



World Houseware (Holdings) Limited

(Incorporated in the Cayman Islands with limited liability)

Stock code: 713



Annual Report 2016

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Lee Tat Hing (Chairman)
Ms. Fung Mei Po (Vice Chairperson and Chief Executive Officer)
Mr. Lee Chun Sing (Vice Chairman)
Mr. Lee Pak Tung
Ms. Chan Lai Kuen Anita
Mr. Lee Kwok Sing Stanley
Mr. Kwong Bau To

Non-executive Director

Mr. Cheung Tze Man Edward

Independent Non-executive Directors

Mr. Tsui Chi Him Steve
Mr. Ho Tak Kay
Mr. Hui Chi Kuen Thomas
Mr. Shang Sze Ming

QUALIFIED ACCOUNTANT

Mr. Leung Cho Wai, FCCA, CPA

COMPANY SECRETARY

Mr. Tsui Chi Yuen, CPA

PRINCIPAL OFFICE

Flat C, 18th Floor
Bold Win Industrial Building
16-18 Wah Sing Street
Kwai Chung
New Territories
Hong Kong

REGISTERED OFFICE

P.O. Box 309
Ugland House
Grand Cayman KY1-1104
Cayman Islands

PRINCIPAL BANKERS

Standard Chartered Bank
HSBC
Bank of China
Hang Seng Bank
DBS Hong Kong

AUDITOR

Deloitte Touche Tohmatsu

SHARE REGISTRARS AND TRANSFER OFFICES

In Hong Kong

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

In the Cayman Islands

The R&H Trust Co. Ltd.
P.O. Box 897
Windward 1
Regatta Office Park
Grand Cayman KY1-1103
Cayman Islands

STOCK CODE

713

COMPANY'S WEBSITE

<http://www.worldhse.com>



Summary of Notice of Annual General Meeting

Set out below is a summary of the notice of annual general meeting, the full version of which is set out in the circular to shareholders dispatched at 25 April 2017.

An Annual General Meeting of World Houseware (Holdings) Limited (the “Company”) will be held at The Jade Room, 6th Floor, The Marco Polo Hongkong Hotel, Harbour City, Kowloon, Hong Kong at 2:30 p.m. on Thursday, 8 June 2017 for the following purposes:

1. To receive and adopt the audited Financial Statements of the Company and its subsidiaries and the Reports of the Directors and Auditors for the year ended 31 December 2016.
2. To re-elect Directors and to authorise the Board to fix the Directors’ remuneration.
3. To re-appoint Auditors and authorise the Board to fix their remuneration.
4.
 - A. To grant a general mandate to the Directors to allot shares.
 - B. To grant a general mandate to the Directors to repurchase the Company’s own shares.
 - C. To add the nominal amount of the shares repurchased under resolution 4B to the mandate granted to the Directors under resolution 4A.

Chairman's Statement

BUSINESS REVIEW

For the year ended 31 December 2016, the Group recorded a consolidated turnover of HK\$855,195,000, representing a decrease of 14.0% from HK\$993,965,000 last year. Gross profit and gross profit margin were HK\$144,732,000 and 16.9% respectively. Loss for the year was HK\$26,550,000.

During the year of 2016, the Group continued to deal with the businesses of household products, PVC pipes and fittings and environmental feed production from food waste recycling business.

For the household products business, as the growth of world economy is still progressing very slowly and market competition is still very keen, the business turnover when comparing with the same period last year had dropped for 22.5% and the business had recorded a deficit but the situation is improving continuously.

For the PVC pipes and fittings sector, the business is rather steady and there was an increase in the net profit. The business turnover was HK\$592,663,000, representing a decrease of 10.4% from HK\$661,792,000 last year but the business still contributed profits to the Group.

For the feed production from food waste recycling business, the turnover was HK\$7,517,000, representing an increase of 33.1% from HK\$5,648,000 last year. The business environment for the sector is challenging. Food waste collection volume, though were not satisfactory as expected and did not contribute profit to the Group, has huge room for expansion.

During the year under review, the turnover of property investment amounted to HK\$3,909,000, representing an increase of 32.5% from HK\$2,950,000 of the same period last year. Gain arising from fair value changes of investment properties was HK\$380,000.

PROSPECTS

2017 will be a challenging year. The Group will strive its best to continue to adjust strategy, control production cost, enhance risk management and strengthen internal control so as to maintain a steady development of the existing businesses.

For household products business, as competition is severe, the Group would endeavour to enhance quality and service so as to surpass the competitors. Given the solid foundation and the goodwill built up over the years, the Group will strive to consolidate and better its business continuously.

For PVC pipes and fittings sector, as the business is developing steadily, it is expected that it will continue to generate profit to the Group.

Feed production from food waste recycling business is the most challenging business of the Group. On one hand it still requires the understanding, support and recognition of the public to accept the concept of new technology to recycle food waste into feed production. On the other hand, the Group waits for the business opportunities arising from the implementation of the government policy on environmental protection. The Group will try to grasp hold of every opportunity to expand the environmental protection business.

Management Discussion and Analysis

RESULTS

- The Group recorded a turnover of HK\$855,195,000 for the year ended 31 December 2016, representing a decrease of 14.0% as compared to the same period last year.
- Gross profit and gross profit margin of the Group recorded were HK\$144,732,000 and 16.9%, representing a decrease of HK\$409,000 and a decrease of 0.3% respectively as compared to the same period last year.
- Loss for the year was HK\$26,550,000, as compared to a loss of HK\$41,564,000 for the same period last year.
- Basic loss per share was 3.72 HK cents, as compared to loss per share of 5.84 HK cents for the same period last year.

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

The Group finances its operations from internally generated cash flows, term loans and trade finance facilities provided by banks in Hong Kong and the PRC. At 31 December 2016, the Group had bank balances and cash and pledged bank deposits of approximately HK\$96,380,000 (31.12.2015: HK\$71,996,000) and had interest-bearing bank borrowings of approximately HK\$325,287,000 (31.12.2015: HK\$346,663,000). The Group's interest-bearing bank borrowings was mainly computed at Hong Kong Inter-Bank Offering Rate plus a margin. The Group's total banking facilities available as at 31 December 2016 amounted to HK\$639,474,000; of which HK\$325,287,000 of the banking facilities was utilised (utilisation rate was at 50.9%).

The Group continued to conduct its business transactions principally in Hong Kong dollars, US dollars and Renminbi. The Group's exposure to the foreign exchange fluctuations has not experienced any material difficulties in the operations or liquidity as a result of fluctuations in currency exchange.

At 31 December 2016, the Group had current assets of approximately HK\$562,616,000 (31.12.2015: HK\$597,146,000). The Group's current ratio was approximately 0.96 as at 31 December 2016 as compared with approximately 0.96 as at 31 December 2015. Total shareholders' funds of the Group as at 31 December 2016 decreased by 10.3% to HK\$734,954,000 (31.12.2015: HK\$819,195,000). The gearing ratio (measured as total liabilities/total shareholders' funds) of the Group as at 31 December 2016 was 0.86 (31.12.2015: 0.81).

Management Discussion and Analysis

CHARGES ON ASSETS

Certain leasehold land and buildings, investment properties, prepaid lease payments and bank deposits with an aggregate net book value of HK\$249,289,000 (31.12.2015: HK\$261,464,000) were pledged to banks for general banking facilities granted to the Group.

In addition, the Group also pledged the life insurance to a bank to secure general banking facilities granted to the Group.

STAFF AND EMPLOYMENT

At 31 December 2016, the Group employed a total workforce of about 1,370 staff (31.12.2015: 1,676) including 1,307 staff (31.12.2015: 1,615) in our factories located in the PRC. The total staff remuneration incurred during the period was HK\$112,717,000 (31.12.2015: HK\$138,726,000). It is the Group's policy to review its employee's pay levels and performance bonus system regularly to ensure that the remuneration policy is competitive within the relevant industries. It is the Group's policy to encourage its subsidiaries to send the management and staff to attend training classes or seminars that related to the Group's business. Tailor made internal training program was also provided to staff in our PRC factories.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

LEE Tat Hing, aged 79, is the Chairman of the Group. Mr. Lee has over 40 years' experience in the trading and manufacture of household products and is responsible for the strategic planning and business development of the Group.

FUNG Mei Po, aged 61, is the wife of Mr. Lee Tat Hing and the Vice Chairperson and Chief Executive Officer of the Group. She has over 30 years' experience in marketing, production planning and factory management and has been with the Group for over 30 years. Ms. Fung is in charge of sales of the Group's North American markets and the Group's Hong Kong operations and administration.

LEE Chun Sing, aged 56, is the son of Mr. Lee Tat Hing and the Vice Chairman of the Group. He is responsible for the planning and production management of the Group's PRC operations and has been with the Group since 1985.

LEE Pak Tung, aged 70, joined the Group in 1976. He has over 30 years' experience in trading and is responsible for the Group's sales to the Asia and Latin American markets.

CHAN Lai Kuen Anita, aged 65, is the chief accounting officer and treasurer of the Group and is responsible for the overall accounting, treasury and human resources of the Group. She has gained extensive experience in accounting, taxation, financial and personnel management by working in various sizable corporations in Hong Kong before she joined the Group in 1986.

LEE Kwok Sing Stanley, aged 54, is the son of Mr. Lee Tat Hing. He is responsible for the administration, management and production of the production plant in Zhongshan, the PRC and he is the project manager of the operation of a business for recycling and reprocessing of food waste in EcoPark, Hong Kong. He joined the Group in 1989 and has over 20 years' experience in factory management.

KWONG Bau To, aged 61, is responsible to assist the development of the business for food waste recycling in Hong Kong and other development projects. He has gained extensive experience in engineering and marketing field by working with sizable corporations in Hong Kong in the past and had been an Executive Director of the Company for over 4 years from 6 September 2005 to 9 May 2010, he returned to serve the Group in 2014 as an Executive Director of the Company.

Biographical Details of Directors and Senior Management

NON-EXECUTIVE DIRECTOR

CHEUNG Tze Man Edward, aged 64, is a practising solicitor in Hong Kong. He obtained his Bachelor of Laws degree from the University of London and Master of Laws in Chinese Law from University of Hong Kong and is a member of the Law Society in Hong Kong and in England and Wales. He is also a member of the Institute of Chartered Secretaries and Administrators.

INDEPENDENT NON-EXECUTIVE DIRECTORS

TSUI Chi Him Steve, aged 61, had engaged in managerial positions in major British and Chinese banks in Hong Kong in the past with more than 20 years' experience in credit, credit audit and credit risk management, involving many medium size and some large corporations listed in China or in Hong Kong. Mr. Tsui joined the Group in 2007.

HO Tak Kay, aged 60, is a fellow member of the Association of Chartered Certified Accountants as well as the Hong Kong Institute of Certified Public Accountants. He had worked in certain international accounting firms before and has over 30 years experience in audit, accounting and financial fields. Mr. Ho joined the Group in 2004.

HUI Chi Kuen Thomas, aged 60, is a professional accountant. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and a member of the Institute of Chartered Accountants in Australia and CPA Australia. He has over 20 years' experience in accounting, taxation and financial management gained in certain multinational corporations and publicly listed companies in Hong Kong and Australia. Mr. Hui joined the Group in 2004.

SHANG Sze Ming, aged 57, graduated from The Ohio State University of The United States of America with a bachelor's degree of Science in Business Administration and obtained his Master's degree of Business Administration in Finance and Master's degree of Science in Financial Services – Investment from Golden Gate University of The United States of America. He has extensive experience in investment and management for over eighteen years. He was appointed as Senior Investment Analyst in two securities companies and as Investor Relations Manager in a large listed company. Mr. Shang joined the Group in 2012.

Biographical Details of Directors and Senior Management

SENIOR MANAGEMENT

LEUNG Cho Wai, aged 50, is the Financial Controller and Qualified Accountant of the Group. He joined the Group in 2007. He is a fellow member of the Association of Chartered Certified Accountants in the United Kingdom and a member of the Hong Kong Institution of Certified Public Accountants. He has gained extensive experience in auditing, accounting, taxation and financial management by working in certified public accountants firm and publicly listed companies in Hong Kong. He is responsible for the overall financial management and planning of the Group.

TSUI Chi Yuen, aged 52, is the secretary of the Company and joined the Group in 2007. He is a member of the Hong Kong Institute of Certified Public Accountants. Mr. Tsui has over 25 years of experience in auditing, accounting and financial management.

LEE Fung Mei Belinda, aged 51, is the daughter of Mr. Lee Tat Hing and senior sales manager of the Group. Ms. Lee graduated from York University in Canada with a Bachelor's degree in Economics. Ms. Lee assists Ms. Fung Mei Po in the marketing of the Group's products in the United States of America and Canada and she has been with the Group since 1989.

LEE Hon Sing Alan, aged 53, is the son of Mr. Lee Tat Hing. Mr. Lee is responsible for the administration, management and production of one of the major production plant in Shenzhen, the PRC. He joined the Group in 1989 and has over 16 years' experience in factory management.

CHEN Hsin Hsiung, aged 74, is the engineering and production manager of the printing roller division. Before joining the Group in 1992, Mr. Chen had over 30 years' experience in PVC printing roller technology.

WANG Wen Bi, aged 51, graduated from the Taiwan Culture University. He is the engineering and technology manager of PVC pipes and fittings segment. He joined the Group in 1995 and has over 14 years' experience in technological management, production and administration.

WONG Sung Kong, aged 57, is the chief artist and has been with the group since 1985. He holds a certificate in art and design from the Department of Extramural Studies of the Chinese University of Hong Kong. In 1985, he was invited by the Urban Council to participate in the Contemporary Hong Kong Art Biennial Exhibition.

