Win Hanverky Holdings Limited

(incorporated in the Cayman Islands with limited liability)

(Stock Code : 3322)

2016
ANNUAL REPORT

J-01 STORE IN SHANGHAI

158-2 XINLE ROAD XUHUI DISTRICT SHANGHAI

Win Hanverky Holdings Limited and its subsidiaries are an integrated sportswear manufacturer, distributor and retailer for international sports brands and have diversified into high-end fashion retail business. We have two broad lines of businesses, namely Manufacturing Business and Distribution and Retail Business, with geographical markets spanning over Europe, the United States, Mainland China and Hong Kong.

The Shares of the Company have been listed on the Main Board of the Stock Exchange since 6 September 2006.

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. LI Kwok Tung Roy *(Chairman)*
Mr. LAI Ching Ping *(Deputy Chairman)*
Mr. LEE Kwok Leung *(Chief Executive Officer)*
Mr. WONG Chi Keung *(Chief Financial Officer)*
(appointed on 1 March 2016)

Independent Non-Executive Directors

Dr. CHAN Kwong Fai
Mr. KWAN Kai Cheong
Mr. MA Ka Chun
Ms. CHAU Pui Lin

COMPANY SECRETARY

Ms. LAM Choi Ha

AUTHORISED REPRESENTATIVES

Mr. LI Kwok Tung Roy
Mr. WONG Chi Keung *(appointed on 1 March 2016)*

BOARD COMMITTEES

Audit Committee

Mr. KWAN Kai Cheong *(Chairman)*
Dr. CHAN Kwong Fai
Mr. MA Ka Chun
Ms. CHAU Pui Lin

Remuneration Committee

Dr. CHAN Kwong Fai *(Chairman)*
Mr. LI Kwok Tung Roy
Mr. KWAN Kai Cheong

Nomination Committee

Mr. MA Ka Chun *(Chairman)*
Mr. LI Kwok Tung Roy
Dr. CHAN Kwong Fai
Ms. CHAU Pui Lin

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

6th Floor, Phase 6
Hong Kong Spinners Industrial Building
481–483 Castle Peak Road
Kowloon, Hong Kong

LEGAL ADVISOR

Deacons

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road
George Town
Grand Cayman KY1-1110
Cayman Islands

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Industrial and Commercial Bank of China Limited
Citigroup, N.A.

INVESTOR RELATIONS CONTACT

Strategic Financial Relations Limited

SHARE INFORMATION

Listing:	The Main Board of The Stock Exchange of Hong Kong Limited
Board lot:	2,000 Shares
Stock code:	3322

COMPANY WEBSITE

www.winhanverky.com

Financial Highlights

KEY FINANCIAL INFORMATION FOR THE LAST FIVE YEARS

	For the year ended/As at 31 December				
	2016	2015	2014	2013	2012
Financial Performance (HK$'000)					
Revenue	**4,033,381**	3,841,702	3,574,978	2,951,279	2,961,474
Operating profit	**194,607**	292,771	39,565	144,599	172,057
Profit before income tax	**195,526**	284,438	48,065	162,572	200,759
Profit from continuing operations	**139,636**	254,588	17,387	124,393	164,158
Loss from discontinued operations	**—**	—	—	(8,888)	(44,131)
Profit for the year	**139,636**	254,588	17,387	115,505	120,027
Profit attributable to equity holders	**143,494**	243,419	31,770	151,205	150,185
Financial Position (HK$'000)					
Non-current assets	**1,100,270**	1,156,015	1,099,680	1,140,428	989,087
Current assets	**1,842,862**	1,860,825	1,740,647	1,909,429	1,846,459
Current liabilities	**693,184**	701,304	676,149	782,890	625,013
Net current assets	**1,149,678**	1,159,521	1,064,498	1,126,539	1,221,446
Total assets	**2,943,132**	3,016,840	2,840,327	3,049,857	2,835,546
Total assets less current liabilities	**2,249,948**	2,315,536	2,164,178	2,266,967	2,210,533
Total equity	**2,244,637**	2,306,426	2,138,553	2,231,745	2,199,594
Cash and bank balances	**414,210**	676,080	711,175	871,998	946,565
Operation Indicators					
Gross profit margin from continuing operations (%)	**28.5**	30.2	28.2	25.2	21.7
Net profit margin from continuing operations (%)	**3.5**	6.6	0.5	4.2	5.5
Gearing ratio (%) *(Note)*	**3.5**	4.8	5.6	7.3	0.9
Current ratio (times)	**2.7**	2.7	2.6	2.4	3.0
Trade receivable turnover period (days)	**41**	36	37	42	43
Inventory turnover period (days)	**93**	84	81	86	83

Note: Gearing ratio represents the ratio between total borrowings and total equity.

Chairman's Statement

2016 has been a year full of surprises and unexpected events, as highlighted by Brexit in the United Kingdom and the presidential election in the United States. The global economy became clouded with uncertainties caused by these political events, and was further impacted by the spate of terrorist attacks and migrant crisis in Europe. With a new administration in power in the United States, significant changes are expected in terms of its economic policy, including its attitude towards the Federal Funds Rate, trade policy with China and tax plan. In respect of the United Kingdom, following the results of the country's referendum to leave the European Union, negotiations among the European countries are expected to take some time to resolve. And although the Chinese Renminbi has been included in the Special Drawing Right ("**SDR**") valuation basket by the International Monetary Fund, which acknowledged the recent economic development of China, it inevitably suffered from depreciation against the strong United States Dollar, hence reduced China's foreign exchange reserves.

Despite the lacklustre market conditions, our Manufacturing Business still maintained a stable revenue growth, while the Distribution and Retail Business also sustained a narrow revenue growth driven by new store openings. However, the continuous capital investment flow to Southeast Asia has not only driven economic growth, but also inflation across the region. Our factories were affected by rising operating costs which placed pressure on the operating profit of our Manufacturing Business. Furthermore, the Greater China and especially Hong Kong, being one of the major markets of the Distribution and Retail Business, were confronted with slow economic growth and weak retail sentiment, which, compounded by stiff rental rates led to the deterioration in store contributions. As a result, operating profit and profit attributable to shareholders reduced significantly in spite of the steady rise in revenue.

MANUFACTURING BUSINESS

Relocation of production bases from Mainland China to Southeast Asia has always been the Group's strategy in seeking to move from high-cost regions to relatively low-cost regions and thereby diversify operation risk. Our effort to relocate capacity is considered to be on the correct track and at a satisfactory pace.

Vietnam

Withdrawal of the United States from the Trans-Pacific Partnership trade arrangement did not affect our investment in Vietnam because Europe is the major region of our shipments. Having completed expansion of our garment factory in the country, additional sewing lines are now in place and we are continuing to hire more workers to further increase production output and capacity. In addition, we have begun construction of a printing factory, and work has commenced during 2016.

Cambodia

Construction of Phase II of the Cambodian factory was completed in 2015. Capacity is undergoing enhancement and improvement during the year 2016 with the setting up of more sewing lines. The Group will seek to further improve the operational efficiency of the Cambodian factory as it is a key to fulfil future orders.

Mainland China

Although production capacity in Mainland China remained at a satisfactory and stable level, in comparison with the expanding capacity of their counterparts in Southeast Asia, their overall importance are further lessening. Nevertheless, the gradual restructuring and integration of resources in Mainland China continue so as to ensure stable production output for the Group. In 2017, one more factory will be closed, which is in line with the Group's overall relocation plan.

Chairman's Statement

Apart from relocation, which remains our long-term strategy, diversification of our customer base and business portfolio is also integral to our business plan. To cope with the growing need for short lead time production, we are also seeking to seize vertical integration opportunities to reinforce production efficiency. And also, in response to the growing importance and awareness of environmental protection, including customers' demands for environmental friendly products, we have teamed up with a partner to establish and develop a pilot factory that will employ an innovative textile technology. This advanced technology not only abides by the green production concept, but also provides a foundation for fast production which caters for our customers' needs. This technology has received astonishing feedback from certain well-known brands that are now seeking to set up long-term partnership with us.

DISTRIBUTION AND RETAIL BUSINESS

During 2016, our high-end fashion retail business obtained additional distribution rights from certain internationally renowned fashion brands. We have consequently broadened our brand portfolio and diversified our products with not only apparel brands but also accessory brands like "***Thomas Sabo***" and "***New Era***". At the same time, we have successfully expanded our retail presence in Mainland China and Hong Kong owing to the diversified brand portfolio, resulting in a greater share of the light luxury retail market.

Though we have been able to sustain revenue from the sportswear retail business, faced with weak retail sentiment and high rental rates, shop efficiency inevitably declined leading to significant losses. We will launch different campaigns to stimulate sales and close non-performing stores in order to curb such losses.

DIVIDENDS

The Board is pleased to recommend the payment of a final dividend of HK3.0 cents per Share. Together with an interim dividend of HK4.0 cents per Share paid during the year, total dividend for 2016 financial year amounts to HK7.0 cents per Share, representing a total payment of HK$89.9 million. The Group strives to generate steady returns to its Shareholders, and observes a stable dividend payout policy. Depending on the capital expenditure needs and cash position of the Group, the Board may adjust the dividend payout in the future.

OUTLOOK

Although the global economy will continue to face various challenges, we see the trend towards achieving a healthy lifestyle among the general public as a positive development that will drive demand for sportswear products. Our Manufacturing Business will therefore seek to capitalise on this trend. In the coming year, innovation and digitalisation will be our main focuses as they represent the means by which we can deliver quality products, while at the same time address increasingly short production lead times. We will therefore continue to investigate and apply innovative technologies that raise operational efficiency and reduce our reliance on manual labour. In respect of digitalisation, we will introduce technologies for enhancing operation management. This will result in real-time monitoring and prompt reaction to various operation processes, from production planning to garment delivery. The new innovative textile technology is another significant development that will enable us to expand our Manufacturing Business, which, up to now has been purely garment focused.

With regards to the Distribution and Retail Business, we will continue to seek distribution rights from quality fashionable brands at full pace. In fact, just a few months into the new year, we obtained distribution rights from "***Tara Jarmon***" and "***Champion***", a French high-end women's apparel brand and a US sports fashion brand respectively. We are now planning to launch new stores for these brands in Mainland China and Hong Kong.

Chairman's Statement

ACKNOWLEDGEMENTS

I would like to thank the Board and all of our dedicated employees for their unwavering loyalty, diligence, professionalism and contributions to the Group. At the same time, I would also like to take this opportunity to thank our Shareholders and business partners for their continuous support and recognition of our aspirations and strategies.

LI Kwok Tung Roy
Chairman

Hong Kong, 23 March 2017

Management Discussion and Analysis

OVERALL REVIEW

For the year ended 31 December 2016, the Group has recorded revenue of HK$4,033.4 million (2015: HK$3,841.7 million), representing an increment of 5.0%. The increment was contributed by both growth in sales orders from the Manufacturing Business and expanded store network for the Distribution and Retail Business.

Gross profit margin of the Group reduced to 28.5% in 2016 (2015: 30.2%). The drop was mainly due to the persistently weak consumer sentiment and competitive retail market in Hong Kong resulting in higher inventory provision and deeper discounts offered in the Distribution and Retail Business, and rising operating costs from the Manufacturing Business. As a result, gross profit decreased by HK$10.6 million to HK$1,149.6 million (2015: HK$1,160.2 million), representing a decrease of 0.9%.

Operating profit of the Group decreased significantly by HK$98.2 million to HK$194.6 million (2015: HK$292.8 million). Such decrease was mainly due to decreased store contributions, impairment of fixed assets for potential loss-making stores and provision for onerous leases for the Distribution and Retail Business, lack of one-off gain on disposal of land use rights in Mainland China and rising operating costs from the Manufacturing Business.

As the majority of the costs incurred for the closure of an associate's fabric dyeing factory in Mainland China were reflected in 2015, losses of associates shared by the Group significantly reduced to HK$2.8 million for the year ended 31 December 2016 (2015: losses of HK$19.6 million).

As a result, profit attributable to equity holders for the year ended 31 December 2016 also decreased significantly by HK$99.9 million to HK$143.5 million (2015: HK$243.4 million). Excluding the impact of share of associates' losses and the one-off gain on disposal of land use rights mentioned above, profit attributable to equity holders would have decreased by HK$89.5 million to HK$146.3 million (2015: HK$235.8 million).

The Board has declared and paid an interim dividend of HK4.0 cents per Share during the year. In consideration of the healthy cash position and continued cash inflow from operations, the Board has proposed the payment of a final dividend of HK3.0 cents per Share for the year ended 31 December 2016. The interim and final dividends represent a total payment of HK$89.9 million (2015: HK$147.1 million).

BUSINESS REVIEW

The Group is an integrated manufacturer, distributor and retailer for renowned sports and fashion brands. The financial performances of the two business segments, namely the "**Manufacturing Business**" and "**Distribution and Retail Business**" are summarised below.

Manufacturing Business

The Group's Manufacturing Business operates mainly through OEM arrangements for a number of renowned sports brands. Most of the Group's products are exported and sold to Europe, the United States, Mainland China and other countries. The Group has a long history and a distinctive position in sportswear garment manufacturing, thus it has established long-term business relationships with its key customers.

Management Discussion and Analysis

In the first half of 2016, revenue from the Manufacturing Business rose by 12.0% to HK$1,586.3 million compared to the same period in 2015. This was due to the boosted demand of sportswear in Europe and the United States resulting from the economic recovery in those regions and the UEFA European Championship in 2016. The growth in revenue was also amplified by the rapidly expanding sportswear market in Mainland China. In the second half of 2016, with the impact of the UEFA European Championship lessening and no major football event scheduled in 2017, sales orders to Europe dropped as compared to the corresponding period in 2015, which was offset by the continued growing demand from the United States and Mainland China. As a result, revenue from the Manufacturing Business increased by 5.6% to HK$3,121.4 million for the year ended 31 December 2016 (2015: HK$2,957.0 million), accounting for 77.2% (2015: 76.9%) of the Group's total revenue.

Along with the Group's strategy to shift production capacity from Mainland China to Southeast Asia, the Group has continued to expand its production facilities and recruit workers in Vietnam and Cambodia. Although, operating costs in Southeast Asia are comparatively lower and labour supply is more stable, the pay rates of workers in those countries have been rising recently and hence leading to the increasing operating costs for the Group. On the other hand, to ensure smooth transition of capacity relocation, measures to gradually scale down a factory in Wuzhou, Guangxi province of Mainland China, have been commenced during the year. As a result, certain expenses, including redundancy expenses, have been incurred in 2016. During the year, the Group also incurred expenses for the investment in an innovative textile technology. Please refer to "Prospects" section for more details of this technology. Moreover, the Group recognised a gain on disposal of land use rights for a previously closed factory in Mainland China amounting to HK$27.6 million in 2015 and there was no such income in 2016. Consequently, operating profit of the Manufacturing Business decreased by HK$44.6 million to HK$226.5 million (2015: HK$271.1 million). Excluding the impact of the one-off gain on disposal of land use rights, operating profit would have decreased by HK$17.0 million to HK$226.5 million (2015: HK$243.5 million).

Distribution and Retail Business

The Group's Distribution and Retail Business comprises (1) the retail of high-end fashion products in Mainland China, Hong Kong, Macau, Taiwan and Singapore; and (2) the retail of sportswear products in Hong Kong and Mainland China.

Revenue from the Distribution and Retail Business increased by HK$33.8 million (or 3.8%) to HK$923.2 million (2015: HK$889.4 million), accounting for 22.8% of the Group's total revenue as compared with 23.1% for the corresponding period in 2015. The increase in revenue from new stores was largely offset by the loss in revenue from the decrease in same-store sales of old stores.

Persistent in weak consumer sentiment and competitive retail market in Hong Kong have been the major challenges to the Distribution and Retail Business in 2016, resulting in decreasing same-store sales, higher provision for inventories and deteriorating store contributions. In light of these, for certain stores which are expected to incur loss during the remaining period of their lease contracts, the Group has made an impairment on fixed assets in stores and provision for onerous leases amounting to HK$25.7 million. As a result, the Distribution and Retail Business incurred operating loss of HK$31.9 million for the year ended 31 December 2016 (2015: operating profit of HK$21.7 million). Excluding the non-cash amortisation expenses of licence rights of HK$36.6 million in 2015 and the impairment and provisions made for potential loss-making stores of HK$25.7 million in 2016, operating profit would have decreased by HK$64.5 million to loss of HK$6.2 million in 2016 (2015: operating profit of HK$58.3 million). Further explanation of the performance in each stream of this business is set out below.

Retail of High-end Fashion Products

The retail of high-end fashion products is operated under the Shine Gold Group. It has fashion retail networks of "***D-mop***" and "***J-01***" stores to sell several self-owned brands, as well as imported brands, in Hong Kong, Macau, Mainland China and Taiwan. In addition, it has exclusive distribution rights for brands including "***Y-3***" in Mainland China (excluding Beijing), Hong Kong, Taiwan, Macau and Singapore, "***Thomas Sabo***" in Mainland China, Hong Kong and Macau and certain Japanese brands in Hong Kong. It has also commenced to operate licensed stores in Hong Kong for the brand "***New Era***".

As at 31 December 2016, the Shine Gold Group had 116 (2015: 82) high-end fashion retail stores, of which 66 stores were in Mainland China, 39 stores were in Hong Kong and Macau, 10 stores were in Taiwan and 1 store was in Singapore.

In 2016, the Shine Gold Group continued to expand its presence in the market by opening new stores in the Greater China. While newly opened stores brought additional revenue to the Group, deeper discounts were offered in 2016 due to the aggressive competition in the market, resulting in a decrease in same-store sales of old stores. Thus, revenue of the Shine Gold Group for year ended 31 December 2016 resulted in a lackluster growth of 4.2%, to HK$660.3 million (2015: HK$633.7 million). Despite the difficult retail market environment, the Group's brands and products were well accepted by consumers.

For the year ended 31 December 2016, the Shine Gold Group generated operating profit of HK$21.1 million (2015: HK$22.3 million). Excluding the non-cash amortisation expense of licence rights of HK$36.6 million in 2015 arising from its acquisition, operating profit would have been HK$21.1 million (2015: HK$58.9 million). Except as aforementioned, the decrease was also attributable to the impairment of fixed assets in stores and provision for onerous leases in 2016 of HK$8.3 million for potential loss-making stores (2015: nil).

Retail of Sportswear Products

The retail of sportswear products is operated under the Win Sports Group. As at 31 December 2016, it had 27 (2015: 30) sportswear retail stores in Hong Kong and Mainland China, of which 5 stores were under the name of "***Futbol Trend***", 12 stores were under the name of "***Sports Corner***" or "***Little Corner***" and 10 stores were under the names of several international sports brands. In 2016, the Win Sport Group extended its footprint in Mainland China by opening 2 Futbol Trend stores in Mainland China.

Revenue of the Win Sports Group for the year ended 31 December 2016 increased by HK$7.2 million to HK$262.9 million (2015: HK$255.7 million), representing a shallow increase of 2.8%. Even though there were many new stores opened in the fourth quarter of 2015 which contributed full year revenue in 2016, the increment remained marginal. This was owing to the weak retail sentiment caused by the falling number of tourists to Hong Kong and less spending by local citizens.

With the narrow growth in revenue, compounded by higher provision for inventories, as well as higher rental expenses and staff costs due to more stores, the Win Sports Group experienced a significant operating loss of HK$35.6 million in 2016. Furthermore, for those potential loss-making stores, the Group has made an impairment of fixed assets in stores and provision for onerous leases in 2016 of HK$17.4 million (2015: nil).

Dragging by the above, the Win Sports Group's operating loss enlarged by HK$52.4 million to HK$53.0 million (2015: HK$0.6 million) for the year ended 31 December 2016.

Management Discussion and Analysis

PROSPECTS

Manufacturing Business

The Group will continue to shift its planned capacity to Vietnam where has relatively lower operating costs, stable labour supply and attractive tax and customs policies. This is consistent with the Group's long-term strategy of relocating its production capacity from high-cost regions to low-cost regions.

In order to cope with the expansion of garment production in Southeast Asia, the Group has decided to have its own printing factory in Vietnam for providing printing services within the region. Production efficiency and cost effectiveness of garment factories within the region are therefore expected to increase. Construction of the printing factory has commenced and operation is expected to begin in late 2017. Conversely, the Group has decided to close down a garment factory in Wuzhou, Guangxi province of Mainland China. The closure procedures commenced in March 2017 and are expected to be completed before the end of 2017. Such planned closure is in line with the Group's relocation strategy. The closure will incur expenses, including employee compensation and fixed asset impairment, but will not have any material impact on the Group's revenue and business operation. In the long run, it is expected that more than 80% of the production capacity will be relocated to Southeast Asia countries.

The Group is well aware that the increasing cost associated with rapidly rising pay rates of workers in Southeast Asia will place pressure on the Group's future operating profit. To proactively mitigate this pressure, the Group will continue to employ cost control measures, reinforce and streamline production processes through investment in automation technology and advanced information technology platforms, and adopt modernised manufacturing systems.

While maintaining good relationships with existing customers to ensure steady growth of orders, the Group will not rest on its laurels, rather, it will continue to seek new customers for exploring business opportunities, including but not limited to the manufacturing of sportswear products so as to establish additional growth drivers.

Innovative Textile Technology — e.dye

Aside from developing the garment manufacturing business, it has always been the Group's intention to seek out and seize opportunities for vertical integration. With rising concerns for protecting the environment, the Group is fully aware of the importance of manufacturing non-hazardous textiles, a practice that is lacking in the market. The Group has met and joined forces with a partner that possesses an innovative textile technology. This has led to the formation of a joint venture to further develop the technology and associated production business. The technology and production business are developing and operating under the Win Success Group using the trademark "***e.dye***".

