”). The inputs into the model were as follows:

Date of grant	16 December 2016
Model	Binomial
Number of share options	11,971,446
Expected/contractual life	10 years
Exercise price per share	HK\$1.254
Exercise multiple	2.8
Expected volatility	48.9%
Risk-free interest rate	1.813%
Expected dividend yield	N/A

As the Binomial models require the input of highly subjective assumptions, including the volatility of share prices, changes in subjective input assumptions can materially affect the fair value estimate.

Expected volatility used in the valuation of options was determined by using the historical volatility of the Company’s share price since the Company’s shares were listed on the Stock Exchange in March 2013. The contractual life used in the Binomial model is the full life of share options from date of grant to expiry date provided by the Company. For estimation of the early exercise behaviour of directors, the management assumed an exercise multiple of 2.8 times for options granted in 2016 based on a research on the exercise behaviour of the Company’s directors.

During the year ended 31 December 2016, the Group recognised total expenses of HK\$7,766,000 (2015: nil) in relation to share options granted by the Company.

24. OPERATING LEASE ARRANGEMENT

At the end of the reporting period, the Group, as lessor, has contracted with tenants for the following future minimum lease payments in respect of investment properties rented:

	2016 HK\$'000	2015 HK\$'000
Within one year	25,646	28,293
In the second to fifth year inclusive	15,946	24,196
	41,592	52,489

The properties held have committed tenants for periods ranging from 1 year to 5 years.

25. RETIREMENT BENEFITS SCHEME

The Group participates a Mandatory Provident Fund Scheme (the “Scheme”) for all qualifying employees in Hong Kong. The assets of the Scheme are held separately from those of the Group in funds under the control of trustee. Under the rules of the Scheme, the employer and its employees are each required to make contributions to the Scheme at rates specified in the rules. The only obligation of the Group with respect of the Scheme is to make the required contributions under the Scheme. The retirement benefits scheme contributions arising from the scheme charged to the consolidated statement of profit or loss and other comprehensive income represent contributions payable to the Scheme by the Group at rates specified in the rules of the Scheme.

26. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group’s overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes bank loans as disclosed in note 19, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, share premium, share option reserve, special reserve, capital reserve and retained profits.

The directors of the Company review the capital structure regularly. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital, and will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

27. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2016 HK\$'000	2015 HK\$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	39,646	28,324
Held for trading investments	1,410	1,321
Financial liabilities		
At amortised cost	58,432	80,140
Obligations under a finance lease	340	446

27. FINANCIAL INSTRUMENTS – continued**Financial risk management objectives and policies**

The Group's major financial instruments include rental and other receivables, fixed deposits, bank balances and cash, held for trading investments, other payables, obligations under a finance lease and bank loans. Details of the financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

Currency risk

The functional currency of the Company and its subsidiaries is HK\$ in which most of their transactions are denominated. The Group does not have any foreign currency transactions during the year which expose the Group to foreign currency risk. However, the Group has certain foreign currency denominated bank balances and fixed deposits at the end of the reporting period and details of which are disclosed in note 17. The Group mainly exposed to currency risk of Renminbi.

The sensitivity analysis below has been determined based on a 8% (2015: 8%) possible appreciation or depreciation in Renminbi against Hong Kong dollars. The Group currently does not have any foreign currency hedging policy and will consider hedging its foreign currency exposure should the need arise. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjust its translation at the end of the reporting period for a 8% (2015: 8%) change in the foreign currency rates. The sensitivity rate used is the rate when reporting foreign currency risk internally to key management personnel and represents the management's assessment of the reasonably possible change in foreign exchange rates.

If the Renminbi appreciates 8% (2015: 8%) against Hong Kong dollars and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2016 would increase by HK\$18,784 (2015: HK\$28,000). There would be an equal and opposite impact on post-tax profit for the year if Renminbi depreciates 8% (2015: 8%) against Hong Kong dollars.

In the opinion of the directors of the Company, the sensitivity analysis is unrepresentative of the inherent currency risk as the exposure at the end of the reporting period does not reflect the exposure during the year.

27. FINANCIAL INSTRUMENTS – continued**Financial risk management objectives and policies – continued***Interest rate risk*

The Group is mainly exposed to cash flow interest rate risk in relation to variable-rate bank balances and bank loans (see note 19 for details of these loans). It is the Group's policy to keep its loans at floating rates of interest so as to minimise the fair value interest rate risk.