LAI Lai Wah, aged 59, is the wife of Mr. Lee Chun Sing and the general manager of the PRC factory. Madam Lai has been with the Group over 20 years, and has over 15 years' experience in factory management.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Board of Directors (the “Board”) of World Houseware (Holdings) Limited (the “Company”) believes that corporate governance is essential to the success of the Company and has adopted various measures to ensure that a high standard of corporate governance is maintained. The Board regularly reviews the Company’s corporate governance guidelines and developments. The Company has applied the principles and complied with the requirements of the Code on Corporate Governance Practices (the “Code”) of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard set out in Appendix 10 of the Listing Rules (the “Model Code”). Having made specific enquiry of all the directors, all the directors confirmed that they have complied with the required standard set out in the Model Code and the code of conduct regarding securities transactions by directors adopted by the Company.

BOARD OF DIRECTORS

The Board of the Company currently comprises:

Executive Directors:

Lee Tat Hing *(Chairman)*
Fung Mei Po *(Vice Chairperson and Chief Executive Officer)*
Lee Chun Sing *(Vice Chairman)*
Lee Pak Tung
Chan Lai Kuen Anita
Lee Kwok Sing Stanley
Kwong Bau To

Non-executive Director:

Cheung Tze Man Edward

Independent Non-executive Directors:

Tsui Chi Him Steve
Ho Tak Kay
Hui Chi Kuen Thomas
Shang Sze Ming

One Non-executive Director and four Independent Non-executive Directors are persons of high calibre, with academic and professional qualifications in the fields of legal, accounting and business management. With their experience gained from senior positions held in other companies, they provide strong support towards the effective discharge of the duties and responsibilities of the Board. Each Independent Non-executive Director has given an annual confirmation of his independence to the Company, and the Company considers these directors to be independent under Rule 3.13 of the Listing Rules.

Corporate Governance Report

BOARD OF DIRECTORS – *continued*

Ms. Fung Mei Po, the Vice Chairperson and Chief Executive Officer, is the wife of Mr. Lee Tat Hing, the Chairman whereas Mr. Lee Chun Sing, the Vice Chairman and Lee Kwok Sing Stanley, an executive director are the sons of Mr. Lee Tat Hing, the Chairman.

During the year, five full board meetings were held and the attendance of each director is set out as follows:

Name of directors	Number of board meetings attended in 2016	Attendance rate
Lee Tat Hing	5/5	100%
Fung Mei Po	5/5	100%
Lee Chun Sing	5/5	100%
Lee Pak Tung	5/5	100%
Chan Lai Kuen Anita	5/5	100%
Lee Kwok Sing Stanley	5/5	100%
Kwong Bau To (appointed on 18 March 2016)	3/3	100%
Cheung Tze Man Edward	3/5	60%
Tsui Chi Him Steve	5/5	100%
Ho Tak Kay	5/5	100%
Hui Chi Kuen Thomas	5/5	100%
Shang Sze Ming	5/5	100%

The Board formulates overall strategy of the Company, monitors its financial performance and maintains effective oversight over the management. The Board members are fully committed to their roles and have acted in good faith to maximise the shareholders' value in the long run, and have aligned the Company's goals and directions with the prevailing economic and market conditions. Daily operations and administration are delegated to the management.

The regular Board meeting schedule for any year is planned in the preceding year. At least 14 days notice of all board meetings is given to all directors and they can include matters for discussion in the agenda if the need arises. The Company Secretary assists the Chairman in preparing the agenda for meetings and ensures that all relevant rules and regulations are followed. The agenda and the accompanying board papers are sent to all directors at least 3 days before the date of every board meeting so that the directors have the time to review the documents. Minutes of every board meeting are circulated to all directors for their perusal prior to confirmation of the minutes at the following board meeting.

Corporate Governance Report

BOARD OF DIRECTORS – *continued*

Every board member is entitled to have access to board papers and related materials and has unrestricted access to the advice and services of the Company Secretary, and has the liberty to seek external professional advice if so required. The Company Secretary continuously updates all directors on the latest development of the Listing Rules and other applicable regulatory requirements to ensure compliance and upkeep of good corporate governance practice.

The Board has a defined schedule of matters reserved for the Board decision in various major categories and events.

When the Board considers any material proposal or transaction in which a substantial shareholder or a Director has a conflict of interest, a board meeting is held and Independent Non-executive Directors who have no material interest in the transaction present at such board meeting. At the meeting, the Director who has interests declares his interest and is required to abstain from voting.

The Company has arranged appropriate insurance cover in respect of legal actions against its Directors and officers. The Board reviews the extent of this insurance annually.

Composition of the Board, by category of Directors, including names of Chairman, Executive Directors, Independent Non-executive Directors and Non-executive Director is disclosed in all corporate communications.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Chairman and the Chief Executive Officer of the Company are Mr. Lee Tat Hing and Ms. Fung Mei Po respectively. The roles of the Chairman and the Chief Executive Officer are segregated and assumed by two separate individuals to strike a balance of power and authority so that the job responsibilities are not concentrated on any one individual. The Chairman of the Board is responsible for the leadership and effective running of the Board, while the Chief Executive Officer is delegated with the authorities to manage the business of the Company in all aspects effectively. The division of responsibilities between the Chairman and the Chief Executive Officer have been clearly established and set out in writing.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

The Company has fixed a term of 3 years' appointment for Non-executive Director and subject to re-election at the annual general meeting of the Company in accordance with the Articles of Association of the Company.

All directors appointed to fill casual vacancy be subject to election by shareholders at the first general meeting after their appointment, and every director, including those appointed for a specific term, be subject to retirement by rotation at least once every three years.

DIRECTORS' TRAINING

According to Code provision A6.5 of the Corporate Governance Code, all directors should participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the board remains informed and relevant.

Corporate Governance Report

REMUNERATION COMMITTEE

The Remuneration Committee of the Company comprises the Chairman, a Non-executive Director and four Independent Non-executive Directors.

The Remuneration Committee was formed in September 2005 and meetings shall be held at least once a year. One meeting was held in 2016. The attendance of each member is set out as follows:

Name of members	Number of meetings attended in 2016	Attendance rate
Tsui Chi Him Steve (<i>Chairman of remuneration committee</i>)	1/1	100%
Lee Tat Hing	1/1	100%
Cheung Tze Man Edward	1/1	100%
Ho Tak Kay	1/1	100%
Hui Chi Kuen Thomas	1/1	100%
Shang Sze Ming	1/1	100%

The emoluments payable to directors will depend on their respective contractual terms under employment contracts, if any, and as recommended by the Remuneration Committee. Details of the directors' remuneration are set out in note 12 (i) to the financial statements.

The major roles and functions of the Remuneration Committee are as follows:

1. To review annually and recommend to the Board the overall remuneration policy for the directors, the Chief Executive Officer and key senior management officers.
2. To review annually the performance of the Executive Directors, the Chief Executive Officer and key senior management officers and recommend to the Board specific adjustments in remuneration and/or reward payments.
3. To ensure that the level of remuneration for Non-executive Director and Independent Non-executive Directors are linked to their level of responsibilities undertaken and contribution to the effective functioning of the Board of Company.
4. To review and approve the compensation payable to Executive Directors, the Chief Executive Officer and key senior management officers in connection with any loss or termination of their office or appointment.
5. To review and approve compensation arrangements relating to dismissal or removal of directors for misconduct.
6. To ensure that no director is involved in deciding his own remuneration.

The terms of reference of the Remuneration Committee are available from the Company Secretary on request.

Corporate Governance Report

NOMINATION COMMITTEE

The Nomination Committee of the Company comprises the Chairman, one Executive director and four independent Non-executive Directors. The Nomination Committee was formed in September 2007 and meetings shall be held at least once a year. Two meetings were held in 2016. The attendance of each member is set out as follows:

Name of members	Number of meetings attended in 2016	Attendance rate
Lee Tat Hing (<i>Chairman of nomination committee</i>)	2/2	100%
Fung Mei Po	2/2	100%
Tsui Chi Him Steve	2/2	100%
Ho Tak Kay	2/2	100%
Hui Chi Kuen Thomas	2/2	100%
Shang Sze Ming	2/2	100%

The Nomination Committee which has written term of reference, is responsible for making recommendations to the Board on all board appointments and re-appointments. The Nomination Committee responsibilities are as follows:

- a. to review the structure, size and composition of the Board on a regular basis and make recommendations to the Board regarding any proposed changes;
- b. to identify suitable individuals qualified to become Board members and make recommendations to the Board on suitable candidates to be nominated for directorships;
- c. to establish a mechanism for formal assessment and to perform periodic assessment on the effectiveness of the Board;
- d. to assess the independence of independent non-executive directors on its appointment or when their independence is called into question;
- e. to make recommendations to the Board on relevant matters relating to the appointment or re-appointment of directors and succession planning for directors.

The terms of reference of the Nomination Committee are available from the Company Secretary on request.

The Board recognize the importance and benefit of diversity of Board members. While all Board appointments will continue to be made on a merit basis, the Company will ensure that the Board has a balance of a number of factors, including but not limited to gender, age, cultural and educational background and professional experience.

Corporate Governance Report

NOMINATION COMMITTEE – *continued*

With the existing Board members coming from a variety of business and professional background and two out of the twelve Board members being woman, the Company considers that the Board possesses a balance of skills, experience, expertise and diversity of perspectives appropriate to the requirements of the company's business.

ACCOUNTABILITY AND AUDIT

The directors are responsible for overseeing the preparation of accounts of each financial period, which give a true and fair view of the state of affairs of the Company and of the results and cash flow for that period. In preparing the accounts for the year ended 31 December 2016, the directors have selected suitable accounting policies and have applied them consistently, adopted appropriate Hong Kong Financial Reporting Standards ("HKFRSs") and Hong Kong Accounting Standards ("HKASs") which are pertinent to its operations and relevant to the financial statements, made judgements and estimates that are prudent and reasonable, and have prepared the accounts on the going concern basis.

AUDIT COMMITTEE

The Audit Committee of the Company comprises one Non-executive Director and four Independent Non-executive Directors.

The Audit Committee shall meet at least two times a year. Two meetings were held during the year. The minutes of the Audit Committee meetings were tabled to the Board for noting and for action by the Board where appropriate. The attendance of each member is set out as follows:

Name of members	Number of meetings attended in 2016	Attendance rate
Tsui Chi Him Steve (<i>Chairman of audit committee</i>)	2/2	100%
Cheung Tze Man Edward	1/2	50%
Hui Chi Kuen Thomas	2/2	100%
Ho Tak Kay	2/2	100%
Shang Sze Ming	2/2	100%

During the meetings held in 2016 the Audit Committee had performed the following work:

- (i) reviewed the financial reports for the year ended 31 December 2015 and for the six months ended 30 June 2016;
- (ii) reviewed the effectiveness of internal control system;
- (iii) discussed with the external auditors the audit fee in respect of the financial statements for the year ended 31 December 2015.

Corporate Governance Report

AUDIT COMMITTEE – *continued*

The major roles and functions of the Audit Committee are as follows:

1. To consider the appointment of the external auditors, the audit fees, and any questions of resignation or dismissal of the external auditors of the Company.
2. To discuss with the external auditors the nature and scope of the audit.
3. To review the interim and annual financial statements before submission to the Board.
4. To discuss problems and reservations arising from the interim review and final audit, and any matters the auditors may wish to discuss.

The terms of reference of the Audit Committee are available from the Company Secretary on request.

AUDITORS' REMUNERATION

During the year under review, the remuneration paid to the Company's auditors, Messrs Deloitte Touche Tohmastu, is set out as follows:

Services rendered	Fees paid/payable HK\$'000
Audit services	2,550
Review on interim financial statements	545
Non-audit services – taxation and other services	207
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	3,302
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Corporate Governance Report

RISK COMMITTEE

The Risk Committee of the Company comprises the Chairman, Two Executive Directors, a Non-executive Director, Four independent Non-executive Directors and the Financial Controller. The Risk Committee was formed in April 2016. One meeting was held in 2016. The attendance of each member is set out as follows:

Name of members	Number of meetings attended in 2016	Attendance rate
Tsui Chi Him Steve (<i>Chairman of risk committee</i>)	1/1	100%
Lee Tat Hing	1/1	100%
Fung Mei Po	1/1	100%
Chan Lai Kuen Anita	1/1	100%
Cheung Tze Man Edward	1/1	100%
Ho Tak Kay	1/1	100%
Hui Chi Kuen Thomas	1/1	100%
Shang Sze Ming	1/1	100%
Leung Cho Wai	1/1	100%

The Risk Committee is responsible for monitoring the Group's business, assess the Group's ability to respond to changes in its business and external environment; deciding the Group's risk level and risk appetite; and to consider solutions and provide appropriate guidance. Oversee the Group's risk management and internal control systems, review the effectiveness of the systems including the financial control system, operation control system and compliance control system.

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

Responsibility of the Board

The Board is committed to the maintenance of good corporate governance practices and procedures, and implements an effective risk management and internal control systems of the Group. However, such systems are designed to manage rather than eliminate risk of failure to achieve business objective, and can only provide reasonable and not absolute assurance against material misstatement or loss.

Corporate Governance Report

OUR RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

Risk Management and Risk Assessment

The Board has the overall responsibilities of the risk management and internal controls systems of the Group. With the support from the Risk Committee, the Board monitors the Group's risk exposures, oversees the actions of management and monitors the overall effectiveness of the risk management system on an ongoing basis.

Management is responsible for setting the appropriate tone from the top, performing risk assessments, and owning the design, implementation and maintenance of internal controls. Essential to the Group's risk management and internal control systems are policies and procedures that are documented and communicated to employees.

To provide sound and effective risk management, the Group has established a risk management system which includes the following key features:

- An organisational structure for different responsible parties with defined authority, responsibilities and risk management roles;
- The Board sets forth the proper risk management culture and risk appetite for the Group, evaluates and determines the level of risk that the Group should take and monitor regularly;
- A Risk Management Policy has been established to provide a framework, which includes a risk assessment process, for the identification, analysis, evaluation, treatment, monitoring and reporting of the Group's key risks to support the achievement of the organisation's overall strategic objectives.