Zero Discharge of Hazardous Chemicals ("**ZDHC**") is a programme created in 2011 where a group of global sports, fashion and outdoor brands have pledged to advance towards zero discharge of hazardous chemicals in the textile supply chain by the year 2020. Correspondingly, ZDHC seeks to regulate these global brands by focusing on reducing their toxic waste discharges during supply chain production. Given that water pollution is one major concern, the market is still seeking better textiles that are more environmentally friendly in terms of minimising pollution during the production process. Our innovative technology will create a revolution in the textile industry, and we are the one capable of providing the solution.

e.dye technology can produce synthetic textiles that are able to achieve the following benefits:

- Less water used during production
- Zero toxic substances created
- Guaranteed product quality
- Colour fastness with a wide range of colour choices

In comparison with traditional dyeing processes, e.dye requires 75% less water during the production process, consumes fewer harmful chemicals, uses less energy and emits less CO2 into the atmosphere. e.dye technology and its associated products are thus able to help global brands fulfil the ZDHC initiative of zero discharge of hazardous chemicals in the textile supply chain by the year 2020.

The Group has established a pilot factory in Kunshan, Jiangsu province of Mainland China, to demonstrate this revolutionary production process. It commenced operation and business in the third quarter of 2016. We have received astonishing feedback from certain well-known brands that are now seeking to set up long-term partnership with us. We will continue to expand our strategic partnership with international brands to create "cleaner" production of textiles that helps the world in different ways.

As at 31 December 2016, the Win Success Group has invested RMB40 million (approximately HK$47 million) in the pilot factory. And with future expansion of our production facilities in Vietnam in the pipeline, we will be committing more resources to ensuring the success of e.dye and the associated production business.

Distribution and Retail Business

Multi-branding is one of the key strategies of the Group for tapping the potential of the Greater China markets. While we have continued developing the retail network of our existing brand portfolio, our team has also continued to source fashion products of internationally renowned brands. During the year 2016 and up to the present, the Group possesses distribution rights of several new brands, including "***Thomas Sabo***" in Mainland China, Hong Kong and Macau and "***New Era***" in Hong Kong. Thomas Sabo, originally founded in Germany in 1984, is a leading global brand designing, selling and distributing costume jewellery for women and men. The Group has also commenced operating licensed stores under the "***New Era***" name in Hong Kong. New Era is an international lifestyle brand from the United States, and is well known for being the official on-field cap provider for both Major League Baseball and the National Football League.

Up to March 2017, the Group further gained distribution rights from several internationally renowned brands, including "***Tara Jarmon***" in Mainland China, Hong Kong and Macau and "***Champion***" in Mainland China. Tara Jarmon was founded in France in 1986, and is one of the global brands designing, selling and distributing comprehensive women collections. The Group has been appointed as its exclusive distributor, and is entrusted with the distribution and sale of its products in Mainland China, Hong Kong and Macau through retail, wholesale and internet sales channels. The Group has also been appointed to operate licensed stores under the "***Champion***" name in Mainland China. Originating from the United States, Champion continues to produce some of the best streetwear around, through a combination of classic aesthetic and fashionable design.

Going forward, we will further enhance and broaden our brand portfolio in the young and light luxury fashion segment to capture greater market share in the Greater China. Apart from the abovementioned new brands, the Group also has existing "***Y-3***" and certain Japanese brands. Moreover, the Group will continue to place effort on promoting the retail presence of self-owned brand stores, namely "***D-mop***" and "***J-01***".

Management Discussion and Analysis

Although Mainland China is experiencing slower economic growth, its consumer market continues to achieve moderate growth, and this trend is expected to carry on in 2017. In addition, the demand for fashion and sportswear product remains strong supported by the rapid rise of the young affluent middle class. Mainland China will therefore remain our major target market for further retail network development.

While focusing on Mainland China is important for securing a new revenue driver for the Group, there are nonetheless cost pressures to address including rising rent and staff costs which directly affect store contributions and operating profits. The Group will therefore continue to examine and review its store network, including opening new stores and relocating existing stores to improve and maximise productivity.

Hong Kong has been suffering from sustained decline in consumer spending over the past years. However, the latest statistics showed that the decline has finally been narrowing, with total retail spending in the fourth quarter of 2016 up 2.3% against the third quarter, and December's year-on-year sales decline also shrank when compared with the previous months. Despite signs of the retail market picking up in late 2016, the Group will continue to closely monitor market developments and prudently close and relocate non-performing stores as it seeks to achieve favourable metrics, including satisfactory profit margin under the challenging market conditions.

Last but not least, online shopping has become increasingly popular among consumers in the past several years. This trend of going online is now accounting for a greater share of total retail sales in Mainland China. We will therefore continue developing our e-commerce channel to tap the huge potential and fast-growing online market.

FINANCIAL POSITION AND LIQUIDITY

The Group generally finances its operations with internally generated cashflow and banking facilities and has maintained a healthy financial position during the year under review. As at 31 December 2016, it had cash and bank balances amounting to HK$414.2 million (2015: HK$676.1 million). The decrease was mainly attributed to the cash used in capital expenditures, repayment of bank loans and payment of dividends, net with cash generated from operating activities.

As at 31 December 2016, the Group had bank borrowings amounting to HK$75.5 million (2015: HK$110.7 million). The Group did not enter into any interest rate swap to hedge against risks associated with interest rates. As at 31 December 2016, the Group still had unutilised banking facilities amounting to HK$500.3 million (2015: HK$209.2 million). The gearing ratio, being total borrowings divided by total equity, as at 31 December 2016, was 3.5% (2015: 4.8%).

FOREIGN CURRENCY EXPOSURE

The Group's sales and purchases were mostly denominated in US Dollars, Hong Kong Dollars and RMB. During the year, approximately 68.1%, 15.7% and 14.0% of sales were denominated in US Dollars, RMB and Hong Kong Dollars, respectively, whereas approximately 79.0%, 13.0% and 6.3% of purchases were denominated in US Dollars, Hong Kong Dollars and RMB, respectively. As at 31 December 2016, approximately 49.2%, 35.2% and 13.1% of cash and bank balances were denominated in US Dollars, RMB and Hong Kong Dollars, respectively.

Hong Kong Dollar serves as the Company's functional currency and the Group's presentation currency. The Group considers that the foreign currency exchange exposure arising from US Dollar transactions and US Dollar cash balances to be minimal during the year given that Hong Kong Dollar was pegged against US Dollar. RMB had been depreciated in 2015 and the depreciation pressure for RMB against US Dollars remains. For the Group, it foresees benefits arising from the depreciation of RMB as approximately 16% of its revenue was denominated in RMB while approximately 21% of its cost of sales and operating expenses were denominated in RMB during the year. The Group will continuously monitor its foreign currency position and, when necessary, will consider using of derivative instruments to hedge against foreign currency exposure.

EMPLOYEE AND REMUNERATION POLICIES

As at 31 December 2016, the Group had approximately 17,000 employees (2015: approximately 16,000 employees). The Group remunerates employees based on their performance, working experience and prevailing market conditions. Other employee benefits include retirement benefits, insurance, medical coverage and a share option scheme.

CHARGES ON THE GROUP'S ASSETS

As at 31 December 2016, bank deposit of HK$7.2 million (2015: HK$6.4 million) was pledged to secure banking facilities for the Group.

CONTINGENT LIABILITIES

The Group has no significant contingent liabilities, litigation or arbitration of material importance as at 31 December 2016.

MATERIAL ACQUISITIONS AND DISPOSALS

The Group did not have any material acquisitions or disposals of subsidiaries or associates during the year.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

LI Kwok Tung Roy, aged 66, is our executive Director, co-founder and Chairman. He was appointed as an executive Director in December 2005. Mr. LI is the elder brother of Mr. LEE Kwok Leung and the father of Mr. LI Chun Ho Fredrick. Mr. LI is responsible for strategic planning and overall management of our Group. Mr. LI has over 40 years of experience in the apparel industry and handling client relationship. Mr. LI is a committee member of the Chinese People's Political Consultative Conference in He Yuan city, Guangdong province of Mainland China.

Mr. LI is currently the director of certain subsidiaries of the Company. He is also the director and shareholder holding 70% interest of Quinta Asia Limited, which has an interest in such number of shares of the Company under Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance as disclosed in the section headed "Substantial Shareholders' Interests and Short Positions in the Shares and Underlying Shares of the Company" in this annual report.

LAI Ching Ping, aged 66, is our executive Director, co-founder and Deputy Chairman. He was appointed as an executive Director in December 2005. Mr. LAI assists the Chairman in board management and provides advice on the Group's direction and critical decision. Mr. LAI has over 40 years of experience in the apparel industry. Mr. LAI is a committee member of the Chinese People's Political Consultative Conference in Yun Fu city, Guangdong province of Mainland China.

Mr. LAI is currently the director of certain subsidiaries of the Company. He is also the director and shareholder holding 30% interest of Quinta Asia Limited, which has an interest in such number of shares of the Company under Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance as disclosed in the section headed "Substantial Shareholders' Interests and Short Positions in the Shares and Underlying Shares of the Company" in this annual report.

LEE Kwok Leung, aged 54, is our executive Director and Chief Executive Officer. He was appointed as an executive Director in February 2006 and is currently the director of certain subsidiaries of the Company. Mr. LEE is the younger brother of Mr. LI Kwok Tung Roy. Mr. LEE is responsible for overall management, strategy planning, execution and technology implementation of our Group. Mr. LEE has been with us for over 25 years after his graduation from the York University in 1987 with a Bachelor of Arts degree.

WONG Chi Keung, aged 50, is our executive Director, Chief Financial Officer and authorised representative. Mr. WONG joined us in March 2014 and has more than 24 years of experience in accounting, auditing and finance. Between 2006 and 2013, Mr. WONG served as the chief financial officer for a number of sino-foreign joint venture and Hong Kong and US listed companies, including China Dongxiang (Group) Co., Ltd. and Besunyen Holdings Company Limited, both companies listed on the Stock Exchange. Between 2002 and 2006, Mr. WONG worked at various operating entities of China Netcom Group, including serving as a senior finance manager of China Netcom Group Corporation (Hong Kong) Limited, a company previously listed on the Main Board of the Stock Exchange. Between 1989 and 1999, Mr. WONG worked for PricewaterhouseCoopers, an international public accounting firm and lastly as an audit manager. Mr. WONG is currently an independent non-executive director of Sinomax Group Limited, a company listed on the Stock Exchange.

Mr. WONG obtained a Bachelor degree in Business Administration from the Chinese University of Hong Kong in 1989 and a Master degree in Business Administration from the Australian Graduate School of Management in 2002. Mr. WONG is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants.

Biographical Details of Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

CHAN Kwong Fai, aged 70, is our independent non-executive Director. Dr. CHAN joined us in April 2006. Dr. CHAN has been in the academic field for over 40 years and is currently an Associate Professor at the Department of Management and Marketing of the Hong Kong Polytechnic University. Dr. CHAN is also an author of several publications in the business management area. Dr. CHAN graduated from the Chinese University of Hong Kong with a Bachelor degree in Social Science in 1971 and obtained his Master of Business Management from the University of Adelaide and Doctor of Philosophy from the University of South Australia in 1981 and 2004 respectively.

KWAN Kai Cheong, aged 67, is our independent non-executive Director. He joined us in April 2006. Mr. KWAN is currently the president of Morrison & Company Limited, a business consultancy firm, and an independent non-executive director of several listed companies in Hong Kong including Henderson Sunlight Asset Management Limited, United Photovoltaics Group Limited, Greenland Hong Kong Holdings Limited, Dynagreen Environmental Protection Group Co., Ltd., HK Electric Investments and HK Electric Investments Limited and CK Life Sciences Int'l., (Holdings) Inc. He is also a non-executive director of China Properties Group Limited, shares of which are listed on the Stock Exchange.

Mr. KWAN previously worked for Merrill Lynch & Co. Inc. and was the president for its Asia Pacific region. He was an independent non-executive director of Galaxy Resources Limited and China Oceanwide Holdings Limited (formerly known as Hutchison Harbour Ring Limited) until June 2014 and December 2014 respectively.

Mr. KWAN completed the Stanford Executive Program in 1992. He also holds a Bachelor of Accountancy (Honours) degree from the University of Singapore. He is a fellow of the Institute of Chartered Accountants in Australia, the Hong Kong Institute of Certified Public Accountants and the Hong Kong Institute of Directors.

MA Ka Chun, aged 65, is our independent non-executive Director. Mr. MA joined us in June 2006. Mr. MA has been in the apparel industry for over 30 years and holds a Bachelor of Social Science degree from the University of Hong Kong.

CHAU Pui Lin, aged 55, is our independent non-executive Director. Ms. CHAU joined us in June 2015. She has been in the marketing and advertising industry in the Greater China for over 30 years. Ms. CHAU has been the group chief operating officer for the Greater China region of Cheil Worldwide Inc., a company whose shares are listed on the Korea Exchange (Stock Code: 030000), since October 2015. She was previously the chairman and chief executive officer of Draftfcb China and the chief executive officer of Saatchi & Saatchi Great Wall China.

Ms. CHAU graduated from the Chinese University of Hong Kong with a Bachelor degree in Journalism & Communications in 1983. She has received numerous awards for her contributions to the marketing and advertising industry, including Top 10 China Chief Executive in 2004, Outstanding Advertising Woman in 2005, The Most Influential People in China Brand Building in 2005, 2006 and 2007, China Adman of the Year in 2007, Outstanding Contribution in Three Decades of China Advertising by China Advertising Association in 2008 and 21 Global Innovators Award by Internationalist USA in 2014.

Biographical Details of Directors and Senior Management

SENIOR MANAGEMENT

LI Chun Ho Fredrick, aged 39, is the managing director of the Shine Gold Group and is the son of Mr. LI Kwok Tung Roy. Mr. LI is responsible for overall management, strategy planning and execution of the Shine Gold Group. Mr. LI joined us in 2004 and was the sales and marketing director of the Manufacturing Business. He then became the senior management of the Shine Gold Group in 2011 and was promoted to the managing director of the Shine Gold Group in 2016. Prior to joining us, Mr. LI worked in the finance industry in Canada. Mr. LI obtained a Bachelor degree in Commerce from the University of Toronto in 2000 and an Executive Master of Business Administration degree from the Chinese University of Hong Kong in 2011.

WONG Yiu Sun, aged 53, is the director in brand management of the Shine Gold Group and has over 20 years of experience in fashion retail industry. Mr. WONG is the founder of the Shine Gold Group and joined the Company after our Group subscribed Shine Gold's convertible bonds in 2011. He is jointly responsible for operation and brand management functions of the Shine Gold Group. He has successfully introduced various prestigious brands to Asia. Mr. WONG obtained a professional diploma in Fashion and Clothing Technology from Hong Kong Polytechnic University in 1989.

LAM Choi Ha, aged 38, is our Company Secretary responsible for handling the company secretarial and compliance affairs of the Group, as well as facilitating the Board process. Ms. LAM joined us in November 2005 and was promoted to be the Company Secretary in September 2010. Prior to joining us, Ms. LAM has worked in the accountancy profession with PricewaterhouseCoopers. Ms. LAM obtained a Bachelor degree in Business Administration from the Hong Kong Baptist University in 2001. Ms. LAM is a fellow member of the Hong Kong Institute of Certified Public Accountants.

Corporate Governance Report

The Board recognises the importance of incorporating elements of good corporate governance into the management structure and the risk management and internal control procedures of the Group so as to ensure that all business activities of the Group and the decision making process are properly regulated.

During the year under review, the Company has applied the principles and complied with the code provisions in the Corporate Governance Code ("**CG Code**") as set out in Appendix 14 of the Listing Rules.

BOARD OF DIRECTORS

The overall management of the Group's business is vested in the Board.

The Board is responsible for governing the Group and managing assets entrusted by the Shareholders. Its principal responsibilities include formulating the Group's business strategies and management objectives, monitoring and overseeing the performance of the Group, setting the Group's values and standards and ensuring a prudent and effective framework of risk management and internal control is in place to enable risks to be assessed and managed.

The day-to-day operations of the Group are delegated to the Chief Executive Officer and the management of the Group. The delegated functions and work tasks are periodically reviewed.

Composition

The Board currently comprises four executive Directors and four independent non-executive Directors, whose biographical details and relationships among the Directors are set out in the section headed "Biographical Details of Directors and Senior Management" on pages 14 to 16.

The composition of the Board is well balanced with each Director having sound knowledge, experience and expertise relevant to the business operation and development of the Group.

All Directors are aware of their collective and individual responsibilities to the Shareholders and have exercised their duties with care, skill and diligence, contributing to the successful performance of the Group.

Relationship Between the Board Members

Save as disclosed in the section headed "Biographical Details of Directors and Senior Management", none of the members of the Board has any relationship (including financial, business, family or other material/relevant relationship) between each other.

Chairman and Chief Executive Officer

To ensure a balance of power and authority, the roles of the Chairman and the Chief Executive Officer are clearly segregated.

The Chairman of the Board is Mr. LI Kwok Tung Roy and his principal role is to provide leadership for the Board on corporate and strategic planning, ensure proper proceedings of the Board and encourage all Directors to have active contributions to the Board's affairs.

The Chief Executive Officer is Mr. LEE Kwok Leung. Supported by the other executive Directors and the management, his principal role is to manage and operate the Group's day-to-day business, including the implementation of major strategies and initiatives adopted by the Board.

Corporate Governance Report

Responsibilities, Accountability and Contribution of the Board and Management

The management of the Company is led by the executive Directors of the Board and has been delegated powers and authorities to carry out the day-to-day operations of the Group; formulate business policies and make decision on key business issues; and exercise power and authority delegated by the Board from time to time. The management assumes full accountability to the Board for the operations of the Group.

The Board had given clear directions to the management, while certain matters (including the following) must be reserved to the Board for its approval:

(a) Publication of final and interim results of the Company;

(b) Decisions on whether or not to declare, recommend and pay dividend;

(c) Changes to major group structure or Board composition;

(d) Notifiable or connected transactions within the meaning of Chapters 14 and 14A of the Listing Rules; and

(e) Matters specifically set out in the Listing Rules which require approval at a full Board Meeting.

Model Code for Securities Transactions by Directors

The Company has adopted the code of conduct regarding directors' securities transactions as set out in the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") in Appendix 10 of the Listing Rules. Having made enquiry to all Directors, they all have confirmed that they have complied with the required standards as set out in the Model Code during the year.

All Directors are also reminded not to deal in the securities of the Company within 30 days and 60 days before the publication of the interim and the annual results announcements respectively and they are prohibited to make use of inside information to deal in the securities of the Company.

Continuous Professional Development

Each newly appointed Director has received comprehensive, formal and tailored induction on the first occasion of his/her appointment, so as to ensure that he/she has appropriate understanding of the business and operations of the Group and that he/she is fully aware of his/her responsibilities and obligations as a director under the Listing Rules and relevant regulatory requirements.

Directors are continually updated on developments in the statutory and regulatory regime and the business environment to facilitate the discharge of their responsibilities.

During the year under review, the Company has arranged training sessions to Mr. LI Kwok Tung Roy, Mr. LAI Ching Ping, Mr. LEE Kwok Leung, Mr. WONG Chi Keung, Dr. CHAN Kwong Fai, Mr. KWAN Kai Cheong, Mr. MA Ka Chun and Ms. CHAU Pui Lin which are conducted by external professional bodies to develop and refresh their knowledge and skills through suitable trainings. The participation in such trainings is to ensure that their contribution to the Board remains informed and relevant.

Inside Information Policy

The Board has adopted the Inside Information Policy in 2013 which contains the guidelines to the Directors, officers and certain relevant employees of the Group to ensure that inside information can be promptly identified, assessed and disseminated to the public in equal and timely manner in accordance with the applicable laws and regulations.

Appointment of Independent Non-Executive Directors

Independent non-executive Directors serve the function of bringing independent judgment on the development, performance and risk management of the Group. Each of the independent non-executive Directors has been appointed for a term of three years and subject to retirement by rotation at least once every three years.

Dr. CHAN Kwong Fai, Mr. KWAN Kai Cheong and Mr. MA Ka Chun have been the independent non-executive Directors of the Company since April 2006, April 2006 and June 2006 respectively. All of them have not engaged in any executive management of the Group since their appointments. Taking into consideration their independent scopes of work in the past years, the Board considers that each of them to be independent under the Listing Rules despite the fact that they have served the Company for over ten years. The Board believes that their continued tenures bring considerable stability to the Board and the Board has benefited greatly from the presence of each of them who has over time contributed valuable insight into the Group.

The Company confirmed that it has received from each of them the confirmations of independence according to Rule 3.13 of the Listing Rules.

Board Committees

Certain committees have been set up under the Board to supervise the management and administrative functions of the Group. They include:

Audit Committee

The Company established the Audit Committee on 18 April 2006 with written terms of reference which were revised on 25 March 2009, 9 March 2012 and 7 December 2015 in compliance with the Listing Rules. The primary duties of the Audit Committee include the following:

(a) To recommend the Board on the appointment, reappointment and removal of external auditor, and to approve their remuneration and terms of engagement;

(b) To monitor the integrity of the Group's financial statements, annual reports and interim reports;

(c) To review the Group's financial controls, risk management and internal control systems;

(d) To discuss the risk management and internal control systems with the management and ensure that the management has performed its duty to have effective systems; and

(e) To review the Group's financial and accounting policies and practices.