The Group is also exposed to fair value interest rate risk in relation to its fixed-rate short-term bank deposits at the end of the reporting period. The directors of the Company consider that the Group's exposure to these short-term fixed deposits to interest rate risk is not significant as these deposits are within short maturity period of three months or less.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Interbank Offered Rate ("HIBOR") arising from the Group's Hong Kong dollar denominated bank loans.

Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to interest rates for variable-rate bank balances and bank loans. The analysis is prepared assuming the bank balances and bank loans at the end of the reporting period were outstanding for the whole year. The basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

For variable-rate bank balances, if the interest rates had been 50 basis points (2015: 50 basis points) higher and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2016 would increase by HK\$33,000 (2015: HK\$19,000). The directors of the Company are of the opinion that there is no downside exposure on interest rate movement to the Group's variable-rate bank balances at the end of the reporting period as these bank balances already bears close to zero interest.

For variable-rate bank loans, if the interest rates had been 50 basis points (2015: 50 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2016 would decrease/increase by HK\$292,000 (2015: HK\$401,000).

In the opinion of the directors of the Company, the sensitivity analysis is unrepresentative of the inherent interest rate risk as the exposure at the end of the reporting period does not reflect the exposure during the year.

27. FINANCIAL INSTRUMENTS – continued**Financial risk management objectives and policies – continued***Other price risk*

The Group is exposed to equity price risk through its held for trading investments. The Group's equity price risk is mainly concentrated on equity instruments operating in the banking industry sector quoted in the Stock Exchange. The directors of the Company will monitor the price risk and will consider hedging the risk exposures should the need arise. If the market prices of the held for trading investments had been 10% higher/lower, the Group's post-tax profit for the year ended 31 December 2016 would increase/decrease by HK\$118,000 (2015: HK\$110,000).

Credit risk

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties arises from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The Group's credit risk is primarily attributable to its rental receivables. In order to minimise the credit risk, the management of the Group will internally assess the credit quality of the potential tenants before accepting any new tenants, no credit period is granted to tenants. In addition, the Group reviews the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on bank balances and fixed deposits are limited because the majority of the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. The Group has no other significant concentration of credit risk.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. As at 31 December 2016, the Group has available unutilised short-term bank loan facilities of approximately HK\$30 million (2015: nil). Details of which are set out in note 19.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

WING LEE PROPERTY INVESTMENTS LIMITED

FOR THE YEAR ENDED 31 DECEMBER 2016

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27. FINANCIAL INSTRUMENTS – continued

Financial risk management objectives and policies – continued

Liquidity risk – continued

The table includes both interest and principal cash flows. To the extent that interest flows are at floating rate, the undiscounted amount is derived from the interest rate curve at the end of the reporting period.

	Weighted average effective interest rate %	on demand or less than 1 month HK\$'000	1 – 3 months HK\$'000	3 months to 1 year HK\$'000	1 – 5 years HK\$'000	Over 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amount HK\$'000
At 31 December 2016								
Non-derivative financial liabilities								
Other payables	–	33	–	–	–	–	33	33
Variable-rate bank loans (Note)	1.47	9,273	2,617	11,707	34,946	1,593	60,136	58,399
Obligations under a finance lease	1.80	10	21	93	238	–	362	340
		9,316	2,638	11,800	35,184	1,593	60,531	58,772
At 31 December 2015								
Non-derivative financial liabilities								
Other payables	–	33	–	–	–	–	33	33
Variable-rate bank loans (Note)	1.49	11,764	2,722	12,244	51,787	3,959	82,476	80,107
Obligations under a finance lease	1.80	10	21	93	361	–	485	446
		11,807	2,743	12,337	52,148	3,959	82,994	80,586

27. FINANCIAL INSTRUMENTS – continued

Financial risk management objectives and policies – continued

Liquidity risk – continued

Note:

Pursuant to Hong Kong Interpretation 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains Repayment on Demand Clause, term loans include a clause that gives the lender the unconditional right to call the loans at any time should be classified by the borrower as current liabilities. Bank loans with a repayment on demand clause are included in the “repayable on demand” time band in the above maturity analysis and the carrying amount recognised by the Group at the end of the reporting period is set out in note 19. The directors of the Company believe that such bank loans will be repaid after the end of the reporting period in accordance with the scheduled repayment dates set out in the loan agreements as follows:

	Total undiscounted cashflow	Total carrying amount
	HK\$'000	HK\$'000
At 31 December 2016		
Bank loans to be repaid:		
Within one year	18,065	17,253
In more than one year but not more than five years	40,605	39,579
Over five years	1,593	1,567
	<hr/> 60,263	<hr/> 58,399
At 31 December 2015		
Bank loans to be repaid:		
Within one year	18,816	17,880
In more than one year but not more than five years	60,906	58,356
Over five years	3,959	3,871
	<hr/> 83,681	<hr/> 80,107

The amounts included above for variable rate bank loans are subject to change if changes in variable interest rates differ to those estimates of interest rate determined at the end of the reporting period.

27. FINANCIAL INSTRUMENTS – continued

Fair value

(i) *Fair value of the Group's financial assets that are measured at fair value on a recurring basis*

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation techniques and inputs used).

Financial assets	Fair value		Fair value hierarchy	Valuation techniques and key inputs
	2016 HK\$'000	2015 HK\$'000		
Held for trading investments	1,410	1,321	Level 1	Quoted bid prices in an active market

There were no transfers between levels 1, 2 and 3 in both years.

(ii) *Fair value of financial assets and financial liabilities that are not measured at fair value on recurring basis*

The fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

28. RELATED PARTIES TRANSACTIONS

Other than the transactions and balances with related parties disclosed in respective notes, the Group had the following related party transaction which constitutes a connected transaction of the Group under Chapter 14A of the Listing Rules.

During the year ended 31 December 2016, the Group disposed an investment property to the son of an executive director of the Company at a consideration of HK\$17,500,000, which was the same as the carrying value of the investment property and the fair value on the basis of a valuation carried out by RHL at the time of disposal.

29. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2016 HK\$'000	2015 HK\$'000
Non-current asset		
Investment in a subsidiary	703,798	703,798
Current assets		
Prepayments	227	227
Amounts due from subsidiaries	37,357	30,024
Bank balances	194	191
	37,778	30,442
Current liability		
Amount due to a subsidiary	–	21,127
Net current assets	37,778	9,315
Net assets	741,576	713,113
Capital and reserves		
Share capital	3,862	3,862
Reserves (note 30)	737,714	709,251
Total equity	741,576	713,113

WING LEE PROPERTY INVESTMENTS LIMITED

FOR THE YEAR ENDED 31 DECEMBER 2016

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30. RESERVES OF THE COMPANY

	Share premium HK\$'000	Share options reserve HK\$'000	(Accumulated losses) retained profit HK\$'000	Total HK\$'000
At 1 January 2015	705,280	–	(20,659)	684,621
Profit and total comprehensive income for the year	–	–	28,492	28,492
Dividend	–	–	(3,862)	(3,862)
At 31 December 2015	705,280	–	3,971	709,251
Profit and total comprehensive income for the year	–	–	20,697	20,697
Recognition of equity-settled share-based payments	–	7,766	–	7,766
At 31 December 2016	705,280	7,766	24,668	737,714

31. PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries at the end of the reporting period are as follows:

Name of company	Place and date of incorporation	Issued and fully paid share capital	Equity interest attributable to the Company		Principal activity
			2016	2015	
Tierra Development Limited**	British Virgin Islands 8 May 2012	US\$2,000	100%	100%	Investment holding
Extra Rich Development Limited*** 碧豪發展有限公司	Hong Kong 17 January 1989	HK\$10,000	100%	100%	Property investment
Fast Silver Development Limited*** 銀迅發展有限公司	Hong Kong 22 July 2010	HK\$10,000	100%	100%	Property investment
Fortune Source Limited*** 貫源有限公司	Hong Kong 28 June 2013	HK\$10,000	100%	100%	Property investment
Good Ocean Development Limited*** 海佳發展有限公司	Hong Kong 25 November 2010	HK\$10,000	100%	100%	Property investment
Habitat One Development Limited*** 景逸發展有限公司	Hong Kong 27 June 2012	HK\$10,000	100%	100%	Property investment
Good Harvest Capital Investment Limited*** 益豐創富有限公司	Hong Kong 9 September 2013	HK\$10,000	100%	100%	Investment holding
Joy Smart Properties Limited*** 欣俊置業有限公司	Hong Kong 22 September 2014	HK\$1	100%	100%	Property investment

* Directly held by the Company.