Risk assessment has been performed by management to evaluate the nature and extent of the risks to which the Group is willing to take in achieving its strategic objectives. During the risk assessment process, the Group has identified a number of key risks that may impact the Group's strategic objectives and to respond to the changes in the business and external environment. These risks are prioritised according to the likelihood of their occurrence and the significance of their impact on the business of the Group. Remedial measures are developed to manage these risks to an acceptable level. The results of risk assessment is reported to and discussed with the Board.

Corporate Governance Report

INTERNAL CONTROL

The Company maintains a comprehensive and effective internal control system. The Company's internal control cover a number of procedures and policies which covers all material controls, including financial, operational, compliance controls and risk management functions.

The management of the Company had reviewed the Company's internal control system for the year ended 31 December 2016 and had submitted the results of the review and its recommendations and opinions for consideration by the Audit Committee and the Board.

REVIEW OF RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

Through the Risk Committee, the Board has conducted an annual review of the effectiveness of the risk management and internal control systems of the Group and considered the risk management and internal control systems effective and adequate. The review covers all material controls, including financial, operational and compliance controls, and risk management functions. The scope and quality of ongoing monitoring of risk management and the internal control systems have been assessed. No significant areas of concern that may affect the Group to achieve strategic goals have been identified.

The Board has also reviewed and is satisfied with the adequacy of resources, qualifications and experience of staff of the Group's accounting, internal audit and financial reporting functions, and their training programmes and budget.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Board recognises the importance of good communications with all shareholders. The Company's annual general meeting is a valuable forum for the Board to communicate directly with the shareholders. The Chairman of the Board as well as Chairmen of the Audit, Remuneration and Nomination Committees together with the external auditors are present to answer shareholders' questions. An annual general meeting circular is distributed to all shareholders at least 21 days before the annual general meeting. It sets out the procedures for demanding and conducting a poll and other relevant information of the proposed resolutions. The Chairman explains the procedures for demanding and conducting a poll again at the beginning of the annual general meeting and (except where a poll is demanded) reveals how many proxies for and against have been filed in respect of each resolution. The results of the poll, if any, will be published in our investor relations website.

A key element of effective communication with shareholders and investors is the prompt and timely dissemination of information in relation to the Company. The Company has announced its annual and interim results in a timely manner as laid down in the Listing Rules after the end of the relevant periods in 2016.

Environmental, Social and Governance Report

SCOPE AND REPORTING PERIOD

Reference made to the Environmental, Social and Governance Reporting Guide as described in Appendix 27 of the Listing Rules and Guidance set out by the Stock Exchange.

ENVIRONMENTAL PROTECTION

The Group practice environmental and sustainable development concept, the companies are actively taking measures to protect the environment in their operations.

The Group actively fulfills social responsibility, adhere to both of the concept development and environmental protection, rational resource utilisation and practises of environmental protection in actual actions. One of the businesses of the Group is engaged in food waste recycling business, food waste is sufficiently used for recycling and turns into feed for livestock farming and aquaculture, effective recycling for more efficient use of resources. The teams manage programs to cut down hazardous and non-hazardous waste. Simultaneously, proper treatment of industrial waste water and hazardous waste has been put into practice.

The Group practice paper saving initiatives, such as reminder for staff to have environmentally friendly photocopying habit, suggest double-sided printing and copying, and encourage staff to save water in their daily lives.

LABOUR STANDARDS

No child or forced labour in the Group's operations in the reporting period, it is in compliance with the Employment Ordinance, Chapter 57 of the Laws of Hong Kong in terms of employment management. The Group's in China factory recruitment and utilization standards are implemented in strict compliance with the relevant labour laws of the PRC. The Group will regularly review the recruitment measures; ensure full compliance with the Employment Ordinance and Labour Law of the PRC.

Talented person are our most important asset for development business, we will attract professional person and retaining talent to match up the Group's environmental protection business to rapid development for the business sustainable growth.

The recruitment process is strictly abided by the guidelines of the Group's Human Resource Department. Every job applicant is required to fill in their information in a recruitment questionnaire, which is checked by Human resource Department to ensure information's accuracy. This also allows the Group to hire suitable candidate in accordance with the job requirements and candidates' expectations.

EQUAL OPPORTUNITY

Equal opportunities are given to employees in respect of recruitment, job advancement, training, compensation and benefits. The employees are not discriminated against or deprived of such opportunities on the basis of gender, sexual orientation, age, ethnic, skin color, religion, disability, pregnancy or any other discrimination.

Environmental, Social and Governance Report

EMPLOYEE HEALTH AND SAFETY

The Group has put the health and safety of the employees as the priority of productions, ensures that provided a safe and healthy working environment for employees, and every workers who operate factory plants are required to train for how to use the equipment and plant safely. Regularly encourage employees to discern the workplace which may affect the safe place, and to take precautions to mitigate the risks. Not result in work related fatality during the reporting period.

OPERATIONAL MANAGEMENT

The Group attaches great importance to product quality. The Group carries out long-term quality monitoring and regular reviews on all suppliers, assessment of qualified suppliers to made the “Qualified Supplier List” and only make purchases in the list. In case of a significant change in supplier qualification or serious quality issue, the Company stops the supplier delivery immediately, ensure the product quality.

ANTI-CORRUPTION

In strict compliance with national laws and regulations and its internal policies, The Group requires its employees abstaining from such misconducts as offering or accepting bribery and corruption in any circumstance.

Directors' Report

The directors present their report and the audited consolidated financial statements for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 38 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2016 are set out in the consolidated statement of profit or loss and other comprehensive income on page 35.

The directors do not recommend the payment of a dividend for the year ended 31 December 2016.

INVESTMENT PROPERTIES

The investment properties held by the Group were revalued at 31 December 2016, resulting in a net increase in fair value of HK\$380,000, which has been credited directly to profit or loss.

Details of these and other movements of investment properties of the Group are set out in note 15 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group incurred expenditure of approximately HK\$20,872,000 on additions to production and other facilities. Details of these and other movements in property, plant and equipment of the Group during the year are set out in note 16 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 28 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at 31 December 2016 represent the aggregate of share premium, special reserve and accumulated losses which amounted to approximately HK\$334,860,000 (2015: HK\$330,605,000). Under the Companies Law in the Cayman Islands and the provisions of the Memorandum and Articles of Association of the Company, all reserves of the Company are available for distribution to shareholders, either by way of dividend or bonus issue of shares, provided that the Company will be able to pay its debts as they fall due in the ordinary course of business immediately following the date on which any such distribution is proposed to be paid.

DIRECTORS

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

Executive directors:

Lee Tat Hing *(Chairman)*
Fung Mei Po *(Vice Chairperson and Chief Executive Officer)*
Lee Chun Sing *(Vice Chairman)*
Lee Kwok Sing Stanley
Lee Pak Tung
Chan Lai Kuen Anita
Kwong Bau To (appointed on 18 March 2016)

Non-executive director:

Cheung Tze Man Edward

Independent non-executive directors:

Tsui Chi Him Steve
Hui Chi Kuen Thomas
Ho Tak Kay
Shang Sze Ming

In accordance with Article 116 of the Company's Articles of Association, Ms. Fung Mei Po, Mr. Lee Chun Sing, Mr. Cheung Tse Man Edward and Mr. Tsui Chi Him Steve retire by rotation and, being eligible, offer themselves for re-election.

Each of the non-executive directors has entered into a service agreement with the Company for a term of three years from 6 September 2014 except Mr. Tsui Chi Him Steve and Mr. Shang Sze Ming who have entered into service agreements with the Company for a term of three years from 17 November 2016 and 1 November 2015 respectively and subject to re-election in accordance with the Company's Articles of Association.

Other than as disclosed above, no director proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

Directors' Report

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES

At 31 December 2016, the interests of the directors, chief executive and their associates in the shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Name of directors	Number of issued ordinary shares held				Total	Percentage of the issued share capital of the Company
	Personal interests	Family interests	Corporate interests	Other interests		
Lee Tat Hing	14,256,072	58,121,087 (a)	28,712,551 (c)	280,895,630 (d)	381,985,340	50.45%
Fung Mei Po	58,121,087	42,968,623 (b)	-	280,895,630 (d)	381,985,340	50.45%
Lee Chun Sing	27,815,830	2,526,000 (e)	-	280,895,630 (d)	311,237,460	41.11%
Lee Kwok Sing Stanley	2,481,280	-	-	280,895,630 (d)	283,376,910	37.43%
Lee Pak Tung	4,466,448	-	-	-	4,466,448	0.60%
Hui Chi Kuen Thomas	1,300,000	-	-	-	1,300,000	0.17%
Chan Lai Kuen Anita	3,002,623	-	-	-	3,002,623	0.40%
Kwong Bau To	3,103	-	-	-	3,103	-

Notes:

- (a) Mr. Lee Tat Hing is the husband of Ms. Fung Mei Po whose personal interests are therefore also the family interests of Mr. Lee Tat Hing.
- (b) Ms. Fung Mei Po is the wife of Mr. Lee Tat Hing whose personal and corporate interests are therefore also the family interests of Ms. Fung Mei Po.
- (c) The shares are held by Lees International Investments Limited, a company wholly owned by Mr. Lee Tat Hing.
- (d) The shares are held by Goldhill Profits Limited which is wholly owned by the discretionary trust of which Mr. Lee Tat Hing, Ms. Fung Mei Po, Mr. Lee Chun Sing and Mr. Lee Kwok Sing Stanley are the discretionary objects.
- (e) The shares are held by Ms. Lai Lai Wah, the wife of Mr. Lee Chun Sing whose personal interests are also the family interests of Mr. Lee Chun Sing.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES – *continued*

At 31 December 2016, the following directors had personal interests in the deferred non-voting shares of certain subsidiaries of the Company:

Name of directors	Name of subsidiaries	Number of deferred non-voting shares held
Fung Mei Po	World Home Linen Manufacturing Company Limited	100
Lee Pak Tung	Hong Kong PVC Placemat Manufacturing Company Limited	25,000

The deferred shares do not carry any rights to vote at general meetings of these subsidiaries or to participate in any distributions of profits until the profits of these subsidiaries which are available for dividend exceed HK\$10 billion, or to receive a return of capital until a total sum of HK\$10 billion has been distributed to the ordinary shareholders of each of these subsidiaries.

At 31 December 2016, save as aforesaid and options holdings disclosed under the heading of "Share Options and Directors' Rights to Acquire Shares or Debentures" and other than certain nominee shares in subsidiaries held by directors in trust for the Group, none of the directors, chief executives or their associates had any interests or short positions in the shares or any securities of the Company and its associated corporations.

SUBSTANTIAL SHAREHOLDERS

At 31 December 2016, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that, other than the interests in shares disclosed above in respect of the directors of the Company, the Company has not been notified of any other interests representing 5 percent or more of the Company's issued share capital as at 31 December 2016.

Directors' Report

SHARE OPTIONS AND DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Particulars of the Company's share option scheme are set out in note 29 to the consolidated financial statements.

The following table discloses movements in the Company's share options during the year:

	Date of grant	Exercise price HK\$ (Note 1)	Exercisable period	Outstanding as at 31.12.2015	Exercised during the year	Outstanding as at 31.12.2016
Category 1: Directors						
Lee Tat Hing	01.09.2015	0.580	01.09.2015 to 31.08.2025	6,500,000	-	6,500,000
Fung Mei Po	01.09.2015	0.580	01.09.2015 to 31.08.2025	6,500,000	(6,500,000)	-
Lee Chun Sing	12.11.2012	0.309	12.11.2012 to 11.11.2022	6,500,000	-	6,500,000
	01.09.2015	0.580	01.09.2015 to 31.08.2025	3,000,000	-	3,000,000
Lee Kwok Sing Stanley	12.11.2012	0.309	12.11.2012 to 11.11.2022	6,500,000	(2,000,000)	4,500,000
	01.09.2015	0.580	01.09.2015 to 31.08.2025	3,000,000	-	3,000,000
Lee Pak Tung	12.11.2012	0.309	12.11.2012 to 11.11.2022	2,000,000	-	2,000,000
	01.09.2015	0.580	01.09.2015 to 31.08.2025	500,000	-	500,000
Chan Lai Kuen Anita	12.11.2012	0.309	12.11.2012 to 11.11.2022	1,000,000	-	1,000,000
	01.09.2015	0.580	01.09.2015 to 31.08.2025	100,000	-	100,000
Kwong Bau To	01.09.2015	0.580	01.09.2015 to 31.08.2025	3,000,000	(1,500,000)	1,500,000
Cheung Tze Man Edward	24.10.2011	0.237	24.10.2011 to 23.10.2021	1,000,000	-	1,000,000
	12.11.2012	0.309	12.11.2012 to 11.11.2022	1,000,000	-	1,000,000
	01.09.2015	0.580	01.09.2015 to 31.08.2025	500,000	-	500,000
Tsui Chi Him Steve	24.10.2011	0.237	24.10.2011 to 23.10.2021	600,000	-	600,000
	12.11.2012	0.309	12.11.2012 to 11.11.2022	600,000	-	600,000
	01.09.2015	0.580	01.09.2015 to 31.08.2025	300,000	-	300,000
Hui Chi Kuen Thomas	01.09.2015	0.580	01.09.2015 to 31.08.2025	300,000	-	300,000
Ho Tak Kay	24.10.2011	0.237	24.10.2011 to 23.10.2021	600,000	-	600,000
	12.11.2012	0.309	12.11.2012 to 11.11.2022	600,000	-	600,000
	01.09.2015	0.580	01.09.2015 to 31.08.2025	300,000	-	300,000
Shang Sze Ming	01.09.2015	0.580	01.09.2015 to 31.08.2025	300,000	-	300,000
Category 2: Employees						
	24.10.2011	0.237	24.10.2011 to 23.10.2021	2,000,000	-	2,000,000
	12.11.2012	0.309	12.11.2012 to 11.11.2022	9,000,000	-	9,000,000
	01.09.2015	0.580	01.09.2015 to 31.08.2025	9,600,020	(500,020)	9,100,000
				<u>65,300,020</u>	<u>(10,500,020)</u>	<u>54,800,000</u>

Note 1: These share options are exercisable, starting from the date of options granted for a period of 10 years.