In addition, the Audit Committee has been delegated by the Board to be responsible for performing the corporate governance functions that are listed as follows:

(a) To develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;

(b) To review and monitor the training and continuous professional development of the Directors and senior management;

(c) To review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) To develop, review and monitor the code of conduct applicable to our employees and Directors; and

(e) To review the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

The following is a summary of work performed by the Audit Committee in 2016:

(a) review of and recommendation for the Board's approval of the consolidated financial statements for the year ended 31 December 2015 and unaudited interim consolidated financial information for the six months ended 30 June 2016 with a focus on compliance with accounting standards, the Listing Rules and other requirements in relation to financial reporting;

(b) discussion with the external auditor and the management on accounting policies and practices;

(c) review of the external auditor's significant audit matters;

(d) review of the effectiveness of the Company's internal control system covering financial, operational and compliance controls and risk management functions;

(e) consider the adequacy of resources, qualification and experience of staff of our Company's accounting and financial reporting function, and training programmes and budget;

(f) approval of the audit fees and terms of engagement of the external auditor;

(g) review of independence of the external auditor and recommendation to the Board on the re-appointment of the external auditor; and

(h) determine the policy for the corporate governance of the Company and duties delegated by the Board.

Members of the Audit Committee comprise Mr. KWAN Kai Cheong *(Chairman)*, Dr. CHAN Kwong Fai, Mr. MA Ka Chun and Ms. CHAU Pui Lin, all being independent non-executive Directors.

Nomination Committee

The Company established the Nomination Committee on 18 April 2006 with written terms of reference which were revised on 25 March 2009, 9 March 2012 and 10 December 2013 in compliance with the Listing Rules. The primary duties of the Nomination Committee include the following:

(a) To review the structure, size, composition and diversity (including without limitation, gender, age, cultural and educational background, professional experience, talents, skills, knowledge, length of service and other qualities of Directors) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

(b) Having regard to the board diversity policy of the Company, to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;

(c) To assess the independence of independent non-executive Directors;

(d) To make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for directors;

(e) To monitor the implementation of the board diversity policy and to review as appropriate, such a policy to ensure its effectiveness; and

(f) To review its own performance, constitution and terms of reference at least once a year to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

The Board adopted a board diversity policy which sets out its approach to achieve diversity on the Board. The summary of the board diversity policy is set out as follows:

(a) The Board recognises and embraces the benefits of having a diverse Board with a view to enhancing its effectiveness and achieving a high standard of corporate governance. The Board also sees diversity as an essential element in maintaining a competitive advantage and contributing to the attainment of the strategic objectives and sustainable development of the Company;

(b) The Board believes that a diversity of perspectives can be achieved through consideration of a number of factors, including without limitation, gender, age, cultural and educational background, professional experience, talents, skills, knowledge, length of service and other qualities of Directors; and

(c) These differences will be considered in determining the optimum composition of the Board and when possible should be balanced appropriately having regard to the Company's own business model and specific needs. The ultimate decision of all Board appointments should be based on meritocracy and the likely contributions that the selected candidates will bring to the Board.

The following is a summary of work performed by the Nomination Committee in 2016:

(a) review of the structure, size, composition and diversity of the Board;

(b) review of the independence of the independent non-executive Directors; and

(c) review of the appointment and re-appointment of Directors.

Members of the Nomination Committee comprise Mr. MA Ka Chun *(Chairman)*, Mr. LI Kwok Tung Roy, Dr. CHAN Kwong Fai and Ms. CHAU Pui Lin, three of whom are independent non-executive Directors.

Remuneration Committee

The Company established the Remuneration Committee on 18 April 2006 with written terms of reference which were revised on 25 March 2009 and 9 March 2012 in compliance with the Listing Rules. The primary duties of the Remuneration Committee include making recommendations to the Board on the policy and structure of all remuneration of the Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration. The Company's emolument policy is to ensure that the remuneration offered to employees including executive Directors and senior management is based on skills, knowledge, responsibilities and involvement in the Company's affairs. The remuneration packages are also determined by reference to the Company's performance and profitability, remuneration benchmark in the industry and the prevailing market conditions. The emolument policy for independent non-executive Directors, mainly comprising directors' fees, is subject to an annual assessment with reference to the market standard. Individual director and senior management would not be involved in deciding their own remuneration.

During the year under review, the Remuneration Committee has assessed performance of the executive Directors and reviewed and determined their remuneration packages. The remuneration of Directors comprises basic salary, pensions and discretionary bonus. Details of the amount of emoluments of Directors for the year ended 31 December 2016 are set out in Note 37 to the consolidated financial statements.

The remuneration of the members of the senior management by band for the year ended 31 December 2016 is set out below:

Remuneration band:	**Number of individuals**	
	2016	2015
Nil–HK$1,000,000	**1**	1
HK$1,000,001–HK$1,500,000	**2**	—
HK$1,500,001–HK$2,000,000	**—**	1
HK$3,000,001–HK$3,500,000	**—**	1
HK$5,000,001–HK$5,500,000	**—**	1

Members of the Remuneration Committee comprise Dr. CHAN Kwong Fai *(Chairman)*, Mr. LI Kwok Tung Roy and Mr. KWAN Kai Cheong, two of whom are independent non-executive Directors.

Attendance of Meetings

The Board holds regular Board meetings, Remuneration Committee meeting, Nomination Committee meeting and Audit Committee meetings to discuss the Group's businesses, operations, development and conduct. All important issues are discussed in a timely manner. The attendance record of each Director, who held office in 2016, at the aforesaid meetings held during the year ended 31 December 2016 is set out below:

	Number of meetings attended/eligible to attend for the year ended 31 December 2016				
Name of Director	**Board Meeting**	**General Meeting**	**Remuneration Committee Meeting**	**Nomination Committee Meeting**	**Audit Committee Meeting**
Executive Directors					
Mr. LI Kwok Tung Roy[1, 3]	4/4	1/1	1/1	1/1	N/A
Mr. LAI Ching Ping	4/4	1/1	N/A	N/A	N/A
Mr. LEE Kwok Leung	4/4	0/1	N/A	N/A	N/A
Mr. WONG Chi Keung *(appointed on 1 March 2016)*	4/4	1/1	N/A	N/A	N/A
Dr. CHOW Chi Wai *(resigned on 11 May 2016)*	1/1	N/A	N/A	N/A	N/A
Independent Non-Executive Directors					
Dr. CHAN Kwong Fai[2, 3, 5]	4/4	1/1	1/1	1/1	2/2
Mr. KWAN Kai Cheong[1, 6]	4/4	1/1	1/1	N/A	2/2
Mr. MA Ka Chun[4, 5]	4/4	1/1	N/A	1/1	2/2
Ms. CHAU Pui Lin[3, 5]	4/4	1/1	N/A	1/1	2/2

Notes:

1. Members of Remuneration Committee
2. Chairman of Remuneration Committee
3. Members of Nomination Committee
4. Chairman of Nomination Committee
5. Members of Audit Committee
6. Chairman of Audit Committee

COMPANY SECRETARY

Ms. LAM Choi Ha, the Company Secretary of the Company, is a full time employee of the Group and has day-to-day knowledge of the Group's affairs. During the year under review, Ms. LAM confirmed that she has complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules. Her biographical detail is set out in the section headed "Biographical Details of Directors and Senior Management" on page 16.

FINANCIAL REPORTING, RISK MANAGEMENT AND INTERNAL CONTROL

Responsibilities in respect of the Financial Statements

The Board acknowledges its responsibility for preparing the financial statements of the Group. In preparing the financial statements, the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants have been adopted. The principal accounting policies, which have been consistently applied to all the years, adopted for the preparation of financial statements of the Group are set out in Note 2 to the consolidated financial statements.

The reporting responsibility of the Company's external auditor on the financial statements of the Group is set out in the independent auditor's report on pages 37 to 42 of this annual report.

Auditor's Remuneration

During the year under review, the fees payable to the Company's external auditor, PricewaterhouseCoopers, are set out as follows:

Nature of services	HK$'000
Audit services	3,100
Non-audit services *(Note)*	639
	3,739

Note: Non-audit services include review of interim financial information, certain agreed-upon procedures and taxation related services.

Risk Management and Internal Control

The Board is responsible for the Group's risk management and internal control systems and for reviewing their effectiveness which includes financial, operational and compliance controls and risk management functions.

The Group is committed to the identification, monitoring and management of risks associated with its business activities. In view of the requirements in the Listing Rules in relation to the new code provisions on risk management which took effect in January 2016, the Board engaged BDO Financial Services Limited as a consultant to conduct a review on the risk management functions of the Group and a group-wide risk assessment exercise. According to the result of the review in 2016, a risk management policy was approved and adopted by the Group, and a list of key risks was compiled from the top risks identified from the risk assessment exercise.

The Group's risk management and internal control systems are designed to provide reasonable assurance against material misstatement or loss and to mitigate risks of failure in operational systems and fulfilment of business objectives. The Group has established internal control to help the business operations to achieve the Group's business objectives, to safeguard the Group's assets, to ensure business operations complying with applicable laws and regulations, and to ensure the maintenance of proper accounting records and the reliability of financial information reported by the business operations.

In view of the requirements in the Listing Rules in relation to the new code provision on internal audit function which took effect in January 2016, the Board, through the Audit Committee, set up an internal audit department at the group level. The Group Internal Audit Department, which is independent of daily operations, was set up at the end of 2015, to assist the Board in evaluating the various components of the internal control system of the Group under the framework of control environment, risk assessment, control activities, information and communication, and monitoring in consistence with the "Committee of Sponsoring Organisations of the Treadway Commission" framework ("**COSO framework**"). It has unrestricted access to information that allows it to review all aspects of the Group's risk management, internal control and governance processes. The head of the Group Internal Audit Department reports directly to the Audit Committee.

During the year, the Group Internal Audit Department conducted selective reviews of the effectiveness and adequacy of the internal controls over purchasing and payment cycle, inventory management, payroll process and fixed assets management in various operating units of the Group. All audit findings are reported and are communicated to the Audit Committee, Directors and key senior management. Appropriate recommendations for further enhancing the risk management and internal control systems were proposed to management and had been adopted as management think fit. Audit issues are tracked and followed up for proper implementation, with progress reported to the Audit Committee, Directors and senior management periodically.

During the year under review, the Board, through the Audit Committee, has conducted a review of, and is satisfied with, the effectiveness and adequacy of the risk management and internal control systems of the Group.

COMMUNICATION WITH SHAREHOLDERS AND SHAREHOLDERS' RIGHTS

Communication with Shareholders

The Company had established a shareholders' communication policy in March 2012 and shall review it on a regular basis to ensure its effectiveness. The Company communicates with the Shareholders mainly in the following ways:

(a) the holding of annual general meetings and extraordinary general meetings, if any which may be convened for specific purposes, which provide opportunities for the Shareholders to communicate directly to the Board;

(b) the publication of announcements, annual reports, interim reports and circulars on the websites of the Company and the Stock Exchange;

(c) publication of press releases of the Company providing updated information of the Group;

(d) the availability of latest information of the Group on the Company's website;

(e) the holding of investor/analyst briefings and media conference from time to time; and

(f) meeting with investors and analysts on a regular basis.

Convening an Extraordinary General Meeting of the Company ("EGM")

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

There are no provisions allowing Shareholders to move new resolutions at general meetings under the Cayman Islands Companies Law (2011 Revision) or the articles of association of the Company. Shareholders who wish to move a resolution may request the Company to convene a general meeting following the procedures set out in the preceding paragraph.

Voting by Poll

The articles of association of the Company set out the procedures, requirements and circumstances where voting by poll is required. Pursuant to Rule 13.39 of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands.

The poll results will be published on the websites of the Company and the Stock Exchange as soon as possible after conclusion of the general meeting, but in any event not later than the time that is 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the business day following the general meeting.

Enquiries from Shareholders

Shareholders are welcomed to send their enquiries and concerns to the Board addressing to the Company Secretary of the Company through the following channels:

(i) by mail to the Company's head office at 6th Floor, Phase 6, Hong Kong Spinners Industrial Building, 481–483 Castle Peak Road, Kowloon, Hong Kong;

(ii) by email at ir@win-hanverky.com.hk; or

(iii) by fax at (852) 3544-3316.

Changes to Constitutional Documents

During the year ended 31 December 2016, there was no amendment to the Company's constitutional documents, and these documents are published on the websites of the Company and the Stock Exchange.

Report of the Directors

The Directors have pleasure in presenting their annual report together with the audited financial statements of the Company and of the Group for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The Group is principally engaged in the manufacturing and selling of garment products, including sportswear, golf and high-end fashion apparel and related accessories. Sales are primarily under OEM arrangements to customers mainly in Europe, the United States, Mainland China and other countries, and under distribution and retail modes in Mainland China, Hong Kong, Macau, Taiwan and Singapore.

An analysis of the Group's performance for the year by business and geographical segments is set out in Note 5 to the consolidated financial statements.

BUSINESS REVIEW

General

A review of the business of the Group in 2016 and a discussion on the Group's future business development are set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" on pages 4 to 13 of this annual report.

Principal Risks and Uncertainties

A number of factors affecting the results and business operations of the Group is set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" on pages 4 to 13 of this annual report.

Post Year End Events

No important event has occurred since 31 December 2016, being the end of the financial year under review, affecting the Group.

Analysis of Key Financial Performance Indicators

A summary of the key financial performance indicators of the Group for the last five financial years is set out in the section headed "Financial Highlights" on page 3 of this annual report.

Environmental Policies

We are committed to building an environmental-friendly corporation that pays close attention to conserving natural resources. We strive to minimise our environmental impact by saving electricity and encouraging recycle of office supplies and other materials. We also require our factories under Manufacturing Business to operate in strict compliance with the relevant environmental regulations and rules.

Compliance with Laws and Regulations

The Group's operations are mainly carried out by the Company's subsidiaries in Mainland China, Vietnam, Cambodia and Hong Kong while the Company itself is listed on the Stock Exchange in Hong Kong. Our establishment and operations accordingly shall comply with relevant local laws and regulations. During the year ended 31 December 2016 and up to the date of this annual report, we have complied with relevant local laws and regulations applicable to it in all material respects.

Key Relationships

The Group endeavours to maintain sustainable development in the long term, continuously create value for its employees and customers, and foster good relationship with its suppliers.

The Group understands that employees are its valuable assets and the realisation and enhancement of employees' value will facilitate the achievement of the Group's overall goals. A comprehensive range of fringe benefits is offered to attract, retain and motivate employees.

The Group also understands the importance of maintaining good relationships with its suppliers and customers to the overall development of the Group and to ensure that they can share its commitment to product quality. Suppliers are carefully selected and they are required to satisfy certain criteria including track record, experience, reputation, ability to produce high-quality products and quality control effectiveness. To maintain the competitiveness of its products and brands, the Group commits itself to consistently provide quality products to its customers.

During the year under review, the Group considered the relationship with employees was well and the turnover rate is acceptable whereas there was no significant and material dispute with its suppliers and customers.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The environmental, social and governance report of the Company prepared in accordance with Appendix 27 to the Listing Rules will be published within three months after the publication of this annual report.

SHARE CAPITAL

Details of movements in the share capital of the Company are set out in Note 20 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Company and of the Group during the year are set out in Note 36(b) and Note 21 to the consolidated financial statements and in the consolidated statement of changes in equity on pages 47 and 48 of this report.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 December 2016, the Company's reserves available for distributions to Shareholders amounted to HK$850.2 million (2015: HK$991.0 million). Details of movements in the reserves of the Company are set out in Note 36(b) to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the articles of association of the Company and there is no restriction against such rights under the laws of Cayman Islands where the Company was incorporated, which would oblige the Company to offer new shares on a pro-rata basis to existing Shareholders.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2016 are set out in the consolidated income statement on page 45 of this report.

The Board recommended a payment of final dividend of HK3.0 cents per Share for the year ended 31 December 2016, subject to Shareholders' approval at the forthcoming annual general meeting to be held on Thursday, 15 June 2017, payable to the Shareholders whose names appear on the register of members of the Company on Thursday, 22 June 2017. The dividend will be paid on or about Friday, 30 June 2017.

The Board has also declared an interim dividend of HK4.0 cents per Share for the six months ended 30 June 2016.

CLOSURES OF REGISTER OF MEMBERS

(a) Entitlement to attend and vote at the forthcoming annual general meeting

The register of members of the Company will be closed from Friday, 9 June 2017 to Thursday, 15 June 2017 (both days inclusive), during which period no transfer of Shares of the Company will be registered. In order to qualify for attendance and voting at the forthcoming annual general meeting of the Company, all transfers of Shares of the Company accompanied by the relevant share certificates must be lodged with the Hong Kong share registrar and transfer office of the Company, Tricor Investor Services Limited of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Thursday, 8 June 2017.

(b) Entitlement to the proposed final dividend

The register of members of the Company will be closed on Thursday, 22 June 2017, during which no transfer of Shares of the Company will be registered. In order to qualify for the proposed final dividend, all transfers of Shares of the Company accompanied by the relevant share certificates must be lodged with the Hong Kong share registrar and transfer office of the Company, Tricor Investor Services Limited of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 21 June 2017.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group are set out in Note 7 to the consolidated financial statements.

DONATION

During the year under review, the Group made charitable and other donations totaling HK$0.5 million.

TAX RELIEF AND EXEMPTION

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

Report of the Directors

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year under review.

DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the Directors is interested in any business apart from the Group's business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

DIRECTORS' INTEREST IN CONTRACTS

Save for the related party transactions disclosed in Note 35 to the consolidated financial statements, no transaction, arrangement or contract of significance in relation to the Group's business to which the Company, its holding company or any of their respective subsidiaries was a party and in which a Director or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted at the end of the financial year or at any time during the financial year.

DIRECTORS

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

Executive Directors

Mr. LI Kwok Tung Roy
Mr. LAI Ching Ping
Mr. LEE Kwok Leung
Mr. WONG Chi Keung *(appointed on 1 March 2016)*
Dr. CHOW Chi Wai *(resigned on 11 May 2016)*

Independent Non-Executive Directors

Dr. CHAN Kwong Fai
Mr. KWAN Kai Cheong
Mr. MA Ka Chun
Ms. CHAU Pui Lin

According to Articles 87(1) and 87(2) of the articles of association of the Company, Mr. LI Kwok Tung Roy, Mr. LAI Ching Ping and Mr. KWAN Kai Cheung shall retire at the forthcoming annual general meeting by rotation and be eligible to offer themselves for re-election as a Director.

PERMITTED INDEMNITY PROVISION

According to Article 167 of the articles of association of the Company, the Directors shall be indemnified out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses for any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices or trusts, provided that the indemnity shall not extend to any fraud or dishonesty which may attach to them.

The Company has taken out and maintained appropriate insurance cover for its Directors and officers in respect of potential legal actions that may be incurred in the course of performing their duties.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 14 to 16.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has a service contract with the Company for a term of three years and is subject to termination by either party giving not less than six months' written notice. Under the service contracts, each of the executive Directors is entitled to an annual discretionary management bonus in respect of each complete financial year of the Group as the Board may approve.

Each of the independent non-executive Directors has entered into a letter of appointment with the Company with a fixed term of office for three years which is determinable by either party giving not less than three months' written notice.

None of the Directors proposed for re-election at the forthcoming annual general meeting of the Company has a service contract which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

DIRECTORS' DISCLOSURE OF INTERESTS

As at 31 December 2016, the interests and short positions of the Directors and chief executive(s) of the Company (if any) in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("**SFO**")) which were 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 any such director or chief executive has taken or deemed to have under such provisions of the SFO) and were recorded in the register maintained by the Company pursuant to section 352 of the SFO, or which were notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

(a) Long positions in the shares/underlying shares of the Company

Name of Directors	Capacity	Number of shares/ underlying shares	Percentage of interest in the Company*
Mr. LI Kwok Tung Roy	Interest in a controlled corporation	743,769,967[1]	57.91%
Mr. LAI Ching Ping	Beneficial owner	4,186,000	0.33%
Mr. LEE Kwok Leung	Beneficial owner	12,000,000[2]	0.93%
Mr. WONG Chi Keung	Beneficial owner	10,102,000[3]	0.79%

* The calculation of percentages is based on 1,284,400,000 Shares in issue as at 31 December 2016.

Notes:

1. Mr. LI Kwok Tung Roy holds 70% of the issued share capital of Quinta Asia Limited ("**Quinta**"). Mr. LI Kwok Tung Roy has a controlling interest in Quinta and is therefore deemed to be interested in Quinta's interest in the Company for the purposes of the SFO.

2. Mr. LEE Kwok Leung is interested as a grantee of options to subscribe for up to 12,000,000 Shares under the Share Option Scheme.

3. Mr. WONG Chi Keung held 102,000 Shares and is interested as a grantee of options to subscribe for up to 10,000,000 Shares under the Share Option Scheme.

(b) Long positions in the shares of the associated corporation of the Company (as defined in the SFO)

Name of directors	Associated corporation	Capacity	Number of shares	Percentage of interest in associated corporation
Mr. LI Kwok Tung Roy	Quinta	Beneficial owner	7	70%
Mr. LAI Ching Ping	Quinta	Beneficial owner	3	30%

Save as disclosed above, as at 31 December 2016, none of the Directors, chief executive(s) or any of their respective associates had any interest or short position, whether beneficial or non-beneficial, in the shares, the underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO).

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2016, as far as the Directors were aware, the following persons (other than the Directors or chief executive(s) of the Company) had interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or were recorded in the register required to be kept under Section 336 of the SFO.

		Number of Shares			
Name	Capacity	Long position	Short position	Lending pool	Percentage of interest in the Company*
Quinta	Beneficial owner	743,769,967	—	—	57.91%
Templeton Asset Management Limited	Investment manager	129,117,279	—	—	10.05%
JPMorgan Chase & Co.	Custodian/ approved lending agent	129,351,279	—	129,351,279	10.07%

* The calculation of percentages is based on 1,284,400,000 Shares in issue as at 31 December 2016.

Save as disclosed above, as at 31 December 2016, the Company had not been notified by any person (other than the Directors or chief executive(s) of the Company) who had interests or short position in the Shares and underlying shares of the Company which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register kept by the Company under section 336 of the SFO.