** Directly held by Tierra Development.

Principal operation located in Hong Kong.

The above table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results or assets or liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

WING LEE PROPERTY INVESTMENTS LIMITED

FINANCIAL SUMMARY

Year ended 31 December

	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000	2015 HK\$'000	2016 HK\$'000
RESULTS					
Turnover	24,213	25,237	27,751	29,704	32,585
Profit before taxation	308,063	43,461	86,272	28,882	2,469
Taxation	(1,774)	(2,496)	(3,317)	(2,891)	(3,527)
Profit (loss) for the year	306,289	40,965	82,955	25,991	(1,058)

At 31 December

	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000	2015 HK\$'000	2016 HK\$'000
ASSET AND LIABILITIES					
Total Assets	1,018,738	1,046,591	1,113,367	1,120,521	1,105,757
Total Liabilities	468,777	129,482	113,303	98,328	76,856
Net Assets	549,961	917,109	1,000,064	1,022,193	1,028,901

Note: The Company was incorporated in Bermuda on 23 March 2012 and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year ended 31 December 2012 were prepared as if the current group structure had been in existence throughout the year.

WING LEE PROPERTY INVESTMENTS LIMITED

SUMMARY OF INVESTMENT PROPERTIES HELD BY THE GROUP

AT 31 DECEMBER 2016

Particulars of the Group's investment properties at 31 December 2016 are as follows:

Location	Usage	Group's Interest	Lease Term
Shop No. C2A, C2B and C2D on G/F, China Insurance Group Building, No. 141 Des Voeux Road Central, No. 73 Connaught Road Central and Nos. 61-65 Gilman Street, Central, Hong Kong	Commercial	100%	Long
Shop No. 7 on G/F, Rialto Building, No. 2 Landale Street, Wanchai, Hong Kong	Commercial	100%	Long
G/F & Cockloft, No. 61 Wellington Street, Central, Hong Kong	Commercial	100%	Long
2/F, No. 59 Wellington Street, Central, Hong Kong	Commercial	100%	Long
G/F, Flat C on 1/F and Flat A on 3/F of Wah Fung Building, No. 296-298 Lockhart Road, Hong Kong	Commercial & Residential	100%	Long
Flat B on G/F (Shop B on Ground Floor), Hung Fook Mansion, No. 360 Lockhart Road, Hong Kong	Commercial	100%	Long
Shop A, B and C on G/F and 1/F, Kam Tak Mansion, Nos. 88-90 Queen's Road East, Hong Kong	Commercial	100%	Long
Shop E on G/F and Mezzanine Floor, Cheong Hong Mansions, Nos. 25-33 Johnston Road, Nos. 1-3 Thomson Road, No. 2 Fenwick Street, Hong Kong	Commercial	100%	Long
G/F & M/F, Mandarin Commercial House, No. 38 Morrison Hill Road, Hong Kong	Commercial	100%	Long
G/F and 1/F, Wayson Commercial House, Nos. 68-70 Lockhart Road, Hong Kong	Commercial	100%	Long
No. 656 Shanghai Street, Kowloon	Residential & Commercial	100%	Long
4/F, No. 658 Shanghai Street, Kowloon	Residential	100%	Long
G/F-3/F, No. 3 Ma Tau Kok Road, Kowloon	Residential & Commercial	100%	Medium
2/F, No. 5 Ma Tau Kok Road, Kowloon	Residential	100%	Medium
No. 347 Portland Street, Kowloon	Residential & Commercial	100%	Long
Unit No. 201, 207 and 208 on 2/F, Sunbeam Centre, No. 27 Shing Yip Street, Kowloon	Industrial	100%	Medium
P14 on 3/F, King Palace Plaza, 55 King Yip Street, Kowloon	Carpark	100%	Medium
Unit 1409, Level 14, Shenhua Commercial Building, No. 2018 Jiabin Road, Luohu District, Shenzhen, PRC	Commercial	100%	Medium