Other than as disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

There were no contracts of significance subsisting to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

MAJOR CUSTOMERS AND SUPPLIERS

The largest customer of the Group by itself and together with the next four largest customers accounted for 9.8% and 31.7%, respectively, of the Group's turnover for the year.

The largest supplier of the Group by itself and together with the next four largest suppliers accounted for 21.8% and 54.6%, respectively, of the Group's purchases for the year.

None of the directors, their associates or any shareholders which, to the knowledge of the directors, owns more than 5% of the Company's issued share capital has a beneficial interest in the share capital of any of the above major customers and suppliers of the Group.

PURCHASE, SALE OR REDEMPTION OF SHARES

There was no purchase, sale or redemption of the Company's shares by the Company or any of its subsidiaries during the year.

CONVERTIBLE SECURITIES, OPTIONS, WARRANTS OR OTHER SIMILAR RIGHTS

Other than the share options as disclosed above, the Company had no convertible securities, options, warrants or other similar rights in issue during the year or at 31 December 2016.

PRE-EMPTIVE RIGHTS

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

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up on the basis of their merit, qualifications and competence.

The emoluments of the directors of the Company are decided, having regard to the Company's operating results, individual performance and comparable market statistics.

The Company had adopted a share option scheme as an incentive to directors and eligible employees, details of which are set out in note 29 to the consolidated financial statements.

Directors' Report

INDEPENDENCY OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive directors, an annual confirmation of the independency pursuant to Rule 3.13 of the Rules Governing the Listing Securities on the Stock Exchange. The Company considers all of the independent non-executive directors are independent.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 December 2016.

DONATIONS

During the year, the Group made charitable donations amounting to HK\$152,000.

AUDITOR

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

On behalf of the Board

Lee Tat Hing
CHAIRMAN

Hong Kong
30 March 2017

The Deloitte logo, consisting of the word "Deloitte" in a bold, black, sans-serif font.The Chinese characters "德勤" (De Qin), representing Deloitte, in a bold, black, sans-serif font.

TO THE SHAREHOLDERS OF WORLD HOUSEWARE (HOLDINGS) LIMITED

(incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of World Houseware (Holdings) Limited (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 35 to 105, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

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.

Independent Auditor's Report

Key Audit Matters – *continued*

Key audit matter

How our audit addressed the key audit matter

Valuation of trade receivables

We identified the valuation of trade receivables as a key audit matter due to the significant judgements involved in the Group management's assessment on the recoverability of those trade receivables, with reference to the settlement history and credit history, including default or delay in payments, and aging analysis of the trade receivables.

As disclosed in note 21 to the consolidated financial statements, the carrying amount of trade receivables of the Group is approximately HK\$260,913,000, net of allowance for doubtful debts of HK\$84,156,000 at 31 December 2016.

Our procedures in relation to the valuation of trade receivables included:

- Understanding the key controls over the credit risk assessment and impairment assessment of trade receivables;
- Assessing the reasonableness of allowance for doubtful debts with reference to the settlement history and credit history, including default or delay in payments, and aging analysis of the trade receivables; and
- Testing on sample basis, the accuracy and completeness of the aging analysis of the trade receivables and the subsequent settlements against the supporting documents.

Independent Auditor's Report

Key Audit Matters – continued

Key audit matter

How our audit addressed the key audit matter

Impairment assessment on property, plant and equipment relating to the food waste recycling segment

We identified the impairment of property, plant and equipment relating to the food waste recycling segment as a key audit matter due to significant judgements and estimation are required by the management in assessing the impairment of property, plant and equipment relating to food waste recycling segment.

With reference to the segment loss noted for the food waste recycling segment, the management considered that indicators of impairment of certain property, plant and equipment and intangible assets of the Group existed as at 31 December 2016. Accordingly, the management assessed the impairment of the property, plant and equipment by comparing the recoverable amount of cash-generating unit with their carrying amounts at the end of the reporting period. The recoverable amount was determined with reference to the value in use of the relevant assets, suitable discount rates, growth rates and expected changes in selling prices and direct costs in order to calculate the present value.

As disclosed in note 16 to the consolidated financial statements, the carrying amount of property, plant and equipment relating to the food waste recycling segment at 31 December 2016 is HK\$143,694,000 and no impairment loss was recognised for the year.

Our procedures in relation to evaluate the management's impairment assessment on property, plant and equipment relating to the food waste recycling segment included:

- Understanding the key controls relating to the preparation of the value in use calculation;
- Evaluating the reasonableness of the cash flow forecasts by comparing the historical financial forecast against actual performance;
- Evaluating the reasonableness of the input data of the cash flow forecasts with reference to the actual performance of the segment;
- Evaluating the reasonableness of the assumptions made by the management in determining the value in use of the property, plant and equipment relating to the food waste recycling segment, including suitable discount rates, growth rates and expected changes in selling prices and direct costs by the management;
- Evaluating the sensitivity analysis performed by the management in respect of the growth rates and discount rates to assess the extent of impact on the value in use calculations; and
- Assessing whether the disclosures of impairment assessment in the consolidated financial statements are sufficient and appropriate.

Independent Auditor's Report

Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the 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 solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Independent Auditor's Report

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements – *continued*

As part of an audit in accordance with HKSA's, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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.

Independent Auditor's Report

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements – *continued*

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

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

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

30 March 2017

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2016

	NOTES	2016 HK\$'000	2015 HK\$'000
Turnover	6	855,195	993,965
Cost of sales		(710,463)	(848,824)
Gross profit		144,732	145,141
Other income	7	9,607	14,355
Other gains and losses	8	12,040	10,424
Selling and distribution costs		(40,952)	(35,179)
Administrative expenses		(119,934)	(131,123)
Impairment losses recognised on trade receivables		(3,834)	(14,723)
Finance costs	9	(14,149)	(14,671)
Loss before taxation		(12,490)	(25,776)
Taxation	10	(14,060)	(15,788)
Loss for the year	11	(26,550)	(41,564)
Other comprehensive expense			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		(63,239)	(55,049)
Total comprehensive expense for the year		(89,789)	(96,613)
Loss for the year attributable to owners of the Company		(26,550)	(41,564)
Total comprehensive expense for the year attributable to owners of the Company		(89,789)	(96,613)
Loss per share			
Basic and diluted (HK cents per share)	14	(3.72)	(5.84)

Consolidated Statement of Financial Position

At 31 December 2016

	NOTES	2016 HK\$'000	2015 HK\$'000
Non-current assets			
Investment properties	15	30,690	30,310
Property, plant and equipment	16	611,638	698,226
Prepaid lease payments	17	66,976	73,350
Deposits paid for acquisition of property, plant and equipment		21,817	10,340
Deposit and prepayments for a life insurance policy	18	50,248	50,671
Intangible assets	19	10	144
Long-term prepayment	37	21,500	21,500
		802,879	884,541
Current assets			
Inventories	20	167,125	188,348
Trade and other receivables	21	297,779	335,460
Taxation recoverable		1,332	1,342
Pledged bank deposits	22	27,046	32,061
Bank balances and cash	22	69,334	39,935
		562,616	597,146
Current liabilities			
Trade and other payables	23	195,855	226,351
Amounts due to directors	24	49,623	34,192
Taxation payable		13,975	12,273
Obligations under finance leases – due within one year	25	3,400	473
Secured bank borrowings – due within one year	26	325,287	346,663
		588,140	619,952
Net current liabilities		(25,524)	(22,806)
Total assets less current liabilities		777,355	861,735
Non-current liabilities			
Obligations under finance leases – due after one year	25	5,686	1,815
Deferred taxation	27	3,382	5,306
Deposit received	37	33,333	35,419
		42,401	42,540
Net assets		734,954	819,195

Consolidated Statement of Financial Position

At 31 December 2016

	NOTE	2016 HK\$'000	2015 HK\$'000
Capital and reserves			
Share capital	28	75,712	74,662
Reserves		659,242	744,533
		<hr/>	<hr/>
Total equity		734,954	819,195
		<hr/> <hr/>	<hr/> <hr/>

The consolidated financial statements on pages 35 to 105 were approved and authorised for issue by the Board of Directors on 30 March 2017 and are signed on its behalf by:

Lee Tat Hing
Chairman

Fung Mei Po
*Vice Chairperson
and
Chief Executive Officer*

Consolidated Statement of Changes in Equity

For the year ended 31 December 2016

	Attributable to owners of the Company									
	Share capital	Share premium	Non-distributable reserve	Share option reserve	Translation reserve	PRC statutory surplus reserve	Accumulated losses	Total	Non-controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000 (Note a)	HK\$'000	HK\$'000	HK\$'000 (Note b)	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2015	67,642	313,127	251,393	13,022	321,940	21,826	(102,211)	886,739	(22)	886,717
Loss for the year	-	-	-	-	-	-	(41,564)	(41,564)	-	(41,564)
Other comprehensive expense for the year	-	-	-	-	(55,049)	-	-	(55,049)	-	(55,049)
Total comprehensive expense for the year	-	-	-	-	(55,049)	-	(41,564)	(96,613)	-	(96,613)
Recognition of equity-settled share-based payments	-	-	-	10,430	-	-	-	10,430	-	10,430
Acquisition of additional interest in a subsidiary	-	-	-	-	-	-	(22)	(22)	22	-
Exercise of share options	7,020	20,714	-	(9,073)	-	-	-	18,661	-	18,661
Transfers	-	-	-	-	-	4,366	(4,366)	-	-	-
At 31 December 2015	74,662	333,841	251,393	14,379	266,891	26,192	(148,163)	819,195	-	819,195
Loss for the year	-	-	-	-	-	-	(26,550)	(26,550)	-	(26,550)
Other comprehensive expense for the year	-	-	-	-	(63,239)	-	-	(63,239)	-	(63,239)
Total comprehensive expense for the year	-	-	-	-	(63,239)	-	(26,550)	(89,789)	-	(89,789)
Exercise of share options	1,050	7,410	-	(2,912)	-	-	-	5,548	-	5,548
Transfers	-	-	-	-	-	5,021	(5,021)	-	-	-
At 31 December 2016	75,712	341,251	251,393	11,467	203,652	31,213	(179,734)	734,954	-	734,954

Notes:

- The non-distributable reserve of the Group arose as a result of capitalisation of retained profits by subsidiaries.
- As stipulated by the relevant laws and regulations for foreign investment enterprises in the People's Republic of China ("PRC"), the PRC subsidiaries are required to maintain a statutory surplus reserve fund. Statutory surplus reserve fund is non-distributable. Appropriations to such reserve are made out of net profit after taxation of the PRC subsidiaries at the discretion of its board of directors. The statutory surplus reserve fund can be used to make up prior year losses, if any, and can be applied to convert into capital by means of capitalisation issue.

Consolidated Statement of Cash Flows

For the year ended 31 December 2016

	2016	2015
	HK\$'000	HK\$'000
Cash flows from operating activities		
Loss before taxation	(12,490)	(25,776)
Adjustments for:		
Allowance for inventories obsolescence	359	330
Amortisation of intangible assets	134	430
Amortisation of prepaid lease payments	2,381	2,491
Bank interest income	(83)	(144)
Depreciation of property, plant and equipment	66,988	61,607
Foreign exchange difference on inter-company balances	(15,374)	(14,976)
Gain arising from changes in fair value of investment properties	(380)	(180)
Impairment loss recognised on trade receivables	3,834	14,723
Impairment loss (reversal of impairment loss) recognised on other receivables	7,473	(500)
Imputed interest income from a deposit placed for a life insurance policy	(1,084)	(1,062)
Interest expenses	14,149	14,671
Loss on disposal of property, plant and equipment	5,986	6,164
Premium charges on a life insurance policy	1,489	1,472
Share-based payments	–	10,430
	<hr/>	<hr/>
Operating cash flows before movements in working capital	73,382	69,680
Decrease in inventories	10,394	17,088
Decrease (increase) in trade and other receivables	10,546	(70,911)
(Decrease) increase in trade and other payables	(20,936)	22,826
	<hr/>	<hr/>
Net cash generated from operations	73,386	38,683
Hong Kong Profits Tax paid	–	(9)
Hong Kong Profits Tax refunded	10	8
Income tax paid in the PRC	(13,378)	(9,772)
	<hr/>	<hr/>
Net cash generated from operating activities	60,018	28,910
	<hr/>	<hr/>

Consolidated Statement of Cash Flows

For the year ended 31 December 2016

	2016	2015
	HK\$'000	HK\$'000
Cash flows from investing activities		
Purchase of property, plant and equipment	(17,943)	(41,439)
Deposits paid for acquisition of property, plant and equipment	(12,141)	(9,227)
Placement of pledged bank deposits	(4,484)	(25,348)
Withdrawal of pledged bank deposits	8,138	477
Proceeds from disposal of property, plant and equipment	2,604	3
Interest received	83	144
	<hr/>	<hr/>
Net cash used in investing activities	(23,743)	(75,390)
	<hr/>	<hr/>
Cash flows from financing activities		
Bank loans raised	193,046	182,360
Advance from directors	29,434	895
New obligations under finance lease raised	8,997	2,527
Exercise of share options	5,548	18,661
Net increase in trust receipts and import loans	4,161	11,869
Repayment of bank loans	(209,315)	(160,665)
Interest paid	(15,183)	(15,869)
Repayment to directors	(14,003)	(3,530)
Repayments of obligations under finance leases	(2,199)	(239)
Net decrease in bank overdrafts	(378)	(82)
	<hr/>	<hr/>
Net cash generated from financing activities	108	35,927
	<hr/>	<hr/>
Net increase (decrease) in cash and cash equivalents	36,383	(10,553)
Cash and cash equivalents at 1 January	39,935	48,656
Effect of foreign exchange rate changes	(6,984)	1,832
	<hr/>	<hr/>
Cash and cash equivalents at 31 December, represented by bank balances and cash	69,334	39,935
	<hr/> <hr/>	<hr/> <hr/>

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

1. GENERAL

World Houseware (Holdings) Limited (the “Company”) is a public limited company incorporated in the Cayman Islands and under the Companies Law and registered thereunder as an exempted company and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). Its ultimate controlling parties are Mr. Lee Tat Hing and his spouse, Ms. Fung Mei Po, who are also the Chairman and Chief Executive Officer of the Company, respectively. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section of the annual report.