SHARE OPTION SCHEME AND NEW SHARE OPTION SCHEME

Pursuant to the written resolutions of the Shareholders passed on 8 August 2006, the Company has established a share option scheme ("**Share Option Scheme**") whereby the Board may, at their discretion, invite any directors, employees, consultants, professionals, customers, suppliers, agents, partners or advisers of or contractors to the Group (subject to the eligibility requirements as set out therein). The total number of Shares available for issue under the Share Option Scheme and any other schemes must not in aggregate exceed 10% of the issued share capital of the Company as at the Listing Date unless further Shareholders' approval has been obtained. In addition, the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised at any time under the Share Option Scheme and any other schemes adopted by the Group shall not exceed 30% of the issued share capital of the Company from time to time. No options may be granted under the Share Option Scheme or any other schemes adopted by the Group if the grant of such option will result in the limit being exceeded. The total number of Shares issued and to be issued upon the exercise of the options granted and to be granted (including both exercised and outstanding options) in any 12 months' period up to the date of grant to a substantial Shareholder or an independent non-executive director or their associates would not exceed 0.1% of the shares in issue or an aggregate value of HK$5,000,000 unless further Shareholders' approval has been obtained; and to each other eligible person would not exceed 1% of the Shares in issue.

The purpose of the Share Option Scheme is to recognise and acknowledge the contributions that eligible participants have made or may make to the Group. It also provides the eligible participants with an opportunity to acquire proprietary interests in the Company with a view to (a) motivate the eligible participants to optimise the performance and efficiency for the benefit of the Group; and (b) attract and retain or otherwise maintain ongoing business relationship with the eligible participants whose contributions are, will or expected to be beneficial to the Group.

The Share Option Scheme has expired on 5 September 2016. In order to continue to provide the eligible participants, where appropriate, with an additional incentive by offering them an opportunity to obtain an ownership interest in the Company and to reward them for contributing to the long-term success of the business of the Group, the Board has sought and obtained approval of the Shareholders for the adoption of a new share option scheme ("**New Share Option Scheme**") at the annual general meeting of the Company on 16 June 2016. The New Share Option Scheme adopted became effective from 20 June 2016 and will remain in force for a period of 10 years.

Under the New Share Option Scheme, the Board may, at their discretion, grant share options to eligible participants including any directors, employees or partners of the Group. The offer shall remain open for acceptance by the eligible participants for a period of not less than three business days from the date of offer and the Board may, at its discretion, specify the minimum period for which an option must be held before it can be exercised at the time of grant. A non-refundable consideration of HK$10 shall be paid by each grantee on acceptance of the options. The exercise price is to be determined by the Board, and will not be less than the highest of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the Company's shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share. The total number of Shares which may be issued under the New Share Option Scheme must not exceed 128,440,000 shares, representing 10% of the issued share capital of the Company as at the date of this annual report. Other major terms of the New Share Option Scheme are substantially similar to those under the Share Option Scheme.

Upon the expiry of the Share Option Scheme, no share options can be further granted thereunder, whereas outstanding share options under the Share Option Scheme remain valid.

The accounting policy adopted for the share options is described in Note 2.21(b) to the consolidated financial statements.

Movements of the options under the Share Option Scheme for the year ended 31 December 2016 are as follows:

Grantee	Date of grant	Exercise price per Share HK$	Exercise period	Number of options under the Share Option Scheme: As at 1 January 2016	Exercised during the year	Lapsed during the year	As at 31 December 2016
Mr. LEE Kwok Leung *Executive Director*	16/07/2014	0.946	16/07/2015–15/07/2024	2,400,000	–	–	2,400,000
			16/07/2016–15/07/2024	2,400,000	–	–	2,400,000
			16/07/2017–15/07/2024	2,400,000	–	–	2,400,000
			16/07/2018–15/07/2024	2,400,000	–	–	2,400,000
			16/07/2019–15/07/2024	2,400,000	–	–	2,400,000
				12,000,000	–	–	12,000,000
Mr. WONG Chi Keung *Executive Director*	22/12/2015	1.562	22/12/2016–21/12/2025	2,000,000	–	–	2,000,000
			22/12/2017–21/12/2025	2,000,000	–	–	2,000,000
			22/12/2018–21/12/2025	2,000,000	–	–	2,000,000
			22/12/2019–21/12/2025	2,000,000	–	–	2,000,000
			22/12/2020–21/12/2025	2,000,000	–	–	2,000,000
				10,000,000	–	–	10,000,000
Dr. CHOW Chi Wai *(Note)*	09/01/2014	1.010	09/01/2016–08/01/2024	2,000,000	–	(2,000,000)	–
			09/01/2017–08/01/2024	2,000,000	–	(2,000,000)	–
			09/01/2018–08/01/2024	2,000,000	–	(2,000,000)	–
			09/01/2019–08/01/2024	2,000,000	–	(2,000,000)	–
				8,000,000	–	(8,000,000)	–
An employee	16/07/2014	0.946	16/07/2015–15/07/2024	1,000,000	(1,000,000)	–	–
			16/07/2016–15/07/2024	1,000,000	–	–	1,000,000
			16/07/2017–15/07/2024	1,000,000	–	–	1,000,000
			16/07/2018–15/07/2024	1,000,000	–	–	1,000,000
			16/07/2019–15/07/2024	1,000,000	–	–	1,000,000
				5,000,000	(1,000,000)	–	4,000,000
An employee	09/01/2014	1.010	09/01/2015–08/01/2024	1,000,000	–	–	1,000,000
			09/01/2016–08/01/2024	1,000,000	–	–	1,000,000
			09/01/2017–08/01/2024	1,000,000	–	–	1,000,000
			09/01/2018–08/01/2024	1,000,000	–	–	1,000,000
			09/01/2019–08/01/2024	1,000,000	–	–	1,000,000
				5,000,000	–	–	5,000,000
An employee	22/12/2015	1.562	22/12/2016–21/12/2025	600,000	–	–	600,000
			22/12/2017–21/12/2025	600,000	–	–	600,000
			22/12/2018–21/12/2025	600,000	–	–	600,000
			22/12/2019–21/12/2025	600,000	–	–	600,000
			22/12/2020–21/12/2025	600,000	–	–	600,000
				3,000,000	–	–	3,000,000
Total				43,000,000	(1,000,000)	(8,000,000)	34,000,000

Note: Dr. CHOW Chi Wai resigned as an executive Director with effect from 11 May 2016.

During the year ended 31 December 2016, no option has been granted under the New Share Option Scheme.

PRE-IPO SHARE OPTIONS

In recognition of the contributions made by employees and a consultant of the Group towards its growth and success, on 10 May 2006, Pre-IPO Share Options have been granted by the Company to, and accepted by, among others, certain employees. All the Pre-IPO Share Options issued have been expired and automatically lapsed on 9 May 2016.

Movements of the Pre-IPO Share Options for the year ended 31 December 2016 are as follows:

			Number of Pre-IPO Share Options			
Grantee	**Exercise price per Share HK$**	**Exercise period**	**As at 1 January 2016**	**Exercised during the year**	**Lapsed during the year**	**As at 31 December 2016**
Mr. CHEUNG Chi *(Note)*	1.596	30/06/2007–09/05/2016	1,920,000	—	(1,920,000)	—
		30/06/2008–09/05/2016	4,080,000	—	(4,080,000)	—
Total			6,000,000	—	(6,000,000)	—

Note: Mr. CHEUNG Chi resigned as an executive Director with effect from 5 June 2014.

RETIREMENT SCHEMES

The Group participates in several defined contribution retirement plans which cover the Group's eligible employees in Mainland China, Vietnam and Cambodia and certain Mandatory Provident Fund Schemes for the employees in Hong Kong. Particulars of these retirement plans are set out in Note 25(a) to the consolidated financial statements.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year.

CONNECTED TRANSACTIONS

None of the related party transactions of the Group for the year ended 31 December 2016 as set out in Note 35 to the consolidated financial statements constituted connected transactions or continuing connected transactions of the Company under Chapter 14A of the Listing Rules which are required to comply with any of the reporting, announcement or independent shareholders' approval requirements under the Listing Rules. The Directors confirmed that the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

Report of the Directors

MAJOR CUSTOMERS AND SUPPLIERS

Sales and purchases of the Group attributable to its major customers and suppliers respectively for the year ended 31 December 2016 were as follows:

	% of Sales	% of Purchases
The largest customer/supplier	69.3	12.1
Five largest customers/suppliers	74.9	31.3

To the best knowledge and belief of the Directors, none of the Directors, their close associates or any Shareholder owning more than 5% of the issued share capital of the Company, has any interest in any of the Group's five largest customers or suppliers as disclosed above.

CORPORATE GOVERNANCE CODE AND CORPORATE GOVERNANCE REPORT

The Company has applied the principles and complied with the code provisions in the CG Code as set out in Appendix 14 of the Listing Rules throughout the accounting period covered by this annual report. Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 17 to 26 of this report.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float as required under the Listing Rules as at the latest practicable date prior to the issue of this report.

AUDITOR

The financial statements for the year ended 31 December 2016 have been audited by PricewaterhouseCoopers who will retire at the forthcoming annual general meeting. A resolution will be proposed at the forthcoming annual general meeting to re-appoint PricewaterhouseCoopers as the auditor of the Company for the year ending 31 December 2017.

By order of the Board
Win Hanverky Holdings Limited
LI Kwok Tung Roy
Chairman

Hong Kong, 23 March 2017

Independent Auditor's Report

pwc

羅兵咸永道

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

OPINION

What we have audited

The consolidated financial statements of Win Hanverky Holdings Limited (the "**Company**") and its subsidiaries (the "**Group**") are set out on pages 43 to 119, which comprise:

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

Our opinion

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

BASIS FOR OPINION

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

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

Independence

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

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

KEY AUDIT MATTERS

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

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

- Impairment assessment of intangible assets
- Impairment of property, plant and equipment and provision for onerous leases of underperforming retail stores

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of intangible assets	
Refer to notes 2.8, 2.9, 4(c), 4(d) and 8 to the consolidated financial statements The Group carried HK$170 million intangible assets on the consolidated statement of financial position as at 31 December 2016, of which HK$91 million is attributable to the goodwill arose from acquisition of the high-end fashion retailing business under Shine Gold Group, HK$34 million is attributable to the goodwill arose from acquisition of the golf and high-end apparel manufacturing and trading business under Charmtech Group and HK$33 million is attributable to the know-how arose from the acquisition of the textiles manufacturing and trading business under Win Success Group. Shine Gold Group, Charmtech Group and Win Success Group are considered three separate group of cash generating units ("**CGUs**"). Goodwill is required to be assessed for impairment at least annually. Know-how is required to be assessed for impairment when an impairment indicator exists. For the impairment assessment of intangible assets, management has estimated the recoverable amount based on discounted cash flow projections using fair value less costs of disposal ("**FVLCD**") or value in use ("**VIU**") calculations. Management has concluded that there is no impairment in respect of the Group's intangible assets in the current year. We focused on this area as the assessments made by management involved significant estimates and judgements, including the revenue growth, gross margins, and terminal growth rates used to estimate future cash flows and discount rates applied to these forecasted future cash flows of the underlying CGUs.	For the intangible assets impairment assessments, we evaluated management's valuation models by assessing the appropriateness of the valuation methodologies and the process by which the models were drawn up. We obtained management's future cash flow forecasts, tested the mathematical accuracy of the underlying calculations and compared the underlying inputs to the latest approved one-year financial budget and future business plans. We also compared the current year actual results to those budgeted figures adopted in the cash flow forecasts used in the prior year impairment assessment to assess the quality of management's forecasts. We assessed management's key assumptions used in the business plans, in particular the forecasted revenue growth and budgeted gross margins, by comparing against the historical performance of the CGUs and industry data such as actual gross margins of other market players. We also assessed the reasonableness of other key assumptions used in the calculations. Our audit procedures included an assessment of: — the terminal growth rates used by management and comparing them to the long term economic growth forecasts of the garment manufacturing, fabric manufacturing and retail industries; and — the risk adjusted discount rates used by management by involving our internal valuation expert and comparing these discount rates used to entities with similar risk profile and market information. In addition, we also reviewed the sensitivity analyses performed by management around the key assumptions to ascertain that the selected adverse changes of key assumptions would not cause the carrying amount of the intangible assets to exceed the recoverable amounts. Based on the collective audit evidence obtained, we consider that the management's judgements and assumptions used in the intangible assets impairment assessments were supportable.

Key Audit Matter	How our audit addressed the Key Audit Matter

Impairment of property, plant and equipment and provision for onerous leases of underperforming retail stores

Refer to notes 2.9, 2.22, 4(a), 4(h) and 24 to the consolidated financial statements

As at 31 December 2016, management assessed the Group's retail store assets mainly comprising leasehold improvements and furniture and equipment for indication of impairment. The economic and sector trends facing the Group may adversely impact the recoverable values of the assets used within the retail stores which is considered to be a triggering event for impairment review.

Management considered each retail store to be a cash generating unit and performed a review of the trading results of its retail stores for the year to assess whether (i) the related property, plant and equipment of the retail store were subject to an impairment loss and (ii) there was a need for an onerous lease provision.

As a result of management's assessment, which is based on cashflow forecasts of the retail stores which have shown indications for impairment, the Group recognised an impairment loss of property, plant and equipment of HK$13 million and provision for onerous leases of HK$13 million in relation to its underperforming retail stores operating in Hong Kong and Mainland China in the consolidated income statement for the year ended 31 December 2016.

We focused on this area because there were significant estimates and judgements made by management in the assessment in determining the impairment loss of the related property, plant and equipment and the provision for onerous leases of each retail store. The key assumptions adopted in the assessments included the forecasted sales performance and running costs of each retail store as well as the discount rates applied to the forecasted future cash flows of these retail stores.

We obtained management's assessment of the underperforming retail stores. We checked whether all underperforming retail stores of the Group in Hong Kong and Mainland China were considered in the process. We also discussed with management the possibility that the performing retail stores may be subject to impairment loss and provision for onerous lease and corroborated management's representation by comparing to the historical performance of these retails stores and understanding of their business plan obtained during the course of audit.

We further gained an understanding of the calculations based on the cash flow forecast of each underperforming store used by management in determining the impairment loss of the property, plant and equipment and provision for onerous leases.

In assessing the impairment and provision calculations, we focused on assessing the key assumptions adopted in the assessments of individual retail store where we:

— compared the forecasted sales performance to the approved budget and business plan, and compared estimated running costs to the existing retail store's performance;

— discussed with management the business plan and evaluated the reasonableness of those plans with the historical performance of these retail stores and latest market trend;

— checked key inputs to the calculations such as the rental obligations to rental agreements;

— involved our internal valuation expert in assessing the reasonableness of the discount rates adopted by management and compared the discount rates used to entities with similar risk profile; and

— checked accuracy of the mathematical calculations of the impairment loss and the related provision for onerous leases made to the retail stores.

Based on the collective audit evidence obtained, we consider that the management's judgements and assumptions used in the assessment to determine the impairment loss of the property, plant and equipment and provision for onerous leases of the underperforming retail stores were supportable.

Independent Auditor's Report

OTHER INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Cheng Woon Yin Michael.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 23 March 2017

Consolidated Statement of Financial Position

As at 31 December 2016

	Note	**2016 HK$'000**	2015 HK$'000
Non-current assets			
Land use rights	6	**108,668**	103,975
Property, plant and equipment	7	**679,012**	717,121
Intangible assets	8	**169,861**	174,360
Investments in associates	10	**9,438**	17,315
Deferred tax assets	19	**37,319**	37,609
Deposits, prepayments and other receivables	14	**94,856**	105,635
Pledged bank deposits	15	**1,116**	—
Total non-current assets		**1,100,270**	1,156,015
Current assets			
Inventories	12	**783,963**	678,582
Trade and bills receivable	13	**516,495**	387,798
Current tax recoverables		**3,998**	10,761
Deposits, prepayments and other receivables	14	**118,080**	101,198
Pledged bank deposits	15	**6,116**	6,406
Cash and bank balances	15	**414,210**	676,080
Total current assets		**1,842,862**	1,860,825
Current liabilities			
Trade and bills payable	16	**251,516**	298,730
Accruals and other payables	17	**275,877**	231,861
Current tax liabilities		**90,261**	60,033
Borrowings	18	**75,530**	110,680
Total current liabilities		**693,184**	701,304
Non-current liabilities			
Deferred tax liabilities	19	**5,311**	9,110
Net assets		**2,244,637**	2,306,426

The accompanying notes on pages 50 to 119 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2016

	Note	2016 HK$'000	2015 HK$'000
Equity			
Equity attributable to equity holders of the Company			
Share capital	20	**128,440**	128,340
Reserves	21	**2,100,940**	2,147,669
		2,229,380	2,276,009
Non-controlling interests		**15,257**	30,417
Total equity		**2,244,637**	2,306,426

The accompanying notes on pages 50 to 119 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 43 to 119 were approved by the Company's Board of Directors on 23 March 2017 and were signed on its behalf.

LI Kwok Tung Roy
Director

LAI Ching Ping
Director

Consolidated Income Statement

For the year ended 31 December 2016

	Note	2016 HK$'000	2015 HK$'000
Revenue	5	**4,033,381**	3,841,702
Cost of sales	24	**(2,883,795)**	(2,681,502)
Gross profit		**1,149,586**	1,160,200
Selling and distribution costs	24	**(515,750)**	(469,924)
General and administrative expenses	24	**(444,360)**	(437,972)
Other income — net	22	**2,905**	12,482
Other gains — net	23	**2,226**	27,985
Operating profit		**194,607**	292,771
Finance income	26	**6,243**	13,501
Finance costs	26	**(2,485)**	(2,198)
Finance income — net		**3,758**	11,303
Share of losses of associates	10	**(2,839)**	(19,636)
Profit before income tax		**195,526**	284,438
Income tax expense	27	**(55,890)**	(29,850)
Profit for the year		**139,636**	254,588
Attributable to:			
Equity holders of the Company		**143,494**	243,419
Non-controlling interests		**(3,858)**	11,169
		139,636	254,588
Earnings per share attributable to equity holders of the Company (expressed in HK cents per share)	28		
Basic		**11.2**	19.2
Diluted		**11.1**	19.1

The accompanying notes on pages 50 to 119 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2016

	Note	**2016 HK$'000**	2015 HK$'000
Profit for the year		**139,636**	254,588
Other comprehensive income			
Items that may be reclassified to profit or loss			
Currency translation differences		**(50,573)**	(35,935)
Share of other comprehensive income of associates	21	**(2,699)**	(1,420)
Total comprehensive income for the year		**86,364**	217,233
Total comprehensive income for the year attributable to:			
Equity holders of the Company		**95,972**	209,234
Non-controlling interests		**(9,608)**	7,999
		86,364	217,233

The accompanying notes on pages 50 to 119 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2016

	Attributable to equity holders of the Company				
	Share capital *(Note 20)* HK$'000	Reserves *(Note 21)* HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 January 2016	**128,340**	**2,147,669**	**2,276,009**	**30,417**	**2,306,426**
Comprehensive income					
Profit for the year	**—**	**143,494**	**143,494**	**(3,858)**	**139,636**
Other comprehensive income					
Currency translation differences	**—**	**(44,823)**	**(44,823)**	**(5,750)**	**(50,573)**
Share of other comprehensive income of associates	**—**	**(2,699)**	**(2,699)**	**—**	**(2,699)**
Total other comprehensive income for the year	**—**	**(47,522)**	**(47,522)**	**(5,750)**	**(53,272)**
Total comprehensive income for the year	**—**	**95,972**	**95,972**	**(9,608)**	**86,364**
Transactions with owners					
Employee share option scheme					
— value of services provided	**—**	**4,159**	**4,159**	**—**	**4,159**
— exercise of share options	**100**	**846**	**946**	**—**	**946**
Dividends paid to non-controlling interest of a subsidiary	**—**	**—**	**—**	**(5,552)**	**(5,552)**
Dividends paid					
— 2015 final	**—**	**(96,330)**	**(96,330)**	**—**	**(96,330)**
— 2016 interim	**—**	**(51,376)**	**(51,376)**	**—**	**(51,376)**
Total transactions with owners	**100**	**(142,701)**	**(142,601)**	**(5,552)**	**(148,153)**
Balance at 31 December 2016	**128,440**	**2,100,940**	**2,229,380**	**15,257**	**2,244,637**

The accompanying notes on pages 50 to 119 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2016

	Attributable to equity holders of the Company				
	Share capital *(Note 20)* HK$'000	Reserves *(Note 21)* HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 January 2015	126,840	2,015,090	2,141,930	(3,377)	2,138,553
Comprehensive income					
Profit for the year	—	243,419	243,419	11,169	254,588
Other comprehensive income					
Currency translation differences	—	(32,765)	(32,765)	(3,170)	(35,935)
Share of other comprehensive income of associates	—	(1,420)	(1,420)	—	(1,420)
Total other comprehensive income for the year	—	(34,185)	(34,185)	(3,170)	(37,355)
Total comprehensive income for the year	—	209,234	209,234	7,999	217,233
Transactions with owners					
Changes in ownership interests in subsidiaries without change of control *(Note 33(a) and (b))*	—	4,899	4,899	(9,949)	(5,050)
Employee share option scheme					
— value of services provided	—	2,913	2,913	—	2,913
— exercise of share options	1,500	17,165	18,665	—	18,665
Non-controlling interests arising on business combinations *(Note 34)*	—	—	—	37,471	37,471
Dividends paid to non-controlling interest of a subsidiary	—	—	—	(1,727)	(1,727)
Dividends paid					
— 2014 final	—	(50,816)	(50,816)	—	(50,816)
— 2015 interim	—	(50,816)	(50,816)	—	(50,816)
Total transactions with owners	1,500	(76,655)	(75,155)	25,795	(49,360)
Balance at 31 December 2015	128,340	2,147,669	2,276,009	30,417	2,306,426

The accompanying notes on pages 50 to 119 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2016

	Note	2016 HK$'000	2015 HK$'000
Cash flows from operating activities			
Cash generated from operations	30(a)	**62,453**	352,142
Interest paid		**(2,485)**	(2,198)
Hong Kong profits tax paid		**(12,480)**	(37,664)
Mainland China corporate income tax paid		**(5,752)**	(8,640)
Overseas income tax paid		**(3,312)**	(6,382)
Net cash generated from operating activities		**38,424**	297,258
Cash flows from investing activities			
Interest received		**5,723**	13,942
Purchase of property, plant and equipment		**(120,970)**	(225,411)
Payment for land use rights		**(9,245)**	(162)
Proceeds from disposal of property, plant and equipment	30(b)	**4,180**	1,889
Addition of receivables from a landlord		**—**	(15,600)
Repayment of receivables from a landlord		**11,363**	11,505
Release of pledged bank deposits		**6,321**	7,879
New pledged bank deposits		**(7,232)**	(5,092)
New term deposit with initial term over three months		**(117,000)**	—
Net cash used in investing activities		**(226,860)**	(211,050)
Cash flows from financing activities			
Decrease in bank borrowings		**(35,150)**	(2,341)
Increase/(decrease) in amounts due to non-controlling interests of subsidiaries		**2,055**	(7,381)
Dividends paid to the Company's equity holders		**(147,706)**	(101,632)
Dividends paid to non-controlling interests		**—**	(1,727)
Proceeds from exercise of share options		**946**	18,665
Consideration paid for acquisition of additional shares in a subsidiary		**—**	(5,050)
Net cash used in financing activities		**(179,855)**	(99,466)
Net decrease in cash and cash equivalents		**(368,291)**	(13,258)
Cash and cash equivalents at beginning of the year		**676,080**	711,175
Exchange differences on cash and cash equivalents		**(10,579)**	(21,837)
Cash and cash equivalents at end of year	15	**297,210**	676,080

The accompanying notes on pages 50 to 119 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1 GENERAL INFORMATION

Win Hanverky Holdings Limited (the "**Company**") and its subsidiaries (together, the "**Group**") are engaged in the manufacturing and selling of garment products, including sportswear, golf and high-end fashion apparel, and related accessories. Sales are primarily under Original Equipment Manufacturing ("**OEM**") arrangements to customers mainly in Europe, the United States, Mainland China and other countries, and under distribution and retail modes in Mainland China, Hong Kong, Macau, Taiwan and Singapore. Its production bases are primarily located in Mainland China, Vietnam and Cambodia. Details of the principal subsidiaries of the Group are set out in Note 9 to these consolidated financial statements.

The Company is an exempted Company with limited liability under the Companies Law, Cap.22, (Law 3 of 1961, as combined and revised) of the Cayman Islands. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

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

These consolidated financial statements are presented in Hong Kong Dollars ("**HK$**"), unless otherwise stated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**"). These consolidated financial statements have been prepared under the historical cost convention.

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

(a) New and amended standards have been issued and effective for the financial year beginning 1 January 2016

Hong Kong Accounting Standard ("**HKAS**") 1 (Amendment)	Disclosure Initiative
HKAS 16 and 38 (Amendment)	Clarification of Acceptable Methods of Depreciation and Amortisation
HKAS 16 and 41 (Amendment)	Agriculture: Bearer Plants
HKAS 27 (Amendment)	Equity Method in Separate Financial Statements
HKFRS 10, HKFRS 12 and HKAS 28 (Amendment)	Investment Entities: Applying the Consolidation Exception
HKFRS 11 (Amendment)	Accounting for Acquisitions of Interests in Joint Operations
HKFRS 14	Regulatory Deferral Accounts
Annual Improvements Projects	Annual Improvement 2012–2014 Cycle

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(b) *New and amended standards have been issued but are not effective for the financial year beginning 1 January 2016 and have not been early adopted*

		Effective for accounting period beginning on or after
HKAS 7 (Amendment)	Statement of Cash Flows	1 January 2017
HKAS 12 (Amendment)	Income Taxes	1 January 2017
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
HKFRS 16	Leases	1 January 2019
HKFRS 10 and HKAS 28 (Amendment)	Sale or Contribution of Assets between an Investor and its Associate and Joint Venture	1 January 2019

The Group will adopt the above new standards and amendments to the existing standards as and when they become effective. The Group has already commenced the assessment of the impact to the Group but is not yet in a position to state whether these would have a significant impact on its results of operations and financial positions.

2.2 Subsidiaries

2.2.1 Consolidation

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

(a) *Business combinations*

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Subsidiaries (Continued)

2.2.1 Consolidation (Continued)

(a) *Business combinations (Continued)*

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

Acquisition-related costs are expensed as incurred.

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

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

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

Intra-group transactions, balances and unrealised gain on transactions between group companies are eliminated. Unrealised gains/losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Subsidiaries (Continued)

2.2.1 Consolidation (Continued)

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

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

(c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2.2.2 Separate financial statements

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition.

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

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

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of losses of associates' in the income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gains and losses on dilution of equity interest in associates are recognised in the income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Segment reporting

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

2.5 Foreign currency translation

(a) *Functional and presentation currency*

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

(b) *Transactions and balances*

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

(c) *Group companies*

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Property, plant and equipment

Land and buildings comprise mainly manufacturing factories and offices. Leasehold land classified as finance leases and all other property, plant and equipment other than construction in progress are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Construction in progress represents buildings and leasehold improvements in which construction work has not been completed and plant, machinery and equipment pending for installation. It is carried at cost which includes construction expenditures and other direct costs less any impairment losses. On completion, construction in progress is transferred to the appropriate categories of property, plant and equipment at cost less accumulated impairment losses, if any. No depreciation is provided for construction in progress until it is completed and available for use.

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

Freehold land is not depreciated. Leasehold land classified as finance lease commences amortisation from the time when the land interest becomes available for its intended use. Amortisation on leasehold land classified as finance lease and depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

— Leasehold land classified as finance lease	Over the lease terms
— Buildings	10 to 50 years
— Leasehold improvements	3 to 10 years or over the lease terms, whichever is shorter
— Plant and machinery	4 to 10 years
— Furniture and equipment	3 to 10 years
— Motor vehicles and yacht	5 to 10 years

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9).

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised within 'other gains — net' in the income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Land use rights

The up-front prepayments made for land use rights are accounted for as operating leases. They are expensed in the income statement on a straight-line basis over the periods of the lease, or when there is impairment, the impairment is expensed in the income statement.

2.8 Intangible assets

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries and associates and represents the excess of the consideration transferred over the Group's interest in, net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

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

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

(b) Trademarks, licence rights and know-how

Separately acquired trademarks, licence rights and know-how are shown at historical cost. Trademarks, licence rights and know-how acquired in a business combination are recognised at fair value at the acquisition date. Trademarks, licence rights and know-how have a finite useful life and are carried at cost less accumulated amortisation and accumulated impairment losses, if any. Amortisation is calculated using the straight-line method to allocate the cost of trademarks, licence rights and know-how over their estimated useful lives of 2 to 20 years.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Impairment of non-financial assets

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

2.10 Financial assets

Classification

The Group's financial assets comprise of loans and receivables. The classification depends on the purposes for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables

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

Recognition and measurement

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

2.11 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Impairment of financial assets

Assets carried at amortised cost

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

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

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.13 Inventories

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

2.14 Trade and other receivables

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

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

2.15 Cash and cash equivalents

In the consolidated cash flow statement, cash and cash equivalents includes cash at bank and on hand and short-term bank deposits.

2.16 Share capital

Ordinary shares are classified as equity.

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

2.17 Trade payables

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

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.18 Borrowings

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

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down, and the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

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

2.19 Borrowing costs

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

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

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

2.20 Current and deferred tax

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

(a) Current tax

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.20 Current and deferred tax (Continued)

(b) Deferred tax

Inside basis differences

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

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

Outside basis differences

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

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

Offsetting

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.21 Employee benefits

(a) *Pension obligations*

Group companies operate several defined contribution retirement schemes.

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

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

(b) *Share-based compensation*

The Group operates three equity-settled, share-based compensation plans, of which two were expired during the year. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

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

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-market performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.21 Employee benefits (Continued)

(c) *Bonus plans*

The Group recognises a liability and an expense for bonuses. It recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(d) *Employee leave entitlements*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

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

(e) *Termination benefits*

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

2.22 Provisions

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.23 Revenue recognition

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

(a) Sales of goods

Wholesales sales of goods are recognised on the transfer of risks and rewards of ownership, which generally coincides with the time of delivery of goods.

Retail sales of goods are recognised when the Group sells a product to the customer. Retail sales are usually in cash or by credit card.

(b) Service income

Service income is recognised when services are provided.

(c) Interest income

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

(d) Rental income

Rental income is recognised in the income statement on a straight-line basis over the term of the lease.

2.24 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the income statement on a straight-line basis over the expected lives of the related assets.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.25 Leases (as the lessee for operating leases)

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

2.26 Contingent liabilities

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

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

2.27 Financial guarantee

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. The Company has given certain financial guarantees to banks, financial institutions and other bodies on behalf of its subsidiaries to secure loans, overdrafts and other banking facilities. The Company does not recognise liabilities for financial guarantees at inception, but performs a liability adequacy test at each reporting date by comparing its net liability regarding the financial guarantee with the amount that would be required if the financial guarantee were to result in a present legal or constructive obligation.

2.28 Dividend distributions

Dividend distributions to the Company's equity holders are recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors where appropriate.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: foreign exchange risk, credit risk, liquidity risk and cash flow and fair value interest-rate risk.

The Group's risk management programme focuses on the unpredictability of financial markets and, where considered necessary, seeks to minimise potential adverse effects on the Group's financial performance. The Group has not used derivative financial instruments to hedge its risk exposures to changes in foreign currency exchange rates and interest rates.

(a) *Foreign exchange risk*

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Chinese Renminbi and United States Dollars. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities, and net investments in foreign operations.

As at 31 December 2016, if Chinese Renminbi had strengthened/weakened by 5% (2015: 5%) against the Hong Kong Dollars with all other variables held constant, profit for the year would have been approximately HK$9,352,000 higher/lower (2015: HK$2,141,000 lower/higher) mainly as a result of foreign exchange gains/losses on translation of Chinese Renminbi denominated inter-company balances, trade and other payables, cash and bank balances, and trade and other receivables.

The foreign currency exchange exposure on assets and liabilities denominated in United States Dollars is considered to be minimal as Hong Kong Dollars is currently pegged to United States Dollars.

(b) *Credit risk*

Credit risk arises from pledged bank deposits and cash and bank balances, deposits and other receivables, as well as credit exposures to customers, including outstanding receivables and committed transactions.

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

The Group has policies in place to ensure that sales are made to customers with an appropriate credit history. It performs periodic credit evaluations/reviews of its customers.

Majority of trade receivables are with customers having good credit history. The Group grants its customers credit terms within 90 days. Most of the Group's sales are on open account, while sales made to a small number of customers are covered by letters of credit issued by banks or settled by documents against payment issued by banks.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

As at 31 December 2016, the Group's trade receivables due from one single group of customer (2015: one single group of customer) represent approximately 79% (2015: 75%) of its total trade receivables from third parties.

The Group has policies to place deposits and cash and cash equivalents only with major financial institutions. Management does not expect any losses from non-performance by these financial institutions as they have no default history in the past.

In addition, credit risk also arises from deposits and other receivables. Management performs regular assessment on credit risk associated with these amounts based on the counterparties' repayment history, financial position and other factors. Management does not expect any losses from non-performance by the counterparties as they have no default history in the past.

(c) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and the availability of funding from an adequate amount of committed credit facilities.

Management monitors rolling forecasts of the Group's liquidity reserve comprising undrawn borrowing facility and cash and bank balances on the basis of expected cash flows. Surplus cash held by Group entities over and above balances required for working capital management is invested in interest-bearing bank accounts and term deposits with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. As at 31 December 2016 and 2015, all financial liabilities of the Company are due within one year. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year	
	2016	2015
	HK$'000	HK$'000
Borrowings and interest payment	**75,763**	112,878
Trade and bills payable	**251,516**	298,730
Accruals and other payables	**272,939**	230,784
	600,218	642,392

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(d) Cash flow and fair value interest-rate risk

As at 31 December 2016, the Group held interest-bearing assets including the pledged bank deposits, term deposit with initial term over three months, short-term bank deposits and receivables from a landlord. Except for the receivables from a landlord which are at fixed rate, other interest bearing assets are at floating rates.

Except for the bank borrowings as at 31 December 2016, the Group has no other significant interest-bearing liabilities.

At the respective end of the reporting periods, if interest rates had increased/decreased by one percentage point and all other variables were held constant, the Group's profit before tax would increase/decreased by approximately HK$2,846,000 for the year ended 31 December 2016 (2015: HK$5,046,000). The fluctuation is attributable to interest income from pledged bank deposits, term deposit with initial term over three months, short-term bank deposits and interest expense on bank borrowings.

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for the Company's shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

As at 31 December 2016, the Group was in a net cash position (total borrowings were less than cash and cash equivalents).

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowings divided by total equity.

The gearing ratios at 31 December 2016 and 2015 were as follows:

	2016 HK$'000	2015 HK$'000
Bank borrowings *(Note 18)*	**75,530**	110,680
Loans from non-controlling interests of subsidiaries *(Note 17)*	**2,557**	394
	78,087	111,074
Total equity	**2,244,637**	2,306,426
Gearing ratio	**3.5%**	4.8%

The decrease in the gearing ratio above resulted primarily from decrease in bank borrowings.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation

The carrying values less impairment provision of trade and bills receivable and trade and bills payable are a reasonable approximation of their fair values. The carrying values of deposits and other receivables, accruals and other payables, pledged bank deposits and cash and bank balances also approximate their fair values.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(a) Impairment of property, plant and equipment and land use rights

Property, plant and equipment and land use rights are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts are determined based on value-in-use calculations or market valuations. These calculations require the use of judgements and estimates.

Management judgement is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset value may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs of disposal or net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates, could materially affect the net present value used in the impairment test and as a result affect the Group's financial position and results of operations. If there is a significant adverse change in the projected performance and resulting future cash flow projections, it may be necessary to take an impairment charge to the income statement.

Given the persistently weak consumer sentiment and competitive retail market which may adversely impact the recoverable values of the assets used within the retail stores, an asset impairment assessment was carried out against the underperforming retail stores and an impairment of property, plant and equipment of HK$12,940,000 was recognised for the year ended 31 December 2016. Each retail store was considered as a separate CGU and the respective recoverable amounts were assessed based on value-in-use calculations. Key assumptions used in the calculations included the forecasted sales performance and operating costs of each retail store as well as the discount rate applied to the forecasted future cash flows of these retail stores.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(b) Useful lives and residual values of property, plant and equipment and intangible assets

The Group's management determines the estimated useful lives and residual values (if applicable) and consequently related depreciation/amortisation charges for its property, plant and equipment and intangible assets. These estimates are based on the historical experience of the actual useful lives of property, plant and equipment and intangible assets of similar nature and functions, or based on value-in-use calculations or market valuations according to the estimated periods that the Group intends to derive future economic benefits from the use of property, plant and equipment and intangible assets. Management will increase the depreciation/amortisation charge where useful lives are less than previously estimated, and it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

Actual economic lives may differ from estimated useful lives; and actual residual values may differ from estimated residual values. Periodic review could result in a change in depreciable lives and residual values and therefore depreciation/amortisation expense in future periods.

(c) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in Note 2.8. The goodwill is allocated to the golf and high-end apparel manufacturing and trading business CGU resulted from the acquisition of Charmtech Industrial Limited and its subsidiary ("**Charmtech Group**"), which was included in the manufacturing segment; and the high-end fashion retailing business CGU resulted from the acquisition of Shine Gold Limited ("**Shine Gold**") and its subsidiaries (together, "**Shine Gold Group**"), which was included in distribution and retail segment.

The recoverable amounts of CGUs have been determined based on value-in-use or fair value less costs of disposal calculations. These calculations require significant judgment and estimates (Note 8). No impairment was recognised against these goodwill during the year ended 31 December 2016.

For the goodwill resulted from the acquisition of Charmtech Group, if the budgeted gross margin or the pre-tax discount rate used in the value-in-use calculation has been 1% lower and 1% higher than management's estimates respectively as at 31 December 2016, still no impairment against goodwill would be recognised by the Group.

For the goodwill resulted from the acquisition of Shine Gold Group, if the budgeted gross margin or the pre-tax discount rate used in the fair value less costs of disposal calculation has been 1% lower or 1% higher than management's estimates respectively as at 31 December 2016, still no impairment against goodwill would be recognised by the Group.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(d) Estimated impairment of trademarks, licence rights and know-how

The Group tests whether the trademarks, licence rights and know-how have suffered any impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable in accordance with the accounting policy stated in Note 2.8. The recoverable amount of the trademarks, licence rights and know-how has been determined as the higher of its value in use and its fair value less costs of disposal, i.e., the amount for which the asset could be sold between knowledgeable and willing parties, net of estimated costs of disposal.

The Group's know-how arose from the acquisition of the textiles manufacturing and trading business of Win Success Holding Limited ("**Win Success**") and its subsidiaries (together, "**Win Success Group**"). The Group assessed the impairment of the know-how based on the cash flow projection of the textiles manufacturing and trading business of Win Success Group. Key assumptions applied in the assessment included forecasted revenue growth, budgeted gross margin, terminal growth rate and discount rate. No impairment on know-how was recognised during the year ended 31 December 2016.

(e) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on current market conditions and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of changes in customer taste and competitor actions in response to changes in market conditions. Management reassesses these estimates at the end of each reporting period.

(f) Trade and bills receivable and deposits and other receivables

The Group's management determines the provision for impairment of trade and bills receivable and deposits and other receivables based on an assessment of the recoverability of the receivables. This assessment is based on the credit history of customers and other debtors and current market conditions, and requires the use of judgements and estimates. Management reassesses the provision at the end of each reporting period.

(g) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets relating to temporary differences and tax losses are recognised when management expects it is probable that future taxable profits will be available to utilise the temporary differences or tax losses. Management reassesses its expectation at the end of each reporting period.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(h) Provision for onerous leases

In accordance with HKAS 37 "Provision, Contingent Liabilities and Contingent Assets", an onerous lease is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefit expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract. The Group recognise a provision for onerous lease based on the estimated unavoidable costs of meeting all leases and other obligations under the retail stores, net of economic benefit expected to be received from the stores, if any. The Group assesses the provision for onerous lease based on the cash flow projections prepared for each of retail stores. The key assumptions applied in the cash flow projections included the forecasted sales performance and running costs of each retail stores as well as the discount rate applied to the forecasted future cash flows of these retails stores.

5 SEGMENT INFORMATION

The chief operating decision-maker has been identified collectively as the executive Directors of the Company. The executive Directors review the Group's internal reporting in order to assess performance and allocate resources and report segment performance based on internal reporting.

The executive Directors review the performance of the Group mainly from a business operation perspective. The Group has two major business segments, namely (i) Manufacturing, and (ii) Distribution and Retail. The Manufacturing segment represents manufacturing and sales of sportswear primarily under OEM arrangements to customers mainly in Europe, the United States, Mainland China and other countries. The Distribution and Retail segment represents the distribution and retail of high-end fashion products and sportswear products in Mainland China, Hong Kong, Macau, Taiwan and Singapore.

The executive Directors assess the performance of the business segments based on a measure of operating results of each segment, which excludes finance income and finance costs in the result for each operating segment. Other information provided to the executive Directors is measured in a manner consistent with that in the consolidated financial statements.

5 SEGMENT INFORMATION (Continued)

The segment results for the year ended 31 December 2016 are as follows:

	Manufacturing HK$'000	Distribution and Retail HK$'000	Total HK$'000
Total segment revenue	3,121,392	923,171	4,044,563
Inter-segment revenue	(11,182)	—	(11,182)
Revenue	3,110,210	923,171	4,033,381
Operating profit/(loss) and segment results	226,466	(31,859)	194,607
Finance income			6,243
Finance costs			(2,485)
Share of losses of associates	(2,839)	—	(2,839)
Profit before income tax			195,526
Income tax expense			(55,890)
Profit for the year			139,636

Other segment items included in the consolidated income statement for the year ended 31 December 2016 are as follows:

	Manufacturing HK$'000	Distribution and Retail HK$'000	Total HK$'000
Amortisation of land use rights	2,832	—	2,832
Depreciation of property, plant and equipment	117,892	28,876	146,768
Amortisation of intangible assets	3,801	698	4,499
Impairment of property, plant and equipment, net	—	12,940	12,940
(Write-back of)/provision for inventories, net	(2,354)	32,450	30,096
Provision for onerous leases	—	12,752	12,752
Impairment of trade receivables	76	—	76

5 SEGMENT INFORMATION (Continued)

The segment results for the year ended 31 December 2015 are as follows:

	Manufacturing HK$'000	Distribution and Retail HK$'000	Total HK$'000
Total segment revenue	2,956,960	889,375	3,846,335
Inter-segment revenue	(4,633)	—	(4,633)
Revenue	2,952,327	889,375	3,841,702
Operating profit and segment results	271,066	21,705	292,771
Finance income			13,501
Finance costs			(2,198)
Share of losses of associates	(19,636)	—	(19,636)
Profit before income tax			284,438
Income tax expense			(29,850)
Profit for the year			254,588

Other segment items included in the consolidated income statement for the year ended 31 December 2015 are as follows:

	Manufacturing HK$'000	Distribution and Retail HK$'000	Total HK$'000
Amortisation of land use rights	2,841	—	2,841
Depreciation of property, plant and equipment	135,800	22,055	157,855
Amortisation of intangible assets	678	37,248	37,926
Impairment of property, plant and equipment, net	5,922	—	5,922
Provision for inventories, net	12,846	13,691	26,537
Impairment of trade receivables	469	—	469
Gain on disposal of land use rights classified as held for sale	(27,550)	—	(27,550)

Inter-segment transactions are conducted at terms mutually agreed among group companies.