The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in note 38.

The consolidated financial statements are presented in Hong Kong dollars, which is also the functional currency of the Company.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2016, the Group had loss for the year HK\$26,550,000 (2015: HK\$41,564,000) and net current liabilities of HK\$25,524,000 (2015: HK\$22,806,000) which included borrowings due within one year of HK\$325,287,000 (2015: HK\$346,663,000). The directors believe the existing revolving bank borrowings of HK\$245,463,000 (2015: HK\$244,019,000) included in the current liabilities at the end of the reporting period could be successfully renewed on maturity date. The directors also do not consider that it is probable that the banks will exercise their discretion to demand immediate repayment for the term loans of HK\$79,824,000 (2015: HK\$102,644,000) which are subject to repayable on demand clause but not repayable within one year based on the agreed scheduled repayments set out in the loan agreements. In addition, the Group had available unutilised borrowing facilities of HK\$314,187,000 (2015: HK\$382,307,000) as at 31 December 2016 which will be subject to review in years of 2017 and 2018. The directors are of the opinion that the Group has a good track record and relationship with banks which enhance the Group’s ability to renew the borrowing facilities upon expiry.

Taking into account of the presently available banking facilities and internally generated funds of the Group, the directors of the Company are of the view that the Group has sufficient working capital for its present requirements for the next twelve months from the end of the reporting period and accordingly, the consolidated financial statements have been prepared on a going concern basis.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

Amendments to HKFRSs that are mandatorily effective for the current year

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

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

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

New and amendments to HKFRSs issue but not yet effective

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

HKFRS 9	Financial instruments ¹
HKFRS 15	Revenue from contracts with customers and the related amendments ¹
HKFRS 16	Leases ²
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions ¹
Amendments to HKFRS 4	Applying HKFRS 9 “Financial instruments” with HKFRS 4 “Insurance contracts” ¹
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture ³
Amendments to HKFRSs	Annual improvements to HKFRSs 2014 – 2016 cycle ⁴
Amendments to HKAS 7	Disclosure initiative ⁵
Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses ⁵

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

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

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

⁴ Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate.

⁵ Effective for annual periods beginning on or after 1 January 2017.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) – *continued*

HKFRS 9 “Financial instruments”

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

Key requirement of HKFRS 9 which is relevant to the Group is:

- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

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

HKFRS 15 “Revenue from contracts with customers”

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

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) – *continued*

HKFRS 15 “Revenue from contracts with customers” – *continued*

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

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

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

HKFRS 16 “Leases”

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

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

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

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSS”) – *continued*

HKFRS 16 “Leases” – *continued*

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

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

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2016, the Group has non-cancellable operating lease commitments of HK\$34,560,000 as disclosed in note 32. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors complete a detailed reviews.

The directors of the Company anticipate that the application of other new and amendments to HKFRSs will have no material impact on the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

4. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

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

The principal accounting policies are set out below.

4. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Basis of consolidation

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

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

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

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

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if the results in the non-controlling interests having a deficit balance.

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

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

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity including reserves and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted after re-attribution of the relevant equity component and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

4. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

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

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed.

Service income is recognised when services are provided.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

The Group's accounting policy for recognition of revenue from operating leases is described in the accounting policy for leasing below.

Investment properties

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Property, plant and equipment

Property, plant and equipment including leasehold land (classified as finance leases) and buildings held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of assets other than construction in progress over their estimated useful lives, using the reducing balance method. The estimated useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

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

Leasing

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

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight line basis over the term of the relevant lease.

The Group as lessee

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

4. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Leasing – *continued*

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss.

Operating lease payments including the cost of acquiring land held under operating leases, are recognised as an expense on a straight line basis over the lease term.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as “prepaid lease payments” in the consolidated statement of financial position and is amortised over the lease term on a straight line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in the profit or loss in the period in which they arise.

4. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Foreign currencies – *continued*

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using the exchange rates prevailing at the end of each reporting period. Income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

Borrowing costs

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

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

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme in Hong Kong and retirement benefit schemes in the PRC are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

4. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Taxation

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

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Taxation – *continued*

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

Current and deferred tax are recognised in profit or loss.

Intangible assets

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Internally – generated intangible assets – research and development expenditure

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible asset is reported at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets acquired separately.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

4. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Intangible assets – *continued*

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured at the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss in the period when the asset is derecognised.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Impairment on tangible and intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

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

4. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

Financial assets are mainly classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

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

Loans and receivables

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

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

4. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial instruments – *continued*

Financial assets – *continued*

Impairment of financial assets

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

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period granted, observable changes in national or local economic conditions that correlate with default on receivables.

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

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

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

Financial liabilities and equity instruments

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

4. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Financial instruments – *continued*

Financial liabilities and equity instruments – *continued*

Equity instruments

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Financial liabilities at amortised cost

Financial liabilities including trade and other payables, bank borrowings, obligations under finance leases and amounts due to directors are subsequently measured at amortised cost, using the effective interest method.

Derecognition

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

4. SIGNIFICANT ACCOUNTING POLICIES – *continued*

Share-based payment arrangements

Equity-settled share-based payment transactions

Equity-settled share based payments to employees, directors and non-executive directors are measured at the fair value of the equity instruments at the grant date.

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

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

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

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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

5. KEY SOURCES OF ESTIMATION UNCERTAINTY – *continued*

Estimated impairment loss recognised on trade receivables

The Group makes allowance for doubtful debts based on an assessment of the recoverability of debtors. Allowances are made on trade receivables whenever there is any objective evidence that the balances may not be collectible. In determining whether an allowance for doubtful debts is required, the Group takes into consideration of the settlement history and credit history, including default or delay in payments, and aging analysis of the trade receivables. Following the identification of doubtful debts, the finance team discusses with the relevant customers and reports to the management on the recoverability. Specific allowance is only made for trade receivables that are unlikely to be collected. As at 31 December 2016, the carrying amount of trade receivables is HK\$260,913,000 (net of allowance for doubtful debts of HK\$84,156,000) (2015: HK\$297,840,000 (net of allowance for doubtful debts of HK\$85,583,000)).

Estimated impairment of property, plant and equipment relating to food waste recycling segment

When there is indication that property, plant and equipment may be impaired, the Group estimates the recoverable amount of the relevant asset or the cash-generating unit to which the asset belongs. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit in which the relevant assets are attached to, which is the higher of the value in use or fair value less costs of disposal. The value in use calculation requires management to estimate the future cash flows expected to arise from the cash-generating unit, a suitable discount rate, growth rates and expected changes in selling prices and direct costs in order to calculate present value. Where the actual future cash flows are less than expected, or change in facts or circumstances which results in downward revision of future cash, a material impairment loss or further impairment loss may arise. As at 31 December 2016, the carrying amount of property, plant and equipment relating to the food waste recycling segment for which management has performed impairment assessment is HK\$143,694,000 (2015: HK\$157,964,000). Detail of the recoverable amount calculation are disclosed in note 16.

Income taxes

As at 31 December 2016, a deferred tax asset of HK\$3,245,000 (2015: HK\$3,087,000) in relation to unused tax losses has been recognised in the Group's consolidated statement of financial position. No deferred tax asset has been recognised on the tax losses of HK\$276,766,000 (2015: HK\$248,198,000) due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future taxable profits generated are less or more than expected, or change in facts and circumstances which result in revision of future taxable profits estimation, a material reversal or further recognition of deferred tax asset may arise, which would be recognised in profit or loss for the period in which such a reversal or further recognition takes place.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

5. KEY SOURCES OF ESTIMATION UNCERTAINTY – *continued*

Estimated impairment loss of inventories

The Group makes allowance for inventories obsolescence based on an assessment of the net realisable value of inventories. Allowances are applied to inventories where events or changes in circumstances indicate that the net realisable value is lower than the cost of inventories. The identification of obsolete inventories requires the use of judgment and estimates on the conditions and usefulness of the inventories. The amount of allowance would be changed as a result of the changes in current market conditions subsequently.

The carrying amount of inventories at 31 December 2016 is HK\$167,125,000 (net of allowance for inventories obsolescence of HK\$6,477,000) (2015: HK\$188,348,000 (net of allowance for inventories obsolescence of HK\$6,126,000)).

6. SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision makers, for the purposes of resource allocation and assessment of segment performance focuses on types of goods delivered. This is also the basis upon which the Group is arranged and organised.

Specifically, the Group's reportable and operating segments under HKFRS 8 "Operating segments" are as follows:

Household products	–	manufacture and distribution of household products
PVC pipes and fittings	–	manufacture and distribution of PVC pipes and fittings
Food waste recycling	–	food waste recycling business
Others	–	investment in properties

Segment turnover and results

The following is an analysis of the Group's turnover and results by reportable and operating segments.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

6. SEGMENT INFORMATION – continued

Segment turnover and results – continued

For the year ended 31 December 2016

	Household products HK\$'000	PVC pipes and fittings HK\$'000	Food waste recycling HK\$'000	Others HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
Turnover						
Sales of goods						
External sales	251,627	592,142	7,517	–	–	851,286
Inter-segment sales	143	521	–	–	(664)	–
Rental income	–	–	–	3,909	–	3,909
Total	<u>251,770</u>	<u>592,663</u>	<u>7,517</u>	<u>3,909</u>	<u>(664)</u>	<u>855,195</u>
Segment profit (loss)	2,888	45,207	(23,696)	4,289	–	28,688
Imputed interest income from a deposit placed for a life insurance policy						1,084
Interest income						83
Premium charges on a life insurance policy						(1,489)
Unallocated corporate expenses						(26,707)
Finance costs						(14,149)
Loss before taxation						<u>(12,490)</u>

Inter-segment sales are charged at cost plus certain mark-up.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

6. SEGMENT INFORMATION – continued

Segment turnover and results – continued

For the year ended 31 December 2015

	Household products HK\$'000	PVC pipes and fittings HK\$'000	Food waste recycling HK\$'000	Others HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
Turnover						
Sales of goods						
External sales	323,882	661,485	5,648	–	–	991,015
Inter-segment sales	795	307	–	–	(1,102)	–
Rental income	–	–	–	2,950	–	2,950
Total	<u>324,677</u>	<u>661,792</u>	<u>5,648</u>	<u>2,950</u>	<u>(1,102)</u>	<u>993,965</u>
Segment (loss) profit	(11,382)	41,446	(15,374)	2,920	–	17,610
Imputed interest income from a deposit placed for a life insurance policy						1,062
Interest income						144
Premium charges on a life insurance policy						(1,472)
Unallocated corporate expenses						(28,449)
Finance costs						(14,671)
Loss before taxation						<u>(25,776)</u>

Inter-segment sales are charged at cost plus certain mark-up.

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 4. Segment profit (loss) represents the profit earned/(loss) incurred by each segment without allocation of central administration costs, imputed interest income from a deposit placed for a life insurance policy, interest income, premium charges on a life insurance policy and finance costs. This is the measure reported to the chief operating decision makers for the purposes of resource allocation and performance assessment.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

6. SEGMENT INFORMATION – *continued*

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segment:

At 31 December 2016

	Household products HK\$'000	PVC pipes and fittings HK\$'000	Food waste recycling HK\$'000	Others HK\$'000	Consolidated HK\$'000
Assets					
Segment assets	316,592	634,136	168,066	30,690	1,149,484
Unallocated assets					216,011
					1,365,495
Consolidated total assets					1,365,495
Liabilities					
Segment liabilities	71,402	150,302	4,137	–	225,841
Unallocated liabilities					404,700
					630,541
Consolidated total liabilities					630,541

At 31 December 2015

	Household products HK\$'000	PVC pipes and fittings HK\$'000	Food waste recycling HK\$'000	Others HK\$'000	Consolidated HK\$'000
Assets					
Segment assets	360,630	718,739	178,417	30,310	1,288,096
Unallocated assets					193,591
					1,481,687
Consolidated total assets					1,481,687
Liabilities					
Segment liabilities	96,323	160,919	3,458	–	260,700
Unallocated liabilities					401,792
					662,492
Consolidated total liabilities					662,492

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

6. SEGMENT INFORMATION – continued

Segment assets and liabilities – continued

For the purposes of monitoring segment performances and allocating resources among segments:

- all assets are allocated to operating segments other than deposit and prepayments for a life insurance policy, taxation recoverable, pledged bank deposits, bank balances and cash as well as deposits and leasehold land and buildings where such buildings are provided to group directors as residential accommodation (see note 12(i)).
- all liabilities are allocated to operating segments other than amounts due to directors, taxation payable, bank borrowings, obligations under finance leases, deferred taxation, bonus payable and accruals of administrative expenses in head office.