5 SEGMENT INFORMATION (Continued)

Segment assets exclude current tax recoverables, deferred tax assets and assets for corporate use which are managed on a group basis.

Segment liabilities exclude current tax liabilities and deferred tax liabilities which are managed on a group basis.

Capital expenditure comprises additions to land use rights, property, plant and equipment and intangible assets, including additions resulting from acquisitions through business combinations.

The segment assets and liabilities as at 31 December 2016 and capital expenditure for the year ended are as follows:

	Manufacturing HK$'000	Distribution and Retail HK$'000	Unallocated HK$'000	Total HK$'000
Assets	2,265,495	626,882	41,317	2,933,694
Associates	9,438	—	—	9,438
Total assets	2,274,933	626,882	41,317	2,943,132
Total liabilities	432,456	170,467	95,572	698,495
Capital expenditure	118,654	39,003	—	157,657

The segment assets and liabilities as at 31 December 2015 and capital expenditure for the year ended are as follows:

	Manufacturing HK$'000	Distribution and Retail HK$'000	Unallocated HK$'000	Total HK$'000
Assets	2,405,316	545,839	48,370	2,999,525
Associates	17,315	—	—	17,315
Total assets	2,422,631	545,839	48,370	3,016,840
Total liabilities	444,653	196,618	69,143	710,414
Capital expenditure	210,847	45,328	—	256,175

5 SEGMENT INFORMATION (Continued)

The Group's revenue from external customers by geographical location is as follows:

	2016 HK$'000	2015 HK$'000
Revenue		
Europe	**1,343,488**	1,398,308
Mainland China	**650,942**	532,609
United States	**641,875**	449,030
Hong Kong	**606,250**	642,485
Other Asian countries	**482,195**	468,247
Canada	**76,131**	80,463
Others	**232,500**	270,560
	4,033,381	3,841,702

The Group's revenue by geographical location is determined by the final destination of delivery of the products.

	2016 HK$'000	2015 HK$'000
Analysis of revenue by category		
Sales of goods	**4,026,637**	3,830,391
Provision of services	**6,744**	11,311
	4,033,381	3,841,702

The total of non-current assets other than deferred tax assets by geographical location is as follows:

	2016 HK$'000	2015 HK$'000
Mainland China	**317,477**	314,301
Hong Kong	**307,299**	377,759
Other countries	**438,175**	426,346
	1,062,951	1,118,406

For the year ended 31 December 2016, revenues of approximately HK$2,796,633,000 (2015: HK$2,691,454,000), representing 69.3% (2015: 70.1%) of the Group's total revenue, were derived from a single group of external customers. These revenues are attributable to the Manufacturing segment.

6 LAND USE RIGHTS

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

	2016 HK$'000	2015 HK$'000
Beginning of the year	**103,975**	107,267
Currency translation differences	**(10,611)**	(613)
Additions	**18,136**	162
Amortisation	**(2,832)**	(2,841)
End of the year	**108,668**	103,975

7 PROPERTY, PLANT AND EQUIPMENT

	Freehold land HK$'000	Land and buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture and equipment HK$'000	Motor vehicles and yacht HK$'000	Construction in progress HK$'000	Total HK$'000
Year ended 31 December 2015								
Opening net book amount	44,906	171,746	190,565	212,291	28,960	18,577	7,219	674,264
Currency translation differences	—	(2,690)	(2,754)	(5,514)	(249)	(206)	(228)	(11,641)
Additions	—	57,334	50,388	54,593	15,351	1,600	39,276	218,542
Transfers	—	39,065	1,421	963	—	—	(41,449)	—
Disposals	—	—	(45)	(55)	—	(167)	—	(267)
Impairment	—	—	(5,922)	—	—	—	—	(5,922)
Depreciation	—	(21,192)	(59,727)	(60,182)	(9,693)	(7,061)	—	(157,855)
Closing net book amount	44,906	244,263	173,926	202,096	34,369	12,743	4,818	717,121
At 31 December 2015								
Cost	44,906	322,250	410,788	569,290	122,216	48,062	4,818	1,522,330
Accumulated depreciation and impairment	—	(77,987)	(236,862)	(367,194)	(87,847)	(35,319)	—	(805,209)
Net book amount	44,906	244,263	173,926	202,096	34,369	12,743	4,818	717,121
Year ended 31 December 2016								
Opening net book amount	**44,906**	**244,263**	**173,926**	**202,096**	**34,369**	**12,743**	**4,818**	**717,121**
Currency translation differences	**—**	**(3,414)**	**(3,842)**	**(5,233)**	**(921)**	**(208)**	**(334)**	**(13,952)**
Additions	**—**	**7,567**	**50,917**	**48,213**	**24,044**	**5,501**	**3,279**	**139,521**
Transfers	**—**	**—**	**4,503**	**—**	**—**	**—**	**(4,503)**	**—**
Disposals	**—**	**(745)**	**—**	**(3,060)**	**(68)**	**(97)**	**—**	**(3,970)**
Impairment	**—**	**—**	**(12,466)**	**(108)**	**(366)**	**—**	**—**	**(12,940)**
Depreciation	**—**	**(19,383)**	**(58,443)**	**(49,906)**	**(13,039)**	**(5,997)**	**—**	**(146,768)**
Closing net book amount	**44,906**	**228,288**	**154,595**	**192,002**	**44,019**	**11,942**	**3,260**	**679,012**
At 31 December 2016								
Cost	**44,906**	**323,660**	**432,024**	**576,884**	**143,304**	**49,912**	**3,260**	**1,573,950**
Accumulated depreciation and impairment	**—**	**(95,372)**	**(277,429)**	**(384,882)**	**(99,285)**	**(37,970)**	**—**	**(894,938)**
Net book amount	**44,906**	**228,288**	**154,595**	**192,002**	**44,019**	**11,942**	**3,260**	**679,012**

Freehold land are located in the Hashemite Kingdom of Jordan and Cambodia.

During the year ended 31 December 2016, impairment loss of HK$12,940,000 had been included in selling and distribution costs. During the year ended 31 December 2015, impairment loss of HK$1,777,000 had been included in general and administrative expenses and impairment loss of HK$4,145,000 had been included in cost of sales.

8 INTANGIBLE ASSETS

	Trademarks HK$'000	Goodwill HK$'000	Licence rights HK$'000	Know-how HK$'000	Total HK$'000
At 1 January 2015					
Cost	13,966	124,385	88,522	—	226,873
Accumulated amortisation and impairment	(815)	—	(51,243)	—	(52,058)
Net book amount	13,151	124,385	37,279	—	174,815
Year ended 31 December 2015					
Opening net book amount	13,151	124,385	37,279	—	174,815
Acquisition on business combinations *(Note 34)*	—	—	—	37,471	37,471
Amortisation	(698)	—	(36,603)	(625)	(37,926)
Closing net book amount	12,453	124,385	676	36,846	174,360
At 31 December 2015					
Cost	13,966	124,385	88,522	37,471	264,344
Accumulated amortisation and impairment	(1,513)	—	(87,846)	(625)	(89,984)
Net book amount	12,453	124,385	676	36,846	174,360
Year ended 31 December 2016					
Opening net book amount	**12,453**	**124,385**	**676**	**36,846**	**174,360**
Amortisation	**(698)**	**—**	**(54)**	**(3,747)**	**(4,499)**
Closing net book amount	**11,755**	**124,385**	**622**	**33,099**	**169,861**
At 31 December 2016					
Cost	**13,966**	**124,385**	**88,522**	**37,471**	**264,344**
Accumulated amortisation and impairment	**(2,211)**	**—**	**(87,900)**	**(4,372)**	**(94,483)**
Net book amount	**11,755**	**124,385**	**622**	**33,099**	**169,861**

8 INTANGIBLE ASSETS (Continued)

Impairment tests for goodwill

Goodwill is allocated to the Group's CGUs identified according to business segment and geographical location and is as follows:

	High-end fashion retailing	Golf and high-end apparel manufacturing and trading	Total
	HK$'000	HK$'000	HK$'000
Net book amount			
At 1 January 2015, 31 December 2015, 1 January 2016 and 31 December 2016	90,635	33,750	124,385

The recoverable amounts of the CGUs are determined based on value-in-use or fair value less costs of disposal calculations. These calculations use pre-tax cash flow projections based on financial budgets and future business plans approved by management covering a five-year period for the golf and high-end apparel manufacturing and trading business and high-end fashion retailing business. Cash flows beyond the period covered in approved budgets and future business plans are extrapolated using the key assumptions stated below. The growth rates do not exceed the long-term average growth rates for the businesses in which the CGUs operate. The fair value less costs of disposal calculations is a level 3 fair value measurement.

	2016		2015	
	High-end fashion retailing	**Golf and high-end apparel manufacturing and trading**	High-end fashion retailing	Golf and high-end apparel manufacturing and trading
Revenue growth rate	**5–25%**	**–7–6%**	2–6%	5%
Budgeted gross margin	**56–57%**	**18%**	53–56%	23%
Growth rate used to extrapolate cash flows beyond the budget period	**3%**	**2%**	3%	2%
Pre-tax discount rate	**16%**	**11%**	16%	11%

Management determined revenue growth rate and budgeted gross margin based on past performance and its expectations of market development. No impairment was recognised in respect of the golf and high-end apparel manufacturing and trading business and high-end fashion retailing business CGUs during the year ended 31 December 2016.

9 SUBSIDIARIES

(i) Subsidiaries

The following are details of principal subsidiaries, all of which are unlisted, as at 31 December 2016:

Name	Place of incorporation and type of legal entity	Particulars of issued share capital	Percentage of equity interest attributable to the Group 2016	2015	Principal activities and place of operation
Bowker Asia Limited	British Virgin Islands ("**BVI**"), limited liability company	US$100	**100%**	100%	Trading of garment products/Hong Kong
Bowker Garment Factory Company Limited	Hong Kong, limited liability company	HK$10,000 ordinary HK$200,000 non-voting deferred *(Note (a))*	**100%**	100%	Investment and property holding/ Hong Kong
Bowker Garment Factory (Cambodia) Company Limited	Cambodia, limited liability company	KHR4,000,000	**100%**	100%	Manufacturing of garment products/ Cambodia
Bowker Garment Investment (Cambodia) Company Limited	Cambodia, limited liability company	KHR4,000,000	**100%**	100%	Property holding/ Cambodia
Bowker Venture Garment (Yunfu) Company Limited	Mainland China, foreign equity joint venture	HK$84,279,000	**98.6%**	**98.6%	Manufacturing of garment products/ Mainland China
Bowker (Vietnam) Garment Factory Company Limited	Vietnam, limited liability company	US$10,500,000	**100%**	100%	Manufacturing of garment products/ Vietnam
Bowker Vietnam Holding Limited	Hong Kong, limited liability company	HK$1,000,000	**100%**	100%	Investment holding and trading of garment products/Hong Kong
Bowker Yee Sing Garment Factory (Heyuan) Company Limited	Mainland China, wholly foreign owned enterprise	HK$120,000,000	**71%**	71%	Manufacturing of garment products/ Mainland China
Charmtech Industrial Limited	Hong Kong, limited liability company	HK$50,000	**100%**	100%	Investment holding and trading of garment products/Hong Kong
Corus Investments Limited	Hong Kong, limited liability company	HK$10,000	***100%**	*100%	Property holding/ Hong Kong
D-mop Limited	Hong Kong, limited liability company	HK$1,000,000	**70%**	70%	Retailing of fashion products/Hong Kong
Kaiping Win Hanverky Textile Company Limited	Mainland China, wholly foreign owned enterprise	US$5,522,813	**100%**	100%	Manufacturing of textile products/ Mainland China
Kepac Trading (Hangzhou) Limited	Mainland China, wholly foreign owned enterprise	HK$5,000,000	**70%**	70%	Retailing of fashion products/ Mainland China
Portico Group Limited	BVI, limited liability company	US$2,481,135	***100%**	*100%	Trading of garment products/Hong Kong

9 SUBSIDIARIES (Continued)

(i) Subsidiaries (Continued)

Name	Place of incorporation and type of legal entity	Particulars of issued share capital	Percentage of equity interest attributable to the Group 2016	2015	Principal activities and place of operation
Premier Global (Vietnam) Garment Company Limited	Vietnam, limited liability company	US$10,000,000	**100%**	100%	Manufacturing of garment products/ Vietnam
Qing Yuan BowCharm Garment Manufacturing Limited	Mainland China, wholly foreign owned enterprise	HK$29,612,242	**100%**	100%	Manufacturing of garment products/ Mainland China
Rich Form (HK) Limited	Hong Kong, limited liability company	HK$12,000	**75%**	75%	Trading of garment products/Hong Kong
Shanghai Yinpac Trading Limited	Mainland China, wholly foreign owned enterprise	US$800,000	**70%**	70%	Retailing of fashion products/ Mainland China
Shine Gold Limited	BVI, limited liability company	US$340	**70%**	70%	Investment holding/ Hong Kong
Smartex Solution Company Limited	Mainland China, wholly foreign owned enterprise	RMB32,000,000	**51%**	51%	Manufacturing and trading of textile products/Mainland China
Sports Corner Limited	Hong Kong, limited liability company	HK$500,000	**94.2%**	94.2%	Retailing of garment products/Hong Kong
Win Hanverky (China) Company Limited	Hong Kong, limited liability company	HK$10,000	**100%**	100%	Trading of garment products/Hong Kong
Win Hanverky Limited	Hong Kong, limited liability company	HK$10,000 ordinary HK$1,000,000 non-voting deferred *(Note (a))*	**100%**	100%	Trading of garment products/Hong Kong
Win Hanverky Textile Limited	Hong Kong, limited liability company	HK$2,000,000	**100%**	100%	Trading of textile products/Hong Kong and Mainland China
Win Sports Limited	Hong Kong, limited liability company	HK$345,018,082	**94.2%**	94.2%	Investment holding/ Hong Kong
Win Success Holding Limited	BVI, limited liability company	US$100	**51%**	51%	Investment holding/ Hong Kong
Winning Best Limited	Hong Kong, limited liability company	HK$1	***100%**	*100%	Property holding/ Hong Kong
Winning Castle Limited	Hong Kong, limited liability company	HK$1	***100%**	*100%	Property holding/ Hong Kong
Wuzhou Bowker Garment Company Limited	Mainland China, wholly foreign owned enterprise	HK$86,292,165	**100%**	100%	Manufacturing of garment products/ Mainland China

9 SUBSIDIARIES (Continued)

(i) Subsidiaries (Continued)

* The shares of these companies are held by the Company; others are held indirectly by the Company.

** Bowker Venture Garment (Yunfu) Company Limited ("**BVG**"), a then wholly owned subsidiary of the Group, and Sport City Garment Factory Company Limited ("**Sport City**"), a then partially owned subsidiary of the Group with 72.7% equity interest, merged during the year ended 31 December 2015. Upon the completion of the merger, the Group's equity interest in BVG (also known as the merged entity) decreased from 100% to 98.6% while Sport City was dissolved in 2016 (Note 33(b)).

Notes:

(a) The non-voting deferred shares are not owned by the Group. These shares have no voting rights, are not entitled to dividends unless the net profit of the relevant company exceeds HK$100,000,000,000 and are not entitled to any distributions upon winding up unless a sum of HK$100,000,000,000 has been distributed by the relevant company to the holders of its ordinary shares.

(b) None of the subsidiaries had any loan capital in issue at any time during the year ended 31 December 2016 (2015: None).

The English names of certain subsidiaries represent the best effort by management of the Group to translate their Chinese names as they do not have official English names.

(ii) Significant restrictions

Cash and bank deposits of HK$163,772,000 (2015: HK$169,535,000) held in Mainland China and Vietnam are subject to local exchange control regulations. These local exchange control regulations provide restrictions on remitting funds out of these countries, other than through normal dividends.

9 SUBSIDIARIES (Continued)

(iii) Material non-controlling interests

As at 31 December 2016, the total non-controlling interests amounted to HK$15,257,000 (2015: HK$30,417,000), of which accumulated loss of HK$5,898,000 (2015: accumulated loss of HK$10,062,000) is attributable to Shine Gold Group. The directors are of the opinion that the non-controlling interests in respect of other non-wholly owned subsidiaries are not material.

Set out below are the summarised financial information for Shine Gold Group that has non-controlling interests that are material to the Group.

Summarised statement of financial position of Shine Gold Group

	2016 HK$'000	2015 HK$'000
Current		
Assets	**291,926**	230,999
Liabilities	**(254,020)**	(184,802)
Total current net assets	**37,906**	46,197
Non-current		
Assets	**84,196**	70,414
Liabilities	**(141,762)**	(150,152)
Total non-current net liabilities	**(57,566)**	(79,738)
Net liabilities	**(19,660)**	(33,541)

9 SUBSIDIARIES (Continued)

(iii) Material non-controlling interests (Continued)

Summarised statement of comprehensive income of Shine Gold Group

	2016 HK$'000	2015 HK$'000
Revenue	**651,697**	646,321
Profit before income tax	**24,542**	27,574
Income tax expenses	**(6,270)**	(1,812)
Post-tax profit from continuing operations	**18,272**	25,762
Other comprehensive income	**(4,391)**	(5,794)
Total comprehensive income	**13,881**	19,968
Total comprehensive income allocated to non-controlling interests	**4,164**	5,990

Summarised cash flow statement of Shine Gold Group

	2016 HK$'000	2015 HK$'000
Cash flows from operating activities		
Cash (used in)/generated from operations	**(4,827)**	50,160
Interest paid	**(2,330)**	(1,975)
Income tax paid	**(5,570)**	(7,413)
Net cash (used in)/generated from operating activities	**(12,727)**	40,772
Net cash used in investing activities	**(32,562)**	(39,387)
Net cash generated from financing activities	**49,905**	8,245
Net increase in cash and cash equivalents	**4,616**	9,630
Cash and cash equivalents at beginning of year	**43,533**	34,647
Exchange losses on cash and cash equivalents	**(1,907)**	(744)
Cash and cash equivalents at end of year	**46,242**	43,533

The information above is the amount before inter-company eliminations.

10 INVESTMENTS IN ASSOCIATES

	2016 HK$'000	2015 HK$'000
Beginning of the year	**17,315**	38,371
Share of reserve movements for the year	**(2,699)**	(1,420)
Share of losses for the year	**(2,839)**	(19,636)
Reduction of share capital	**(2,339)**	—
End of the year	**9,438**	17,315

Set out below are the major associates of the Group as at 31 December 2016. The associates as listed below have share capital consisting solely of ordinary shares, which are held indirectly by the Company.

Nature of investments in associates as at 31 December 2016 and 2015:

Name	**Place of incorporation and type of legal entity**	**Percentage of ownership interest**	**Nature of the relationship**	**Measurement method**
Fu Hsun Bowker Dyeing Factory (Heyuan) Company Limited ("**Fu Hsun Bowker**")	Mainland China, wholly foreign owned enterprise	30%	*Note (a)*	Equity
Fu Hsun Investment Company Limited ("**Fu Hsun Investment**")	BVI, limited liability company	30%	*Note (b)*	Equity
Fu Jin Bowker Company Limited ("**Fu Jin Bowker**")	BVI, limited liability company	30%	*Note (c)*	Equity

Notes:

(a) Fu Hsun Bowker was previously engaged in fabrics dyeing in Mainland China. During the year ended 31 December 2015, Fu Hsun Bowker closed down its manufacturing plant in Mainland China and became inactive.

(b) Fu Hsun Investment is the investment holding company of Fu Hsun Bowker.

(c) Fu Jin Bowker was engaged in trading of dyed fabrics in Taiwan. It primarily sold dyed fabric to the Group in Mainland China and became inactive during the year ended 31 December 2015.

Fu Hsun Bowker, Fu Hsun Investment and Fu Jin Bowker are private companies and there is no quoted market price for their shares.

There are no contingent liabilities relating to the Group's interests in the associates.

The directors are of the opinion that the associates are not material to the Group. Accordingly, summarised financial information is not presented.

11 FINANCIAL INSTRUMENTS

	Loans and receivables	
	2016 **HK$'000**	2015 HK$'000
Assets		
Trade and bills receivable	**516,495**	387,798
Deposits and other receivables	**168,460**	157,183
Pledged bank deposits	**7,232**	6,406
Cash and bank balances	**414,210**	676,080

	Other financial liabilities at amortised cost	
	2016 **HK$'000**	2015 HK$'000
Liabilities		
Trade and bills payable	**251,516**	298,730
Accruals and other payables	**272,939**	230,784
Borrowings	**75,530**	110,680

12 INVENTORIES

	2016 **HK$'000**	2015 HK$'000
Raw materials	**291,610**	260,651
Work in progress	**126,876**	114,915
Finished goods	**365,477**	303,016
	783,963	678,582

The costs of inventories recognised as expense and included in cost of sales amounted to approximately HK$1,943,119,000 (2015: HK$1,765,231,000).

Provision for inventories amounting to approximately HK$30,096,000 (2015: HK$26,537,000) was included in cost of sales.

13 TRADE AND BILLS RECEIVABLE

	2016 HK$'000	2015 HK$'000
Trade receivables		
— from third parties	**504,762**	390,120
— from a related party *(Note 35(c))*	**8,234**	—
Bills receivable	**5,383**	—
	518,379	390,120
Less: impairment of trade receivables	**(1,884)**	(2,322)
	516,495	387,798

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

Majority of trade receivables are with customers having good credit history. The Group grants its customers credit terms within 90 days. Most of the Group's sales are on open account, while sales made to a small number of customers are covered by letters of credit issued by banks or settled by documents against payment issued by banks. The ageing of trade and bills receivable based on invoice date is as follows:

	2016 HK$'000	2015 HK$'000
0–90 days	**511,901**	384,915
91–180 days	**4,454**	1,227
181–365 days	**207**	58
Over 365 days	**1,817**	3,920
	518,379	390,120

Trade receivables that are less than 90 days past due are generally not considered impaired. As at 31 December 2016, trade receivables of HK$164,000 (2015: HK$1,741,000) were more than 90 days past due but considered not to be impaired. These relate to a number of customers for whom there is no recent history of default. The past due ageing of these trade receivables is as follows:

	2016 HK$'000	2015 HK$'000
91–180 days	**146**	90
181–365 days	**11**	53
Over 365 days	**7**	1,598
	164	1,741

13 TRADE AND BILLS RECEIVABLE (Continued)

As at 31 December 2016, trade receivables of HK$1,884,000 (2015: HK$2,322,000) were impaired and had been fully provided for. These receivables relate to a number of customers, including customers in unexpected difficult economic situations. The past due ageing of these receivables is as follows:

	2016 HK$'000	2015 HK$'000
181–365 days	76	—
Over 365 days	1,808	2,322
	1,884	2,322

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

	2016 HK$'000	2015 HK$'000
Beginning of the year	2,322	1,868
Currency translation differences	(30)	(15)
Impairment of trade receivables	76	469
Receivables written off during the year as uncollectible	(484)	—
End of the year	1,884	2,322

The creation and release of provision for impaired receivables have been included in general and administrative expenses. Amounts charged to the allowance account are written off when there is no expectation of recovering additional cash.

The Group's trade and bills receivable were denominated in the following currencies:

	2016 HK$'000	2015 HK$'000
United States Dollars	383,936	262,661
Chinese Renminbi	120,742	107,532
Hong Kong Dollars	8,188	13,690
Others	5,513	6,237
	518,379	390,120

The maximum exposure to credit risk at the reporting date is the fair value of the receivables mentioned above. The Group does not hold any collateral.

14 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2016 HK$'000	2015 HK$'000
Non-current		
Rental, utility and other deposits	**57,469**	46,122
Receivables from a landlord *(Note)*	**31,980**	42,120
Deposits for property, plant and equipment	**5,407**	17,393
	94,856	105,635
Current		
Rental, utility and other deposits	**43,525**	35,199
Value-added tax recoverable	**22,581**	15,669
Receivables from a landlord *(Note)*	**19,447**	20,670
Prepayments for inventories	**10,230**	9,131
Other receivables	**10,063**	9,568
Prepayments for operating expenses	**6,258**	7,457
Claims receivable from customers	**5,046**	3,094
Interest receivable from a landlord	**930**	410
	118,080	101,198
Total	**212,936**	206,833

The carrying amounts of deposits and other receivables approximate their fair values. The maximum exposure to credit risk at the reporting date is the fair value of the items mentioned above. The Group does not hold any collateral.

Note: Amounts represented receivables from a landlord in Vietnam. Receivables from the landlord are unsecured, interest-bearing at 5% per annum and denominated in United States Dollars. Receivables of US$1,200,000, equivalent to approximately HK$9,360,000 (2015: US$2,100,000, equivalent to approximately HK$16,380,000), US$1,893,143, equivalent to approximately HK$14,766,515 (2015: US$2,450,000, equivalent to approximately HK$19,110,000) and US$3,500,000, equivalent to approximately HK$27,300,000 (2015: US$3,500,000, equivalent to approximately HK$27,300,000) are repayable semi-annually and will mature in June 2018, June 2019 and May 2021, respectively. The Group recognised interest income of HK$2,512,000 (2015: HK$2,072,000) during the year ended 31 December 2016 from these receivables. The carrying amounts of these receivables approximate their fair values.

The Group's deposits and other receivables were denominated in the following currencies:

	2016 HK$'000	2015 HK$'000
United States Dollars	**74,007**	74,793
Hong Kong Dollars	**60,621**	59,249
Chinese Renminbi	**29,345**	20,417
Others	**4,487**	2,724
	168,460	157,183

15 PLEDGED BANK DEPOSITS AND CASH AND BANK BALANCES

	2016 HK$'000	2015 HK$'000
Pledged bank deposits		
Non-current	**1,116**	—
Current	**6,116**	6,406
	7,232	6,406
Cash and bank balances		
Short-term bank deposits	**235,921**	608,831
Cash at bank and on hand	**61,289**	67,249
Cash and cash equivalents	**297,210**	676,080
Term deposit with initial term over three months	**117,000**	—
	414,210	676,080

The effective interest rates on pledged bank deposits and term deposit with initial term over three months were 1.21% (2015: 2.34%) per annum and 1.51% (2015: Nil) per annum, respectively. These balances will be matured in 2017 to 2019. The balances in 2015 were matured in 2016.

The effective interest rate on short-term bank deposits was 0.31% (2015: 0.54%) per annum, which have maturities of 3 months or less at inception.

As at 31 December 2016, bank deposits of HK$7,232,000 (2015: HK$6,406,000) were placed at certain banks as collaterals against certain banking facilities of the Group and were pledged as security deposits at Custom Department for certain subsidiaries of the Group.

Pledged bank deposits and cash and bank balances were denominated in the following currencies:

	2016 HK$'000	2015 HK$'000
United States Dollars	**207,553**	456,047
Chinese Renminbi	**148,467**	163,250
Hong Kong Dollars	**55,093**	50,150
Others	**10,329**	13,039
	421,442	682,486

The conversion of certain foreign currencies are subject to the rules and regulations of foreign exchange control promulgated by respective governments as disclosed in Note 9(ii).

The maximum exposure to credit risk at the reporting date approximates the carrying values of pledged bank deposits and cash and bank balances.

16 TRADE AND BILLS PAYABLE

	2016 HK$'000	2015 HK$'000
Trade payables		
— to third parties	**238,210**	269,896
— to related parties *(Note 35(c))*	**13,164**	26,432
Bills payable	**142**	2,402
	251,516	298,730

The ageing of the trade and bills payable based on invoice date is as follows:

	2016 HK$'000	2015 HK$'000
0–90 days	**245,576**	295,867
91–180 days	**3,793**	1,320
181–365 days	**181**	209
Over 365 days	**1,966**	1,334
	251,516	298,730

The Group's trade and bills payable were denominated in the following currencies:

	2016 HK$'000	2015 HK$'000
United States Dollars	**198,275**	236,190
Hong Kong Dollars	**36,432**	57,316
Chinese Renminbi	**14,983**	5,224
Others	**1,826**	—
	251,516	298,730

17 ACCRUALS AND OTHER PAYABLES

	2016 HK$'000	2015 HK$'000
Accrual for employee benefit costs	**130,000**	122,947
Accrual for other operating expenses	**51,464**	44,188
Payable for purchases of property, plant and equipment and land use rights	**31,338**	15,883
Other taxes payable	**17,442**	17,920
Provision for onerous leases	**12,752**	—
Deposits received from customers	**2,938**	1,077
Loans from non-controlling interests of subsidiaries *(Note 35(d))*	**2,557**	394
Payables to non-controlling interests of subsidiaries *(Note 35(d))*	**7,935**	2,864
Others	**19,451**	26,588
	275,877	231,861

18 BORROWINGS

	2016 HK$'000	2015 HK$'000
Interest-bearing bank borrowings — secured	**75,530**	110,680

All of the Group's borrowings were repayable within one year. The carrying amounts of the bank borrowings approximate their fair values as the impact of discounting is not significant.

As at 31 December 2016, bank borrowings of HK$75,530,000 were secured by corporate guarantees given by the Company. As at 31 December 2015, bank borrowings of HK$110,680,000 were secured by corporate guarantees given by the Company and certain bank deposits from a non-controlling interest of a subsidiary.

The carrying amounts of the Group's borrowings were denominated in the following currencies:

	2016 HK$'000	2015 HK$'000
Hong Kong Dollars	**54,528**	70,614
United States Dollars	**21,002**	40,066
	75,530	110,680

As at 31 December 2016, the Group's borrowings of HK$75,530,000 (2015: HK$110,680,000) were on floating rates. The weighted average interest rate (per annum) at the end of the reporting period was as follows:

	2016	2015
Interest-bearing bank borrowings	**1.9%**	2.1%

As at 31 December 2016, the Group had the following undrawn banking facilities:

	2016 HK$'000	2015 HK$'000
Floating rates — expiring within one year	**500,290**	209,183

The banking facilities expiring within one year are annual facilities subject to review at various dates in 2017.

19 DEFERRED TAX

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes relate to the same tax jurisdiction. The net amounts are as follows:

	2016 HK$'000	2015 HK$'000
Deferred tax assets:		
— Deferred tax assets to be recovered after more than 12 months	**33,911**	32,177
— Deferred tax assets to be recovered within 12 months	**3,408**	5,432
	37,319	37,609
Deferred tax liabilities:		
— Deferred tax liabilities to be settled after more than 12 months	**(4,788)**	(5,366)
— Deferred tax liabilities to be settled within 12 months	**(523)**	(3,744)
	(5,311)	(9,110)
Deferred tax assets — net	**32,008**	28,499

The net movement on the deferred tax assets/(liabilities) are as follows:

	2016 HK$'000	2015 HK$'000
Beginning of the year	**28,499**	(15,618)
Exchange difference	**(111)**	(24)
Recognised in the income statement *(Note 27)*	**3,620**	44,141
End of the year	**32,008**	28,499

19 DEFERRED TAX (Continued)

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

Deferred tax assets:

	Tax losses	Unrealised profit	Provision for inventories	Total
	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2015	887	3,722	7,253	11,862
Exchange difference	—	—	(20)	(20)
Recognised in the income statement	(699)	28,215	(2,077)	25,439
At 31 December 2015	**188**	**31,937**	**5,156**	**37,281**
Exchange difference	**—**	**(85)**	**(26)**	**(111)**
Recognised in the income statement	**(36)**	**1,285**	**(752)**	**497**
At 31 December 2016	**152**	**33,137**	**4,378**	**37,667**

Deferred tax liabilities:

	Tax depreciation	Fair value gains	Unrealised loss	Withholding tax on undistributed earnings	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2015	(2,460)	(9,598)	(13,387)	(2,035)	(27,480)
Exchange difference	—	—	(4)	—	(4)
Recognised in the income statement	(357)	7,192	13,170	(1,303)	18,702
At 31 December 2015	**(2,817)**	**(2,406)**	**(221)**	**(3,338)**	**(8,782)**
Recognised in the income statement	**1,196**	**135**	**221**	**1,571**	**3,123**
At 31 December 2016	**(1,621)**	**(2,271)**	**—**	**(1,767)**	**(5,659)**

Deferred tax assets are recognised for tax loss carry-forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. As at 31 December 2016, the Group did not recognise deferred tax assets of HK$145,655,000 (2015: HK$202,322,000) in respect of tax losses amounting to HK$786,591,000 (2015: HK$977,966,000) that can be carried forward against future taxable income. Total unrecognised tax losses of HK$466,471,000 (2015: HK$578,500,000) can be carried forward indefinitely; while cumulative tax losses of HK$64,475,000 (2015: HK$103,412,000), HK$114,691,000 (2015: HK$117,435,000), HK$88,638,000 (2015: HK$102,823,525), HK$13,131,000 (2015: HK$17,067,000) and HK$39,186,000 (2015: Nil) will expire in 2017, 2018, 2019, 2020 and 2021 respectively.

Deferred tax liabilities of HK$34,192,000 (2015: HK$18,560,000) have not been recognised for the withholding tax that would be payable on the unremitted earnings of certain subsidiaries, as it is management's intention to reinvest such amounts in the foreseeable future. The said unremitted earnings totalled HK$170,959,000 as at 31 December 2016 (2015: HK$92,802,000).

20 SHARE CAPITAL

	As at 31 December	
	2016	2015
	HK$'000	HK$'000
Authorised		
3,000,000,000 ordinary shares of HK$0.1 each	**300,000**	300,000

	Number of ordinary shares '000	HK$'000
Issued and fully paid up		
At 1 January 2015	1,268,400	126,840
Proceeds from shares issued under share option scheme	15,000	1,500
At 31 December 2015 and 1 January 2016	1,283,400	128,340
Proceeds from shares issued under share option scheme	1,000	100
At 31 December 2016	**1,284,400**	**128,440**

Share options

The Company operates two share option schemes as described below:

(i) *Pre-IPO share option scheme*

Pre-IPO share options were granted by the Company to certain directors and a consultant for their services to the Group. In 2006, the Company granted 44,400,000 options under the Pre-IPO share option scheme to subscribe for shares in the Company at prices ranging from HK$1.14 to HK$2.28 per share. These options vested according to a pre-determined schedule over three years from 2006 to 2008 and were expired on 9 May 2016. The Group has no legal or constructive obligation to repurchase or settle these options in cash.

(ii) *Share option scheme*

In August 2006, the Company established a share option scheme which remained in force for 10 years and expired in September 2016. No additional options can be granted under such share option scheme.

Pursuant to the resolution of Shareholders at the annual general meeting of the Company on 16 June 2016, a new share option scheme ("**New Share Option Scheme**") has been adopted. Under the New Option Scheme, share options may be granted to any directors, employees, or partners of the Group. The exercise price is determined by the Board and shall not be less than the higher of (i) the nominal value of a share; (ii) the closing price of one share as stated in the daily quotation sheets issued by The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on the date of offer, which shall be a business day; and (iii) the average closing price of the shares as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the date of offer.

The Group has no legal or constructive obligation to repurchase or settle these options in cash.

20 SHARE CAPITAL (Continued)

Share options (Continued)

Movements in the number of outstanding options and their related weighted average exercise prices were as follows:

	2016		2015	
	Number of options '000	Weighted average exercise price per share HK$	Number of options '000	Weighted average exercise price per share HK$
At beginning of year	**49,000**	**1.206**	51,000	1.127
Granted	**—**	**—**	13,000	1.562
Lapsed/forfeiture	**(14,000)**	**1.261**	—	—
Exercised	**(1,000)**	**0.946**	(15,000)	1.244
At end of year	**34,000**	**1.191**	49,000	1.206

Out of the 34,000,000 outstanding options (2015: 49,000,000 outstanding options), 10,400,000 (2015: 18,400,000) share options are exercisable as at 31 December 2016.

The above outstanding share options have the following expiry dates and exercise prices:

Expiry date	**Exercise price per share** HK$	**Share options** 2016 '000	2015 '000
9 May 2016	1.596	**—**	6,000
8 January 2024	1.010	**5,000**	13,000
15 July 2024	0.946	**16,000**	17,000
21 December 2025	1.562	**13,000**	13,000
		34,000	49,000

The weighted average values of options granted during the year ended 31 December 2015 determined using the binomial valuation model was HK$0.47 per option. The significant inputs into the model included average share price at the grant date of HK$1.56, exercise price shown above, volatility of 45.98%, dividend yield of 7.05% and annual risk-free interest rate of 1.6%.

During the year ended 31 December 2016, share option expenses charged to the consolidated income statement were approximately HK$4,159,000 (2015: HK$2,913,000).

21 RESERVES

	Share premium HK$'000	Share-based payment reserve HK$'000	Statutory reserve HK$'000	Foreign currency translation reserve HK$'000	Other reserves HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 January 2015	666,939	11,695	11,622	110,227	167,718	1,046,889	2,015,090
Currency translation differences							
— Group	—	—	—	(32,765)	—	—	(32,765)
— Associates	—	—	—	(1,420)	—	—	(1,420)
Employee share option scheme							
— value of services provided	—	2,913	—	—	—	—	2,913
— exercise of share options	24,155	(6,990)	—	—	—	—	17,165
Changes in ownership interests in subsidiaries without change of control *(Note 33(a) and (b))*	—	—	(2)	—	4,901	—	4,899
Dividends paid							
— 2014 final	—	—	—	—	—	(50,816)	(50,816)
— 2015 interim	—	—	—	—	—	(50,816)	(50,816)
Profit attributable to equity holders of the Company	—	—	—	—	—	243,419	243,419
Transfer to statutory reserve *(Note)*	—	—	706	—	—	(706)	—
At 31 December 2015	**691,094**	**7,618**	**12,326**	**76,042**	**172,619**	**1,187,970**	**2,147,669**
Currency translation differences							
— Group	**—**	**—**	**—**	**(44,823)**	**—**	**—**	**(44,823)**
— Associates	**—**	**—**	**—**	**(2,699)**	**—**	**—**	**(2,699)**
Employee share option scheme							
— value of services provided	**—**	**4,159**	**—**	**—**	**—**	**—**	**4,159**
— exercise of share options	**1,133**	**(287)**	**—**	**—**	**—**	**—**	**846**
— lapse/forfeiture of share options	**—**	**(3,970)**	**—**	**—**	**—**	**3,970**	**—**
Dividends paid							
— 2015 final	**—**	**—**	**—**	**—**	**—**	**(96,330)**	**(96,330)**
— 2016 interim	**—**	**—**	**—**	**—**	**—**	**(51,376)**	**(51,376)**
Profit attributable to equity holders of the Company	**—**	**—**	**—**	**—**	**—**	**143,494**	**143,494**
Transfer to statutory reserve *(Note)*	**—**	**—**	**816**	**—**	**—**	**(816)**	**—**
At 31 December 2016	**692,227**	**7,520**	**13,142**	**28,520**	**172,619**	**1,186,912**	**2,100,940**
Representing:							
Proposed 2016 final dividend						38,532	
Others						1,148,380	
						1,186,912	

Note: As stipulated by regulations in Mainland China, the Company's subsidiaries established and operated in Mainland China are required to appropriate a portion of their after-tax profit (after offsetting prior years' losses) to the general reserve and the enterprise expansion fund, at rates determined by their respective boards of directors. The general reserve can be utilised to offset prior year losses or be utilised for the issuance of bonus shares, whilst the enterprise expansion fund can be utilised for the development of business operations. During the year ended 31 December 2016, HK$816,000 (2015: HK$706,000) was appropriated to the general reserve and the enterprise expansion fund.

22 OTHER INCOME — NET

	2016 HK$'000	2015 HK$'000
Other income		
Rental income	**2,930**	7,793
Others	**4,985**	4,689
	7,915	12,482
Other expenses		
Redundancy costs *(Note)*	**(5,010)**	—
	2,905	12,482

Note: During the year ended 31 December 2016, the Group scaled down a factory located in Mainland China and recognised redundancy costs of approximately HK$5,010,000.

23 OTHER GAINS — NET

	2016 HK$'000	2015 HK$'000
Gain on disposal of land use rights classified as held for sale *(Note)*	**—**	27,550
Net exchange gains/(losses)	**2,016**	(1,187)
Gain on disposal of property, plant and equipment	**210**	1,622
	2,226	27,985

Note: On 8 July 2014, the Group entered into a sale and purchase agreement with a third party in relation to the disposal of certain land use rights in Mainland China for a consideration of RMB25,000,000 (equivalent to approximately HK$31,175,000). During the year ended 31 December 2015, the transaction was completed and a gain on disposal of approximately HK$27,550,000 was recognised in the consolidated income statement.

24 EXPENSES BY NATURE

Expenses included in cost of sales, selling and distribution costs and general and administrative expenses are analysed as follows:

	2016 HK$'000	2015 HK$'000
Raw materials and consumables used	**1,438,053**	1,350,683
Purchases of finished goods	**611,938**	480,176
Processing and subcontracting charges	**56,988**	50,648
Manufacturing overheads	**34,138**	37,329
Sample expenses	**24,810**	18,216
Changes in inventories of finished goods and work in progress	**(106,872)**	(65,628)
Depreciation of property, plant and equipment	**146,768**	157,855
Impairment of property, plant and equipment, net	**12,940**	5,922
Amortisation of land use rights	**2,832**	2,841
Amortisation of intangible assets	**4,499**	37,926
Employment benefit expense	**1,011,606**	966,860
Freight, delivery and insurance expenses	**63,768**	58,454
Marketing, advertising and promotion expenses	**7,612**	8,643
Operating lease rental in respect of retails shops, office equipment and land and buildings		
— minimum lease payments	**215,910**	215,391
— contingent rent	**68,535**	37,498
Auditor's remuneration		
— audit services	**3,100**	4,021
— non-audit services	**639**	737
Impairment of trade receivables	**76**	469
Provision for onerous leases	**12,752**	—
Provision for inventories, net	**30,096**	26,537
Other expenses	**203,717**	194,820
Total cost of sales, selling and distribution costs and general and administrative expenses	**3,843,905**	3,589,398

25 EMPLOYMENT BENEFIT EXPENSE

	2016 HK$'000	2015 HK$'000
Wages, salaries, commission, allowances, bonus and other termination payments	**902,697**	869,308
Share options granted to directors and employees	**4,159**	2,913
Retirement benefit and social insurance		
— retirement benefit — defined contribution schemes	**71,233**	66,227
— social insurance	**4,653**	3,466
Welfare and other benefits	**28,864**	24,946
	1,011,606	966,860

(a) Retirement benefit costs — defined contribution plans

The Group has arranged for its Hong Kong employees to join certain Mandatory Provident Fund Schemes (the "**MPF Schemes**"), defined contribution schemes managed by independent trustees. Under the MPF Schemes, each of the Group (the employer) and its employees make monthly contributions to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation. The monthly contributions of each of the employer and the employee are subject to a cap of HK$1,500 and thereafter contributions are voluntary. The Group has no further obligations for post-retirement benefits beyond the contributions.

As stipulated by rules and regulations in Mainland China, the Group contributes to state-sponsored retirement schemes for certain of its employees in Mainland China. The Group's employees make monthly contributions to the schemes at approximately 2% to 9% of the relevant income (comprising wages, salaries, allowances and bonus), while the Group contributes 5% to 20% of such income and has no further obligations for the actual payment of post-retirement benefits beyond the contributions. The state-sponsored retirement schemes are responsible for the entire post-retirement benefit obligations payable to the retired employees.