Other segment information

For the year ended 31 December 2016

	Household products HK\$'000	PVC pipes and fittings HK\$'000	Food waste recycling HK\$'000	Others HK\$'000	Segment total HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Amounts included in the measure of segment profit (loss) or segment assets:							
Addition to non-current assets	7,336	10,301	3,235	–	20,872	–	20,872
Depreciation	17,299	32,665	15,085	–	65,049	1,939	66,988
Amortisation of intangible assets	134	–	–	–	134	–	134
Amortisation of prepaid lease payments	983	1,398	–	–	2,381	–	2,381
(Reversal) impairment loss recognised on trade receivables	(207)	4,041	–	–	3,834	–	3,834
Impairment loss recognised on other receivables	789	6,684	–	–	7,473	–	7,473
Allowance for inventories obsolescence	–	359	–	–	359	–	359
Net foreign exchange gain	(13,265)	(4,381)	–	–	(17,646)	–	(17,646)
Loss on disposal of property, plant and equipment	1,082	4,904	–	–	5,986	–	5,986
Gain arising from changes in fair value of investment properties	–	–	–	(380)	(380)	–	(380)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Amounts regularly provided to the chief
operating decision maker but not
included in the measure of segment
profit (loss) or segment assets:

Imputed interest income from a deposit placed for a life insurance policy	–	–	–	–	–	(1,084)	(1,084)
Interest income	(26)	(57)	–	–	(83)	–	(83)
Interest expenses	10,272	3,852	25	–	14,149	–	14,149
Income tax expenses	(1,936)	15,996	–	–	14,060	–	14,060
Premium charges on a life insurance policy	–	–	–	–	–	1,489	1,489
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

6. SEGMENT INFORMATION – continued

Other segment information – continued

For the year ended 31 December 2015

	Household products HK\$'000	PVC pipes and fittings HK\$'000	Food waste recycling HK\$'000	Others HK\$'000	Segment total HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Amounts included in the measure of segment (loss) profit or segment assets:							
Addition to non-current assets	27,406	19,503	4,223	–	51,132	–	51,132
Depreciation	21,674	31,073	6,921	–	59,668	1,939	61,607
Amortisation of intangible assets	430	–	–	–	430	–	430
Amortisation of prepaid lease payments	1,097	1,394	–	–	2,491	–	2,491
Impairment loss recognised on trade receivables	–	14,723	–	–	14,723	–	14,723
Reversal of impairment loss on other receivables	–	(500)	–	–	(500)	–	(500)
Allowance for inventories obsolescence	–	330	–	–	330	–	330
Net foreign exchange gain	(14,748)	(1,658)	(2)	–	(16,408)	–	(16,408)
Loss on disposal of property, plant and equipment	157	6,007	–	–	6,164	–	6,164
Gain arising from changes in fair value of investment properties	–	–	–	(180)	(180)	–	(180)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Amounts regularly provided to the chief
operating decision maker but not
included in the measure of segment
(loss) profit or segment assets:

Imputed interest income from a deposit placed for a life insurance policy	–	–	–	–	–	(1,062)	(1,062)
Interest income	(68)	(76)	–	–	(144)	–	(144)
Interest expenses	9,347	3,761	1,563	–	14,671	–	14,671
Income tax expenses	671	15,117	–	–	15,788	–	15,788
Premium charges on a life insurance policy	–	–	–	–	–	1,472	1,472
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

6. SEGMENT INFORMATION – *continued*

Geographical information

More than 90% of the sales of the Group's household products were made to customers in the United States of America.

More than 90% of the sales of the Group's PVC pipes and fittings made to customers in the PRC.

More than 90% of the Group's non-current assets are located in the PRC. Accordingly, no non-current assets by geographical location is presented.

Information about major customers

For each of the year ended 31 December 2016 and 2015, no customer contributed more than 10% of the Group's external revenue.

7. OTHER INCOME

	2016 HK\$'000	2015 HK\$'000
Bank interest income	83	144
Courier and transportation income	3,278	2,047
Imputed interest income from a deposit placed for a life insurance policy	1,084	1,062
Government grants (note)	2,678	2,185
Sales of scrap materials	405	694
Others	2,079	8,223
	<u>9,607</u>	<u>14,355</u>

Note:

The amounts mainly represent the incentives granted by the relevant PRC government authorities to the Group for recognition of establishment of environmental friendly manufacturing factories by enhancing energy efficiency during the manufacturing process.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

8. OTHER GAINS AND LOSSES

	2016	2015
	HK\$'000	HK\$'000
Gain arising from changes in fair value of investment properties	380	180
Loss on disposal of property, plant and equipment	(5,986)	(6,164)
Net foreign exchange gain	17,646	16,408
	<hr/>	<hr/>
	12,040	10,424
	<hr/> <hr/>	<hr/> <hr/>

9. FINANCE COSTS

	2016	2015
	HK\$'000	HK\$'000
Interest on:		
– bank borrowings	13,836	14,792
– finance leases	241	50
– amount due to a director	1,106	1,027
	<hr/>	<hr/>
	15,183	15,869
Less: amount capitalised in the cost of qualifying assets	(1,034)	(1,198)
	<hr/>	<hr/>
	14,149	14,671
	<hr/> <hr/>	<hr/> <hr/>

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

10. TAXATION

	2016	2015
	HK\$'000	HK\$'000
Hong Kong Profits Tax		
– charge for the year	–	–
– overprovision in prior years	–	(7)
	<hr/>	<hr/>
	–	(7)
PRC Enterprise Income Tax (“EIT”)		
– charge for the year	17,059	15,117
– overprovision in prior years	(1,062)	–
	<hr/>	<hr/>
	15,997	15,117
	15,997	15,110
Deferred taxation charge (note 27)	(1,937)	678
	<hr/>	<hr/>
	14,060	15,788
	<hr/> <hr/>	<hr/> <hr/>

Hong Kong Profits Tax is calculated at 16.5% (2015: 16.5%) on the estimated assessable profits for the year. No provision for Hong Kong Profits Tax is made as the Group has no assessable profit for both years.

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

10. TAXATION – *continued*

The tax charge for the year can be reconciled to the loss before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2016 HK\$'000	2015 HK\$'000
Loss before taxation	(12,490)	(25,776)
Tax at the domestic income tax rate of 25%	(3,123)	(6,444)
Tax effect of expenses not deductible for tax purpose	14,250	13,473
Tax effect of income not taxable for tax purpose	(6,114)	(5,755)
Tax effect of tax losses not recognised as deferred tax asset	8,755	11,910
Utilisation of tax losses previously not recognised as deferred tax asset	(335)	(333)
Effect of different tax rates of subsidiaries operating in other jurisdictions	1,689	2,944
Overprovision in prior years	(1,062)	(7)
Tax charge for the year	14,060	15,788

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

11. LOSS FOR THE YEAR

	2016 HK\$'000	2015 HK\$'000
Loss for the year has been arrived at after charging:		
Directors' emoluments (note 12)	18,542	24,067
Other staff's salaries and wages	105,731	126,988
Other staff's retirement benefit scheme contributions	6,986	7,861
Share-based payments	–	3,877
	<hr/>	<hr/>
Total staff costs	131,259	162,793
	<hr/>	<hr/>
Depreciation of property, plant and equipment	66,988	61,607
Amortisation of intangible assets (included in cost of sales)	134	430
Amortisation of prepaid lease payments	2,381	2,491
	<hr/>	<hr/>
Total depreciation and amortisation	69,503	64,528
	<hr/>	<hr/>
Allowance for inventories obsolescence	359	330
Auditors' remuneration	2,860	2,632
Cost of inventories recognised as an expense	710,104	848,494
Impairment loss recognised on trade receivables	3,834	14,723
Impairment loss recognised on other receivables	7,473	–
Operating lease rentals in respect of rented premises	2,160	2,184
	<hr/>	<hr/>
and after crediting:		
Gross rental income from investment properties	3,909	2,950
Less: direct operating expenses that generated rental income	(251)	(161)
	<hr/>	<hr/>
	3,658	2,789
	<hr/>	<hr/>
Bank interest income	83	144
Imputed interest income from a deposit placed for a life insurance policy	1,084	1,062
Reversal of impairment loss on other receivables	–	500
	<hr/> <hr/>	<hr/> <hr/>

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

- (i) Directors' and chief executive's remuneration for the year, disclosed pursuant to the applicable Listing Rules and the CO, is as follows:

	Fees HK\$'000	Salaries and other benefits HK\$'000	Share-based payment HK\$'000	Retirement benefit scheme contributions HK\$'000	Total emoluments HK\$'000
2016					
Executive directors:					
Lee Tat Hing	–	6,898	–	–	6,898
Fung Mei Po	–	3,000	–	19	3,019
Lee Chun Sing	–	3,000	–	19	3,019
Lee Pak Tung	–	510	–	–	510
Chan Lai Kuen Anita	–	924	–	18	942
Lee Kwok Sing Stanley	–	2,100	–	18	2,118
Kwong Bau To (appointed on 18 March 2016)	–	1,118	–	18	1,136
Non-executive director:					
Cheung Tze Man Edward	180	–	–	–	180
Independent non-executive directors:					
Tsui Chi Him Steve	180	–	–	–	180
Hui Chi Kuen Thomas	180	–	–	–	180
Ho Tak Kay	180	–	–	–	180
Shang Sze Ming	180	–	–	–	180
	900	17,550	–	92	18,542

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS – continued

(i) Directors' and chief executive's remuneration for the year, disclosed pursuant to the applicable Listing Rules and the CO, is as follows: – continued

	Fees HK\$'000	Salaries and other benefits HK\$'000	Share-based payment HK\$'000	Retirement benefit scheme contributions HK\$'000	Total emoluments HK\$'000
2015					
Executive directors:					
Lee Tat Hing	–	6,459	2,000	–	8,459
Fung Mei Po	–	3,107	2,000	19	5,126
Lee Chun Sing	–	3,107	923	18	4,048
Lee Pak Tung	–	606	154	–	760
Chan Lai Kuen Anita	–	938	31	18	987
Lee Kwok Sing Stanley	–	2,145	923	18	3,086
Non-executive directors:					
Cheung Tze Man Edward	180	–	154	–	334
Wong Woon Chung Jonathan (resigned on 29 December 2015)	179	–	–	–	179
Independent non-executive directors:					
Tsui Chi Him Steve	180	–	92	–	272
Hui Chi Kuen Thomas	180	–	92	–	272
Ho Tak Kay	180	–	92	–	272
Shang Sze Ming	180	–	92	–	272
	<u>1,079</u>	<u>16,362</u>	<u>6,553</u>	<u>73</u>	<u>24,067</u>

The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group. The non-executive directors' emoluments shown above were mainly for their services as directors of the Company or its subsidiaries. The independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company.

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS – continued

(i) Directors' and chief executive's remuneration for the year, disclosed pursuant to the applicable Listing Rules and the CO, is as follows: – continued

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

Ms. Fung Mei Po is also the Chief Executive of the Company and her emoluments disclosed above include those for services rendered by her as the Chief Executive.

In addition to the amount disclosed above, during the year, the Group also provided one of its leasehold properties in Hong Kong as residential accommodation for Mr. Lee Tat Hing and Ms. Fung Mei Po. The estimated monetary value of such accommodation, using the ratable value as an approximation, amounted to HK\$1,419,000 (2015: HK\$1,419,000) for the year.

During the year ended 31 December 2015, certain directors were granted share options, in respect of their services to the Group under the share option scheme of the Company. Details of the share option scheme are set out in note 29 to the Group's consolidated financial statements.

(ii) Information regarding employees' emoluments

Of the five individuals with the highest emoluments in the Group, four (2015: four) were directors including the Chief Executive of the Company whose emoluments are included in the disclosures in (i) above. The emoluments of the remaining one (2015: one) individual was as follows:

	2016 HK\$'000	2015 HK\$'000
Salaries and other benefits	2,100	2,145
Share-based payments	–	923
Retirement benefit scheme contributions	18	18
	<u>2,118</u>	<u>3,086</u>

The emoluments were within the following bands:

	Number of employees	
	2016	2015
HK\$2,000,001 to HK\$2,500,000	1	–
HK\$3,000,001 to HK\$3,500,000	–	1
	<u>1</u>	<u>1</u>

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS – *continued*

(ii) Information regarding employees' emoluments – *continued*

No emoluments were paid by the Group to 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. None of the directors or Chief Executive has waived or agreed to waive any emoluments during both years.

13. DIVIDENDS

No final dividend was paid or proposed during both years ended 31 December 2016 and 31 December 2015, nor has dividend been proposed since the end of both reporting periods.

14. LOSS PER SHARE

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

	2016 HK\$'000	2015 HK\$'000
Loss for the purposes of calculating basic and diluted loss per share (loss for the year attributable to owners of the Company)	<u>(26,550)</u>	<u>(41,564)</u>
	2016	2015

Number of shares

Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<u>713,653,295</u>	<u>712,093,017</u>
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The diluted loss per share for the year ended 31 December 2016 and 2015 has not been taken into account the effect of outstanding share options as their exercise would result in a decrease in loss per share.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

15. INVESTMENT PROPERTIES

	2016	2015
	HK\$'000	HK\$'000
FAIR VALUE		
At 1 January	30,310	30,130
Increase in fair value recognised in profit or loss	380	180
	<hr/>	<hr/>
At 31 December	30,690	30,310
	<hr/> <hr/>	<hr/> <hr/>

The carrying amounts of investment properties shown above comprises:

	2016	2015
	HK\$'000	HK\$'000
Properties situated in Hong Kong	18,500	17,720
Properties situated in the PRC	12,190	12,590
	<hr/>	<hr/>
	30,690	30,310
	<hr/> <hr/>	<hr/> <hr/>

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

The fair value of the Group's investment properties as at 31 December 2016 and 2015 have been arrived at on the basis of a valuation carried out on the dates by Knight Frank Petty Limited, independent qualified professional valuers not connected to the Group. The fair value was determined based on direct comparison method making reference to comparable sales transactions as available in the relevant markets and where appropriate on the basis of capitalisation method by dividing the potential rental income of the property to be valued by the appropriate capitalisation rate.

In determining the fair value of the relevant properties the financial controller and certain directors of the Company determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The financial controller works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The financial controller reports the findings to the board of directors of the Company every quarter to explain the cause of fluctuations in the fair value of the assets.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

15. INVESTMENT PROPERTIES – continued

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

The following table gives information about how the fair values of these investment properties are determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

Investment properties held by the Group in the statement of financial position	Fair value as at 31.12.2016 HK\$'000	Fair value as at 31.12.2015 HK\$'000	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to the fair value
Residential properties in Hong Kong	18,500	17,720	Level 2	Direct comparison method based on market observable transactions of similar properties and adjust to reflect the conditions and locations of the subject properties.	N/A	N/A
Commercial properties in the PRC	12,190	12,590	Level 3	Income capitalisation method The key inputs are: (1) Capitalisation rate; (2) Monthly rent; and (3) Level adjustment.	Capitalisation rate, taking into account of the capitalisation of rental income potential, nature of the property, prevailing market condition which range from 5.75% to 6.5% (2015: 5.75% to 6.5%). Monthly rent, using direct market comparables and taking into account of age, location and individual factors such as road frontage, size of property and layout/design which range from RMB108/sq.m. to RMB173/sq.m. (2015: RMB105/sq.m. to RMB165/sq.m.). Level adjustment on individual floors of the property concluding with a proportion of 5% to 65% (2015: 5% to 70%) on a base level.	The higher the capitalisation rate, the lower the fair value. The higher the monthly rent, the higher the fair value. The higher the level adjustment, the lower the fair value.

There were no transfers into or out of Level 2 or Level 3 during the year.

The Group has pledged investment properties having a net book value of approximately HK\$18,500,000 (2015: HK\$17,720,000) to secure general banking facilities granted to the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK\$'000	Furniture, fixtures and equipment HK\$'000	Leasehold improvements HK\$'000	Motor vehicles HK\$'000	Plant and machinery HK\$'000	Construction in progress HK\$'000	Total HK\$'000
COST							
At 1 January 2015	556,521	116,128	61,693	24,400	769,523	153,470	1,681,735
Currency realignment	(29,135)	(5,733)	(3,387)	(965)	(36,109)	(2,026)	(77,355)
Additions	644	4,821	8,446	6,275	8,605	22,341	51,132
Disposals	-	(5,176)	-	(1,234)	(55,754)	-	(62,164)
Reclassification	101,611	43	-	-	35,579	(137,233)	-
At 31 December 2015	629,641	110,083	66,752	28,476	721,844	36,552	1,593,348
Currency realignment	(31,055)	(5,632)	(4,016)	(924)	(34,070)	(1,908)	(77,605)
Additions	174	398	7,395	-	3,135	9,770	20,872
Disposals	-	(9,827)	-	(517)	(69,715)	-	(80,059)
Reclassification	1,109	2,372	-	-	3,371	(6,852)	-
At 31 December 2016	599,869	97,394	70,131	27,035	624,565	37,562	1,456,556
DEPRECIATION AND IMPAIRMENT							
At 1 January 2015	264,274	95,815	39,337	16,791	518,028	-	934,245
Currency realignment	(13,843)	(4,635)	(2,022)	(501)	(23,732)	-	(44,733)
Provided for the year	25,884	4,057	4,540	2,544	24,582	-	61,607
Eliminated on disposal	-	(4,653)	-	(1,207)	(50,137)	-	(55,997)
At 31 December 2015	276,315	90,584	41,855	17,627	468,741	-	895,122
Currency realignment	(15,561)	(4,626)	(2,514)	(607)	(22,415)	-	(45,723)
Provided for the year	24,867	4,800	6,525	2,490	28,306	-	66,988
Eliminated on disposal	-	(8,845)	-	(401)	(62,223)	-	(71,469)
At 31 December 2016	285,621	81,913	45,866	19,109	412,409	-	844,918
CARRYING VALUES							
At 31 December 2016	314,248	15,481	24,265	7,926	212,156	37,562	611,638
At 31 December 2015	353,326	19,499	24,897	10,849	253,103	36,552	698,226

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

16. PROPERTY, PLANT AND EQUIPMENT – *continued*

The cost of leasehold land and buildings is depreciated over the shorter of the term of the lease on twenty-five to fifty years on a straight line basis.

The other items of property, plant and equipment, other than construction in progress, are depreciated on a reducing balance basis, at the following rates per annum:

Furniture, fixtures and equipment	18 – 20%
Leasehold improvements	Over shorter of the term of leases or 20%
Motor vehicles	20%
Plant and machinery	9 – 20%

The construction in progress comprise properties located in the PRC under medium-term lease.

During the year, the management performed an impairment assessment on property, plant and equipment relating to the food waste recycling segment with carrying amount of HK\$143,694,000 as segment loss was noted during the current year. The management estimated the recoverable amount of the cash-generating unit of which these property, plant and equipment have been allocated. The recoverable amount is higher than the carrying amount of these property, plant and equipment and accordingly, no impairment loss has been recognised.

The recoverable amount of the cash-generating unit has been determined based on value in use calculations which use cash flow projections based on most recent financial budgets approved by management covering a five-year period, and discount rates of 8.30% (2015: 7.97%). Cash flows beyond the five-year period have been extrapolated using an estimated zero (2015: zero) growth rate which do not exceed the average growth rate for the relevant markets. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include expected changes in selling prices and direct costs, such estimation is based on the unit's past performance and management's expectations for the market development. The management believe that any reasonable possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount of the group of units to exceed the aggregate of its recoverable amount.

During the year ended 31 December 2016, the Group has capitalised interest expenses on bank borrowings amounting to HK\$1,034,000 (2015: HK\$1,198,000) and such amounts are included in the construction in progress.

The carrying value of motor vehicles at 31 December 2016 included an amount of HK\$1,666,000 (2015: HK\$1,991,000) in respect of assets held under finance leases.

The Group has pledged land and buildings with a net book value of approximately HK\$174,009,000 (2015: HK\$179,172,000) to secure general banking facilities granted to the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

17. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments comprise:

	2016	2015
	HK\$'000	HK\$'000
Leasehold land located in the PRC	69,212	75,717
Analysed for reporting purposes as:		
Non-current assets	66,976	73,350
Current assets (included in trade and other receivables) (note 21)	2,236	2,367
	69,212	75,717

The Group has pledged prepaid lease payments having a net book value of approximately HK\$29,734,000 (2015: HK\$32,511,000) to secure general banking facilities granted to the Group.

18. DEPOSIT AND PREPAYMENTS FOR A LIFE INSURANCE POLICY

During the year ended 31 December 2014, a subsidiary of the Company entered into a life insurance policy (the "Policy") to insure a director of the Company, Ms. Fung Mei Po. Under the policy, the beneficiary and policy holder is a subsidiary of the Company and the total insured sum is USD20,000,000 (equivalent to HK\$155,000,000). At inception of the Policy, the Group paid an upfront payment of USD6,785,000 (equivalent to HK\$52,587,000). The Group can terminate the policy at any time and can receive cash back based on the net nominal account value of the Policy at the date of withdrawal. The Group receives an interest at interest rates guaranteed by the insurer. As at 31 December 2016, deposit and prepayments for a life insurance policy amounting to HK\$50,248,000 (2015: HK\$50,671,000) and HK\$1,507,000 (2015: HK\$1,489,000), totalling HK\$51,755,000 (2015: HK\$52,160,000), are classified as non-current assets and current assets, respectively.

The directors of the Company expected that the Policy will be terminated at the 10th policy year in 2024 and there will be a specified surrender charge of USD749,000 (equivalent to HK\$5,805,000) in accordance with the Policy. The expected life of the Policy remained unchanged from the date of initial recognition and the directors of the Company considered that the financial impact of the option to terminate the policy was not significant.

The effective interest rate of the deposit is 2.11% (2015: 2.11%) per annum which was determined on initial recognition by discounting the estimated future cash receipts through the expected life of the Policy of 10 years. While the premium charges and prepaid premium will be amortised to profit or loss through the expected life of the Policy of 10 years.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

18. DEPOSIT AND PREPAYMENTS FOR A LIFE INSURANCE POLICY – *continued*

As at 31 December 2016 and 2015, the life insurance was pledged to a bank to secure general banking facilities granted to the Group.

The deposit placed for a life insurance policy is denominated in USD, a currency other than the functional currency of the relevant group entity.

19. INTANGIBLE ASSETS

	Capitalised development costs HK\$'000
COST	
At 1 January 2015	3,997
Currency realignment	(212)
	<hr/>
At 31 December 2015	3,785
Currency realignment	(223)
	<hr/>
At 31 December 2016	3,562
	<hr/>
AMORTISATION	
At 1 January 2015	3,414
Currency realignment	(203)
Charge for the year	430
	<hr/>
At 31 December 2015	3,641
Currency realignment	(223)
Charge for the year	134
	<hr/>
At 31 December 2016	3,552
	<hr/>
CARRYING VALUES	
At 31 December 2016	10
	<hr/> <hr/>
At 31 December 2015	144
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Development costs are internally generated on development activities of high value-added environmental reborn resources and recycling business.

The intangible assets are amortised over its estimated economic life of 10 years using the straight line method.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

20. INVENTORIES

	2016	2015
	HK\$'000	HK\$'000
Raw materials and consumables	68,595	75,341
Work in progress	30,281	35,899
Finished goods	68,249	77,108
	<hr/>	<hr/>
	167,125	188,348
	<hr/> <hr/>	<hr/> <hr/>

21. TRADE AND OTHER RECEIVABLES

The following is an aging analysis of the Group's trade receivables presented based on the invoice date, which approximated the respective revenue recognition dates, net of allowance for doubtful debts, at the end of the reporting period:

	2016	2015
	HK\$'000	HK\$'000
0 – 30 days	68,070	83,387
31 – 60 days	57,142	95,908
61 – 90 days	31,012	10,918
91 – 180 days	47,907	58,308
Over 180 days	56,782	49,319
	<hr/>	<hr/>
Trade receivables, net of allowance for doubtful debts	260,913	297,840
Prepayments for raw materials, deposits and other receivables	33,123	33,764
Prepaid lease payments (note 17)	2,236	2,367
Deposit and prepayments for a life insurance policy (note 18)	1,507	1,489
	<hr/>	<hr/>
Total trade and other receivables	297,779	335,460
	<hr/> <hr/>	<hr/> <hr/>

The Group allows credit period ranging from 30 days to 180 days, depending on the products sold, to its trade customers. Trade and other receivables are unsecured and interest-free.

Before accepting any new customers, the Group will internally assess the potential customers' credit quality and defines appropriate credit limits by customer. The management closely monitors the credit quality and follow-up action is taken if overdue debts are noted. Limits attributed to customers are reviewed every year. All of the trade receivables that are neither past due nor impaired are considered to be of good credit quality with satisfactory settlement history.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

21. TRADE AND OTHER RECEIVABLES – *continued*

The Group's trade receivables which are denominated in currencies other than the functional currencies of the relevant group companies are set out below:

	2016	2015
	HK\$'000	HK\$'000
USD	32,582	38,019
HK\$	2,020	–
	<u>34,602</u>	<u>38,019</u>

Included in the Group's trade receivable balances are debtors with aggregate carrying amount of HK\$117,603,000 (2015: HK\$124,509,000) which are past due at the reporting date for which the Group had not provided for impairment loss as these receivables are either subsequently settled or due from certain major customers with no history of default and have strong financial background and good creditability. The Group does not hold any collateral over these balances.

Aging of trade receivables based on the invoice date which are past due but not impaired

	2016	2015
	HK\$'000	HK\$'000
31 – 60 days	11,053	20,276
61 – 90 days	10,496	6,671
91 – 180 days	43,736	54,103
Over 180 days	52,318	43,459
	<u>117,603</u>	<u>124,509</u>

Based on the payment pattern of the customers of the Group, trade receivables which are past due but not impaired are generally collectable. Allowance on doubtful debts recognised are based on estimated irrecoverable amounts by reference to settlement history and credit history including default or delay in payments, and aging analysis of the trade receivables. Full allowance is made for individual trade receivables aged over one year with no subsequent settlement as historical evidence shows that such receivables are generally not recoverable, or individual trade receivables which has either been placed under liquidation or in severe financial difficulties.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

21. TRADE AND OTHER RECEIVABLES – *continued*

Movement in the allowance for doubtful debts

	2016 HK\$'000	2015 HK\$'000
1 January	85,583	75,607
Currency realignment	(5,261)	(4,747)
Impairment losses recognised on trade receivables	3,834	14,723
	<hr/>	<hr/>
31 December	84,156	85,583

22. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

Pledged bank deposits represent deposits pledged to banks to secure bills payable and short-term bank borrowings granted to the Group and are therefore classified as current assets. The pledged bank deposits carry interest at market rates which range from 0.01% to 1.75% (2015: 0.01% to 1.75%) per annum. The pledged deposits will be released upon the settlement of relevant borrowings.

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less, which carry interest at market rates. Bank balances carry interest at market rates which range from 0.01% to 1.35% (2015: 0.01% to 1.35%) per annum.

The Group's pledged bank deposits and bank balances and cash which are denominated in currencies other than the functional currencies of the relevant group companies are set out below:

	2016 HK\$'000	2015 HK\$'000
USD	2,880	8,037
HK\$	1,673	485
RMB	12	1,126
	<hr/>	<hr/>

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

23. TRADE AND OTHER PAYABLES

The following is an aged analysis of the Group's trade and bills payables presented based on the invoice date at the end of the reporting period:

	2016	2015
	HK\$'000	HK\$'000
0 – 30 days	75,753	82,567
31 – 60 days	25,813	32,790
61 – 90 days	17,373	13,892
Over 90 days	27,015	34,134
	<hr/>	<hr/>
Total trade and bills payables	145,954	163,383
Other payables	49,901	62,968
	<hr/>	<hr/>
Total trade and other payables	195,855	226,351
	<hr/> <hr/>	<hr/> <hr/>

The following is an analysis of the Group's other payables at the end of the reporting period:

	2016	2015
	HK\$'000	HK\$'000
Receipt in advance	19,506	23,644
Accrued expenses	7,449	8,940
Deposits received from customers	7,037	860
Wages and bonus payable	4,669	11,514
Value-added tax payables	4,509	3,762
Property tax and other tax payables	1,273	2,181
Payable on acquisition of property, plant and equipment	578	2,136
Payable on acquisition of land use rights	–	1,952
Others	4,880	7,979
	<hr/>	<hr/>
	49,901	62,968
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Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

23. TRADE AND OTHER PAYABLES – *continued*

The average credit period on purchases of goods is 90 days.