The Group participates in a retirement scheme for qualified employees of its subsidiaries in Vietnam. The Group's employees make monthly contributions to the scheme at 8% of the relevant income (comprising wages, salaries, allowances and bonus), while the Group contributes 18% of such income. The Group has no further obligations for post-retirement benefits beyond the contributions.

25 EMPLOYMENT BENEFIT EXPENSE (Continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2016 include four (2015: four) directors whose emoluments are reflected in Note 37. The emoluments paid/payable to the remaining one individual (2015: one individual) during the year are as follows:

	2016 HK$'000	2015 HK$'000
Basic salaries, commission, share options and other allowances	**5,783**	2,383
Discretionary bonuses	**—**	3,000
Retirement benefit — defined contribution schemes	**18**	18
	5,801	5,401

The emoluments fell within the following bands:

	Number of individuals	
	2016	2015
Emolument bands		
HK$5,000,001–HK$5,500,000	**—**	1
HK$5,500,001–HK$6,000,000	**1**	—

(c) During the year ended 31 December 2016, no emoluments were paid by the Company to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2015: Nil).

26 FINANCE INCOME AND COSTS

	2016 HK$'000	2015 HK$'000
Interest income from		
— Bank deposits	**3,731**	11,429
— Receivables from a landlord	**2,512**	2,072
Finance income	**6,243**	13,501
Finance costs		
— Bank borrowings	**(2,485)**	(2,198)
Finance income — net	**3,758**	11,303

27 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profits which are subject to Hong Kong profits tax.

Mainland China Corporate Income Tax ("**CIT**") has been provided at the rate of 25% (2015: 25%) on the estimated assessable profits which are subject to CIT.

Taxation on overseas (other than Hong Kong and Mainland China) profits has been calculated on the estimated assessable profits for the year at the applicable rates of taxation prevailing in the countries in which the Group operates.

The amounts of income tax expense charged/(credited) to the consolidated income statement represent:

	2016 HK$'000	2015 HK$'000
Current tax		
— Hong Kong profits tax	**27,090**	20,859
— Mainland China taxes	**25,027**	50,127
— Overseas income tax	**5,484**	4,432
— Under/(over) provision in prior years	**1,909**	(1,427)
	59,510	73,991
Deferred tax *(Note 19)*	**(3,620)**	(44,141)
	55,890	29,850

27 INCOME TAX EXPENSE (Continued)

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

	2016 HK$'000	2015 HK$'000
Profit before income tax excluding share of losses of associates	**198,365**	304,074
Tax calculated at domestic tax rates applicable to profits in the respective places/countries	**44,456**	54,895
Tax effects of:		
— Income not subject to tax	**(640)**	(6,800)
— Expenses not deductible for tax purposes	**5,956**	20,576
— Tax concession	**(24,200)**	(42,923)
— Tax losses for which no deferred tax was recognised	**27,561**	9,778
— Temporary differences not recognised	**7,007**	669
— Utilisation of previously unrecognised tax losses	**(5,194)**	(6,295)
— Withholding tax (credited)/charged on undistributed earnings of subsidiaries and associates	**(1,216)**	1,303
— Under/(over) provision in prior years	**1,909**	(1,427)
— Others	**251**	74
Tax charge	**55,890**	29,850

The weighted average applicable tax rate was approximately 22% (2015: 18%). The change is mainly caused by a change in mix of profits earned by different Group companies which are subject to different tax rates.

28 EARNINGS PER SHARE

(a) Basic

The calculation of basic earnings per share is based on the consolidated profit attributable to equity holders of the Company of approximately HK$143,494,000 (2015: HK$243,419,000) and on the weighted average number of approximately 1,284,375,000 (2015: 1,270,860,000) ordinary shares in issue during the year.

	2016	2015
Profit attributable to equity holders of the Company (HK$'000)	**143,494**	243,419
Weighted average number of ordinary shares in issue ('000)	**1,284,375**	1,270,860
Basic earnings per share (HK cents)	**11.2**	19.2

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. Shares issuable under the share option schemes (Note 20) are the only dilutive potential ordinary shares. A calculation is made in order to determine the number of shares that could have been acquired at fair value (determined as the average market price of the Company's shares in the relevant periods) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	2016	2015
Profit attributable to equity holders of the Company (HK$'000)	**143,494**	243,419
Weighted average number of ordinary shares in issue ('000)	**1,284,375**	1,270,860
Adjustment for:		
— Share options ('000)	**4,768**	1,716
Weighted average number of ordinary shares for diluted earnings per share ('000)	**1,289,143**	1,272,576
Diluted earnings per share (HK cents)	**11.1**	19.1

29 DIVIDENDS

	2016 HK$'000	2015 HK$'000
Interim dividend paid of HK4.0 cents (2015: HK4.0 cents) per ordinary share	**51,376**	50,816
Proposed final dividend of HK3.0 cents (2015: HK7.5 cents) per ordinary share	**38,532**	96,255
	89,908	147,071

The Board proposed a final dividend of HK3.0 cents (2015: HK7.5 cents) per ordinary share, amounting to a total dividend of HK$38,532,000 (2015: HK$96,255,000), and is to be proposed at the upcoming annual general meeting. These financial statements do not reflect this dividend payable.

30 NOTES TO CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of cash generated from operations

	2016 HK$'000	2015 HK$'000
Profit before income tax	**195,526**	284,438
Adjustments for:		
— Amortisation of intangible assets	**4,499**	37,926
— Amortisation of land use rights	**2,832**	2,841
— Gain on disposal of property, plant and equipment	**(210)**	(1,622)
— Gain on disposal of land use rights classified as held for sale	**—**	(27,550)
— Depreciation of property, plant and equipment	**146,768**	157,855
— Impairment of property, plant and equipment, net	**12,940**	5,922
— Provision for inventories, net	**30,096**	26,537
— Provision for onerous leases	**12,752**	—
— Impairment of trade receivables	**76**	469
— Finance income — net	**(3,758)**	(11,303)
— Share of losses of associates	**2,839**	19,636
— Share option expenses	**4,159**	2,913
Changes in working capital:		
— Inventories	**(150,532)**	(152,194)
— Trade and bills receivable	**(135,798)**	(24,508)
— Deposits, prepayments and other receivables	**(30,266)**	(15,177)
— Trade and bills payable	**(46,873)**	13,541
— Accruals and other payables	**17,403**	32,418
Cash generated from operations	**62,453**	352,142

(b) In the consolidated cash flow statement, proceeds from disposal of property, plant and equipment comprise:

	2016 HK$'000	2015 HK$'000
Disposal of property, plant and equipment		
Net book amount	**3,970**	267
Gain on disposal of property, plant and equipment	**210**	1,622
Proceeds from disposal of property, plant and equipment	**4,180**	1,889

31 CONTINGENT LIABILITIES

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

32 COMMITMENTS

(a) Capital commitments

Capital expenditure contracted for at the end of the reporting period but not yet provided for is as follows:

	2016 HK$'000	2015 HK$'000
Property, plant and equipment		
Contracted but not provided for	**8,163**	7,932

As at 31 December 2016, the Group had commitments to inject additional capital into certain subsidiaries established in Mainland China and Vietnam, totalling approximately HK$41,913,000 (2015: HK$75,382,000).

(b) Operating lease commitments

The Group leases various retail shops, offices, warehouses, plant and office equipment under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2016 HK$'000	2015 HK$'000
Within one year	**213,766**	196,741
Later than one year and not later than five years	**265,927**	321,467
Later than five years	**43,819**	26,176
	523,512	544,384

The above lease commitments only include commitments for basic rentals, and do not include commitments for additional rental payable (contingent rents), if any, which are to be determined generally by applying pre-determined percentages to future sales less the basic rentals of the respective leases, as it is not possible to determine in advance the amount of such additional rentals.

33 CHANGES IN OWNERSHIP INTERESTS IN SUBSIDIARIES WITHOUT CHANGE OF CONTROL

(a) Acquisition of additional interests in subsidiaries

On 8 December 2015, the Group acquired an additional 25% equity interest in Charmtech Industrial Limited ("**Charmtech**") at a consideration of HK$5,050,000. Thereafter, the Group's equity interest in Charmtech and its subsidiary increased from 75% to 100%. The acquisition of the additional interest did not result in change of control of Charmtech and its subsidiary. The carrying amount of the non-controlling interest in Charmtech on the date of acquisition was HK$7,584,000. The Group recognised a decrease in non-controlling interest of HK$7,584,000 and increase in equity attributable to equity holders of the Company of HK$2,534,000. The effect of changes in the ownership interest of Charmtech on the equity attributable to equity holders of the Company during the year ended 31 December 2015 is summarised as follows:

	HK$'000
Carrying amount of non-controlling interests acquired	7,584
Consideration paid	(5,050)
Differences recognised within equity	2,534

(b) BVG, a then wholly owned subsidiary of the Group, and Sport City, a then partially owned subsidiary of the Group with 72.7% equity interest, merged during the year ended 31 December 2015. Upon completion of the merger, the Group's equity interest in BVG (also known as the merged entity) decreased from 100% to 98.6% while Sport City was dissolved in 2016. In this connection, the Group recognised a net decrease of non-controlling interest of HK$2,236,000 and a net increase of equity attributable to equity holders of the Company of HK$2,236,000 during the year ended 31 December 2015.

The effect of changes in the ownership interests of BVG and Sport City on the equity attributable to equity holders of the Company during the year ended 31 December 2015 is summarised as follows:

	HK$'000
Carrying amount of non-controlling interests in Sport City	5,022
Carrying amount of non-controlling interests in BVG	(2,786)
Differences recognised within equity	2,236

34 BUSINESS COMBINATIONS

On 30 October 2015, the Group and an independent third party entered in to a subscription and shareholder's agreement in relation to the formation of Win Success and a series of agreements. Win Success Group is engaged in manufacturing and trading of textiles products. The Group and the independent third party agreed to subscribe 51% and 49% of the equity interest in Win Success by injecting US$5,000,000 (equivalent to approximately HK$39,000,000) and certain know-how to Win Success Group respectively.

	HK$'000
Consideration	39,000
Recognised amounts of identifiable assets acquired:	
Cash and cash equivalents	39,000
Know-how *(Note 8)*	37,471
Total identifiable net assets	76,471
Less: fair value of non-controlling interest	(37,471)
	39,000

Pursuant to the subscription and shareholder's agreement, the equity interest of the non-controlling interest in Win Success will be subject to a downward adjustment if certain performance conditions of Win Success are not met over the specified period.

The fair value of the non-controlling interest in the acquired business, was estimated by using the purchase price paid for acquisition of 49% stake in the acquired business. This purchase price was adjusted for the lack of control and lack of marketability that market participants would consider when estimating the fair value of the non-controlling interest.

35 RELATED PARTY TRANSACTIONS

The Group is controlled by Quinta Asia Limited (the immediate holding company), a company incorporated in the British Virgins Islands, which owns approximately 57.91% of the Company's shares as at 31 December 2016. The Company's directors regard Quinta Asia Limited as being the ultimate holding company.

Apart from those disclosed elsewhere in these consolidated financial statements, the following significant transactions were carried out with related parties:

(a) Sales of goods and services

	2016 HK$'000	2015 HK$'000
Sales of goods:		
Entity controlled by non-controlling interest of a subsidiary	**20,541**	—
Associate of the Group	**—**	75
Sales of services:		
Entity controlled by non-controlling interest of a subsidiary	**—**	565
	20,541	640

Goods and services are sold at prices mutually agreed by both parties.

(b) Purchases of goods and services

	2016 HK$'000	2015 HK$'000
Purchases of goods:		
Associate of the Group	**239**	85,285
Major shareholder of an associate of the Group	**90,417**	42,289
Entity controlled by non-controlling interest of a subsidiary	**3,484**	—
Purchases of services:		
Entity controlled by non-controlling interest of a subsidiary	**630**	603
	94,770	128,177

Goods and services are purchased at prices mutually agreed by both parties.

35 RELATED PARTY TRANSACTIONS (Continued)

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

	2016 HK$'000	2015 HK$'000
Receivables from related parties (included in trade receivables):		
Entity controlled by non-controlling interest of a subsidiary	**8,234**	—
Payables to related parties (included in trade payables):		
Associate of the Group	**—**	2,852
Major shareholder of an associate of the Group	**13,058**	23,580
Entity controlled by non-controlling interest of a subsidiary	**106**	—
	13,164	26,432

All amounts are unsecured and payable within normal trade credit terms.

(d) Amounts due to related parties (included in accruals and other payables)

	2016 HK$'000	2015 HK$'000
Loans from non-controlling interests of subsidiaries	**2,557**	394
Payables to non-controlling interests of subsidiaries	**7,935**	2,864

As at 31 December 2016, loans from and payables to non-controlling interests of subsidiaries were unsecured, interest-free and repayable on demand.

35 RELATED PARTY TRANSACTIONS (Continued)

(e) Key management compensation

	2016 HK$'000	2015 HK$'000
Salaries, bonus and allowances	**26,010**	34,846
Share-based compensation in respect of share options	**2,998**	2,016
Retirement benefits — defined contribution schemes	**98**	131
	29,106	36,993

(f) As at 31 December 2016, the Company granted corporate guarantees of HK$639,504,000 (2015: HK$326,380,000) to certain banks in respect of the banking facilities granted of HK$610,604,000 (2015: HK$345,480,000) to its subsidiaries. As at 31 December 2016, the banking facilities utilised by the subsidiaries amounted to HK$110,843,000 (2015: HK$137,857,000).

As at 31 December 2016, bank borrowings were secured by corporate guarantees given by the Company. As at 31 December 2015, bank borrowings were secured by corporate guarantees given by the Company and certain bank deposits from a non-controlling interest of a subsidiary (Note 18).

36 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

Statement of financial position of the Company

	Note	As at 31 December 2016 HK$'000	2015 HK$'000
Non-current assets			
Investments in subsidiaries	(a)	**1,769,452**	1,821,572
Deferred tax assets		**250**	—
		1,769,702	1,821,572
Current assets			
Deposits, prepayments and other receivables		**62**	—
Cash and cash equivalents		**746**	1,375
		808	1,375
Current liabilities			
Accruals and other payables		**10,810**	16,970
Current tax liabilities		**2,050**	1,209
Amounts due to subsidiaries		**243,171**	149,526
		256,031	167,705
Net assets		**1,514,479**	1,655,242
Equity			
Equity attributable to equity holders of the Company			
Share capital		**128,440**	128,340
Reserves	(b)	**1,386,039**	1,526,902
Total equity		**1,514,479**	1,655,242

The statement of financial position of the Company was approved by the Company's Board of Directors on 23 March 2017 and were signed on its behalf.

LI Kwok Tung Roy
Director

LAI Ching Ping
Director

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

Notes:

(a) Investment in subsidiaries included amounts due from subsidiaries which represent equity funding by the Company to the respective subsidiaries and are measured in accordance with the Company's accounting policy for investment in subsidiaries.

(b) **Reserve movement of the Company**

	Share premium HK$'000	Share-based payment reserve HK$'000	Contributed surplus HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 January 2015	666,939	11,695	528,331	401,377	1,608,342
Profit attributable to equity holders of the Company	—	—	—	114	114
Employee share option scheme					
— value of services provided	—	2,913	—	—	2,913
— exercise of share options	24,155	(6,990)	—	—	17,165
Dividends paid					
— 2014 final	—	—	—	(50,816)	(50,816)
— 2015 interim	—	—	—	(50,816)	(50,816)
At 31 December 2015	**691,094**	**7,618**	**528,331**	**299,859**	**1,526,902**
Profit attributable to equity holders of the Company	**—**	**—**	**—**	**1,838**	**1,838**
Employee share option scheme					
— value of services provided	**—**	**4,159**	**—**	**—**	**4,159**
— exercise of share options	**1,133**	**(287)**	**—**	**—**	**846**
— lapse/forfeiture of share options	**—**	**(3,970)**	**—**	**3,970**	**—**
Dividends paid					
— 2015 final	**—**	**—**	**—**	**(96,330)**	**(96,330)**
— 2016 interim	**—**	**—**	**—**	**(51,376)**	**(51,376)**
At 31 December 2016	**692,227**	**7,520**	**528,331**	**157,961**	**1,386,039**
Representing:					
Proposed 2016 final dividend				38,532	
Others				119,429	
				157,961	

37 BENEFITS AND INTERESTS OF DIRECTORS (DISCLOSURES REQUIRED BY SECTION 383 OF THE HONG KONG COMPANIES ORDINANCE (CAP. 622) AND COMPANIES (DISCLOSURE OF INFORMATION ABOUT BENEFITS OF DIRECTORS) REGULATION (CAP. 622G) AND HK LISTING RULES)

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

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking						
Name	**Fees HK$'000**	**Salaries HK$'000**	**Discretionary bonuses HK$'000**	**Housing allowances HK$'000**	**Employer's contribution to retirement schemes HK$'000**	**Share-based compensation in respect of share options HK$'000**	**Total HK$'000**
Executive directors							
Li Kwok Tung, Roy	**—**	**4,651**	**2,000**	**—**	**—**	**—**	**6,651**
Lai Ching Ping	**—**	**3,935**	**2,000**	**—**	**—**	**—**	**5,935**
Lee Kwok Leung *(chief executive)*	**—**	**2,543**	**2,000**	**—**	**18**	**684**	**5,245**
Wong Chi Keung *(appointed on 1 March 2016)*	**—**	**2,077**	**2,000**	**—**	**15**	**1,807**	**5,899**
Chow Chi Wai *(resigned on 11 May 2016)*	**—**	**686**	**—**	**—**	**8**	**154**	**848**
Independent non-executive directors							
Ma Ka Chun	**160**	**—**	**—**	**—**	**—**	**—**	**160**
Chan Kwong Fai	**160**	**—**	**—**	**—**	**—**	**—**	**160**
Kwan Kai Cheong	**240**	**—**	**—**	**—**	**—**	**—**	**240**
Chau Pui Lin	**160**	**—**	**—**	**—**	**—**	**—**	**160**
	720	**13,892**	**8,000**	**—**	**41**	**2,645**	**25,298**

The remuneration of every director and the chief executive for the year ended 31 December 2015 is set out below:

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking						
Name	Fees HK$'000	Salaries HK$'000	Discretionary bonuses HK$'000	Housing allowances HK$'000	Employer's contribution to retirement schemes HK$'000	Share-based compensation in respect of share options HK$'000	Total HK$'000
Executive directors							
Li Kwok Tung, Roy	—	4,472	3,000	—	11	—	7,483
Lai Ching Ping	—	3,783	3,000	—	12	—	6,795
Lee Kwok Leung *(chief executive)*	—	2,444	3,000	—	18	1,213	6,675
Chow Chi Wai	—	2,121	3,000	—	18	750	5,889
Independent non-executive directors							
Ma Ka Chun	160	—	—	—	—	—	160
Chan Kwong Fai	160	—	—	—	—	—	160
Kwan Kai Cheong	240	—	—	—	—	—	240
Chau Pui Lin *(appointed on 22 June 2015)*	84	—	—	—	—	—	84
	644	12,820	12,000	—	59	1,963	27,486

37 BENEFITS AND INTERESTS OF DIRECTORS (DISCLOSURES REQUIRED BY SECTION 383 OF THE HONG KONG COMPANIES ORDINANCE (CAP. 622) AND COMPANIES (DISCLOSURE OF INFORMATION ABOUT BENEFITS OF DIRECTORS) REGULATION (CAP. 622G) AND HK LISTING RULES) (Continued)

No remunerations were paid or receivable in respect of accepting office as directors during the year ended 31 December 2016 (2015: Nil).

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

No emoluments were paid or receivable in respect of directors' other services in connection with the management of affairs of the Company or its subsidiary undertakings during the year ended 31 December 2016 (2015: Nil).

There are no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate and connected entities (2015: Nil).

Except disclosed above, no directors of the Company had a material interest, directly or indirectly, in any significant transactions, arrangements and contracts in relation to the Company's business to which the Company was or is a party that subsisted at the end of the year or at any time during the year (2015: Nil).

Glossary

In this annual report, unless the context states otherwise, the following expression have the following meanings:

"Board"	the board of Directors
"Company"	Win Hanverky Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability on 13 December 2005
"Director(s)"	the director(s) of the Company
"Group" or "we" or "our" or "us"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of Mainland China
"Listing Date"	the date of commencement of dealings in the Shares on the Main Board, which is on 6 September 2006
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Main Board"	the stock market operated by the Stock Exchange prior to the establishment of the Growth Enterprise Market of the Stock Exchange (excluding the options market) and which stock market continues to be operated by the Stock Exchange in parallel with the Growth Enterprise Market of the Stock Exchange (for avoidance of doubt, the Main Board excludes the Growth Enterprise Market of the Stock Exchange)
"Mainland China"	the People's Republic of China, excluding Hong Kong, Macau and Taiwan
"OEM"	acronym for original equipment manufacturing, a business that manufactures or purchases from other manufacturers and possibly modifies goods or equipment for branding and resale by others
"Pre-IPO Share Option(s)"	the options granted by the Company to certain employees, among others, prior to the listing of the Company
"RMB"	Renminbi, the lawful currency of Mainland China
"Share(s)"	the share(s) of HK$0.10 each in the share capital of the Company
"Shareholders"	shareholders of the Company
"Shine Gold"	Shine Gold Limited, a non-wholly owned subsidiary of the Company
"Shine Gold Group"	Shine Gold Limited and its subsidiaries
"Stock Exchange"	the Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"US"	the United States of America
"Win Sports"	Win Sports Limited, a non-wholly owned subsidiary of the Company
"Win Sports Group"	Win Sports and its subsidiaries
"Win Success"	Win Success Holding Limited, a non-wholly owned subsidiary of the Company
"Win Success Group"	Win Success and its subsidiaries

Win Hanverky Holdings Limited

6th Floor, Phase 6, Hong Kong Spinners Industrial Building,
481 - 483 Castle Peak Road, Kowloon, Hong Kong

http://www.winhanverky.com