Included in trade and other payables are the following amounts denominated in currencies other than the functional currencies of the relevant group companies:

	2016	2015
	HK\$'000	HK\$'000
USD	19,078	32,099
HK\$	300	–
	19,378	32,099

24. AMOUNTS DUE TO DIRECTORS

The amounts due to directors, who are also the controlling shareholders of the Group, are unsecured and repayable within one year. At 31 December 2016, other than an amount of HK\$40,400,000 bears interest at 2.9% per annum, the remaining balance is interest free. At 31 December 2015, the amounts bore interest at 2.9% per annum.

25. OBLIGATIONS UNDER FINANCE LEASES

	Minimum		Present value of minimum	
	lease payments		lease payments	
	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amounts payable under finance leases:				
Within one year	3,784	560	3,400	473
More than one year but not more than two years	4,029	560	3,824	494
More than two years but not more than five years	1,901	1,392	1,862	1,321
	9,714	2,512	9,086	2,288
Less: Future finance charges	(628)	(224)	N/A	N/A
Present value of lease obligations	9,086	2,288	9,086	2,288
Less: Amount due for settlement within one year (shown under current liabilities)			(3,400)	(473)
Amount due for settlement after one year			5,686	1,815

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

25. OBLIGATIONS UNDER FINANCE LEASES – *continued*

At 31 December 2016, the Group leased certain motor vehicles held under finance leases. The lease term is 5 years (2015: 5 years). The Group also leased certain machinery held under finance leases with carrying amount of HK\$9,313,000 which is included in deposit under non-current assets. The lease term is 3 years (2015: nil). Interest rates underlying the obligations under these finance leases are fixed at contract date range from 1.7% to 2.5% per annum (2015: 1.7% to 2.5% per annum). These leases has no terms of renewal or escalation clauses.

26. SECURED BANK BORROWINGS

	2016	2015
	HK\$'000	HK\$'000
Variable rate bank loans	292,383	317,542
Variable rate trust receipts and import loans	32,420	28,259
Variable rate bank overdrafts	484	862
	325,287	346,663

The carrying amounts of the above bank borrowings are repayable*:

Within one year	245,463	244,019
Within a period of more than one year but not exceeding two years	32,358	36,712
Within a period of more than two years but not exceeding five years	39,251	45,806
Within a period of more than five years	8,215	20,126
	325,287	346,663

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

26. SECURED BANK BORROWINGS – continued

	2016 HK\$'000	2015 HK\$'000
The carrying amounts of bank borrowings due within one year (excluding those loans with repayment on demand clause) shown under current liabilities	116,333	129,540
The carrying amount of bank loans that contains a repayment on demand clause (shown under current liabilities) but repayable		
Within one year	129,130	114,479
After one year	79,824	102,644
	208,954	217,123
Amount shown under current liabilities	325,287	346,663

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

The bank loans of the Group, which were borrowed by subsidiaries, that are denominated in currencies other than the functional currencies of the relevant group companies are set out below:

	2016 HK\$'000	2015 HK\$'000
USD	61,806	63,523

The ranges of interest rates which is repriced every three months, on the Group's borrowings are as follows:

	2016	2015
Variable rate borrowings, trust receipts, import loans and bank overdrafts	Interest rate: Ranging from Hong Kong Inter Bank Offered Rate ("HIBOR") + 2% to 2.5%, Prime rate rate and Central Bank base interest rate of the PRC multiplied by 100% to 120%	Interest rate: Ranging from HIBOR + 2% to 3.3%, Prime rate to Prime rate + 1% and Central Bank base interest rate of the PRC multiplied by 105% to 120%

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

26. SECURED BANK BORROWINGS – continued

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings are as follows:

	2016	2015
Effective interest rate:		
Variable rate borrowings	1.75% to 5.66%	2.38% to 6.72%

27. DEFERRED TAXATION

The followings are the major deferred taxation assets (liabilities) recognised and movements thereon during the current and prior years:

	Accelerated tax depreciation HK\$'000	Fair value changes in investment properties HK\$'000	Tax losses HK\$'000	Others HK\$'000	Total HK\$'000
At 1 January 2015	(8,023)	(1,325)	2,929	1,726	(4,693)
Exchange realignment	157	–	–	(92)	65
(Charge) credit to profit or loss	(892)	56	158	–	(678)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2015	(8,758)	(1,269)	3,087	1,634	(5,306)
Exchange realignment	83	–	–	(96)	(13)
Credit to profit or loss	1,713	66	158	–	1,937
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2016	<u>(6,962)</u>	<u>(1,203)</u>	<u>3,245</u>	<u>1,538</u>	<u>(3,382)</u>

At the end of the reporting period, the Group had unused tax losses of approximately HK\$296,431,000 (2015: HK\$266,905,000) available to offset against future assessable profits. A deferred taxation asset of HK\$3,245,000 (2015: HK\$3,087,000) has been recognised in respect of HK\$19,665,000 (2015: HK\$18,707,000) of such losses. No deferred taxation asset has been recognised in respect of the remaining tax losses of HK\$276,766,000 (2015: HK\$248,198,000) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of HK\$66,682,000 (2015: HK\$74,782,000) that will expire in 5 years (2015: 5 years). Other losses may be carried forward indefinitely. The Group had no other significant unprovided deferred taxation at the end of the reporting period.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

27. DEFERRED TAXATION – continued

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to HK\$198,858,000 (2015: HK\$151,664,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

28. SHARE CAPITAL

	Number of shares	HK\$'000
Ordinary shares of HK\$0.1 each		
Authorised:		
At 1 January 2015, 31 December 2015 and 31 December 2016	1,500,000,000	150,000
Issued and fully paid:		
At 1 January 2015	676,417,401	67,642
Exercise of share option (note 2)	70,200,000	7,020
At 31 December 2015	746,617,401	74,662
Exercise of share option (note 1)	10,500,020	1,050
At 31 December 2016	757,117,421	75,712

There were no changes in the authorised share capital in both years.

Notes:

- During the year ended 31 December 2016, 2,000,000 shares of HK\$0.1 each were issued at HK\$0.309 per share upon exercise of the share options granted on 12 November 2012 and 8,500,020 shares of HK\$0.1 each were issued at HK\$0.580 per share upon exercise of the share options granted on 1 September 2015 under the share option scheme of the Company adopted on 10 June 2011 by share option holders and all these shares rank pari passu with other ordinary shares of the Company in all respects.
- During the year ended 31 December 2015, 42,100,000 shares of HK\$0.1 each were issued at HK\$0.237 per share upon exercise of the share options granted on 24 October 2011 and 28,100,000 shares of HK\$0.1 each were issued at HK\$0.309 per share upon exercise of the share options granted on 12 November 2012 under the share option scheme of the Company adopted on 10 June 2011 by share option holders and all these shares rank pari passu with other ordinary shares of the Company in all respects.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

29. SHARE-BASED PAYMENT TRANSACTIONS

The Company's share option scheme (the "Share Option Scheme"), was adopted at an extraordinary general meeting of the Company held on 10 June 2011 for the primary purpose of providing incentives to directors and eligible employees, and will expire on 9 June 2021. Under the Share Option Scheme, the Board of Directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company.

At 31 December 2016, the number of shares in respect of which options had been granted and remained outstanding under the Share Option Scheme was 54,800,000 (2015: 65,300,020), representing 8.7% (2015: 8.7%) of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the Share Option Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

Options granted must be taken up within 1 month of the date of grant, upon payment of HK\$1 from each grantee upon acceptance of offer. Options may be exercised immediately from the date of grant of the share options to the 10th anniversary of the date of grant. The exercise price is determined by the directors of the Company, 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 shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

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For the year ended 31 December 2016

29. SHARE-BASED PAYMENT TRANSACTIONS – *continued*

The following tables disclose the movements of the Company's share options in both years:

Type of participants	Date of grant	Vesting period	Exercisable period	Exercise price per share HK\$	Outstanding at 1.1.2015	Granted during the year	Exercised during the year	Outstanding at 31.12.2015	Exercised during the year	Outstanding at 31.12.2016
2011 share options										
Executive directors	24.10.2011	Nil	24.10.2011 – 23.10.2021	0.237	27,000,000	-	(27,000,000)	-	-	-
Non-executive director	24.10.2011	Nil	24.10.2011 – 23.10.2021	0.237	1,000,000	-	-	1,000,000	-	1,000,000
Independent non-executive directors	24.10.2011	Nil	24.10.2011 – 23.10.2021	0.237	1,800,000	-	(600,000)	1,200,000	-	1,200,000
Employees	24.10.2011	Nil	24.10.2011 – 23.10.2021	0.237	16,500,000	-	(14,500,000)	2,000,000	-	2,000,000
					<u>46,300,000</u>	<u>-</u>	<u>(42,100,000)</u>	<u>4,200,000</u>	<u>-</u>	<u>4,200,000</u>
2012 share options										
Executive directors	12.11.2012	Nil	12.11.2012 – 11.11.2022	0.309	32,000,000	-	(16,000,000)	16,000,000	(2,000,000)	14,000,000
Non-executive director	12.11.2012	Nil	12.11.2012 – 11.11.2022	0.309	1,000,000	-	-	1,000,000	-	1,000,000
Independent non-executive directors	12.11.2012	Nil	12.11.2012 – 11.11.2022	0.309	1,800,000	-	(600,000)	1,200,000	-	1,200,000
Employees	12.11.2012	Nil	12.11.2012 – 11.11.2022	0.309	20,500,000	-	(11,500,000)	9,000,000	-	9,000,000
					<u>55,300,000</u>	<u>-</u>	<u>(28,100,000)</u>	<u>27,200,000</u>	<u>(2,000,000)</u>	<u>25,200,000</u>
2015 share options										
Executive directors	01.09.2015	Nil	01.09.2015 – 31.08.2025	0.580	-	19,600,000	-	19,600,000	(6,500,000)	13,100,000
Non-executive director	01.09.2015	Nil	01.09.2015 – 31.08.2025	0.580	-	500,000	-	500,000	-	500,000
Independent non-executive directors	01.09.2015	Nil	01.09.2015 – 31.08.2025	0.580	-	1,200,000	-	1,200,000	-	1,200,000
Employees	01.09.2015	Nil	01.09.2015 – 31.08.2025	0.580	-	12,600,020	-	12,600,020	(2,000,020)	10,600,000
					<u>-</u>	<u>33,900,020</u>	<u>-</u>	<u>33,900,020</u>	<u>(8,500,020)</u>	<u>25,400,000</u>
					<u>101,600,000</u>	<u>33,900,020</u>	<u>(70,200,000)</u>	<u>65,300,020</u>	<u>(10,500,020)</u>	<u>54,800,000</u>
Exercisable at the end of the year					<u>101,600,000</u>			<u>65,300,020</u>		<u>54,800,000</u>
Weighted average exercise price					<u>0.276</u>	<u>0.580</u>	<u>0.266</u>	<u>0.445</u>	<u>0.528</u>	<u>0.429</u>

In respect of share options exercised during the year, the weighted average share price at the dates of exercise is HK\$0.792 (2015: HK\$0.515).

During the year ended 31 December 2015, options were granted on 1 September 2015. The estimated fair values of the options granted on that date were HK\$10,430,000.

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For the year ended 31 December 2016

29. SHARE-BASED PAYMENT TRANSACTIONS – *continued*

These fair values were calculated using the Binomial model. The inputs into the model were as follows:

	2015
Weighted average share price	HK\$0.580
Exercise price	HK\$0.580
Expected volatility	77.64%
Expected life	10 years
Risk-free rate	1.819%
Expected dividend yield	0%

Expected volatility was determined by using the historical volatility of the Company's share price over the previous 10 years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The Group recognised the total expense of HK\$10,430,000 for the year ended 31 December 2015 in relation to share options granted by the Company (2016: Nil).

30. RETIREMENT BENEFIT SCHEMES

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") for all qualifying Hong Kong employees. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. Mandatory benefits are provided under the MPF Scheme. The Group contributes the lower of 5% of the relevant payroll costs and HK\$1,500 per employee to the MPF Scheme.

Employees of subsidiaries in the PRC are members of the state-sponsored pension schemes operated by the PRC government. The subsidiaries are required to contribute a certain percentage of their payroll to the pension scheme to fund the benefits. The only obligation of the Group with respect to the state-sponsored pension schemes is to make the required contributions.

The total contribution to the retirement benefit schemes charged to the consolidated statement of profit or loss and other comprehensive income is HK\$7,078,000 (2015: HK\$7,934,000).

Notes to the Consolidated Financial Statements

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31. CAPITAL COMMITMENTS

	2016	2015
	HK\$'000	HK\$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of:		
– plant and equipment	10,051	4,762
– buildings	7,842	2,789
	<hr/>	<hr/>
	17,893	7,551
	<hr/> <hr/>	<hr/> <hr/>

32. OPERATING LEASES

The Group as lessee

At the end of the reporting period, the Group had commitments for future lease payments under non-cancellable operating leases in respect of premises which fall due as follows:

	2016	2015
	HK\$'000	HK\$'000
Within one year	2,160	2,184
In the second to fifth year inclusive	8,640	8,640
After five years	23,760	24,840
	<hr/>	<hr/>
	34,560	35,664
	<hr/> <hr/>	<hr/> <hr/>

Leases are negotiated and rentals are fixed for an average term of two years (2015: two years). One of the leases has a term of twenty years.

The Group as lessor

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	2016	2015
	HK\$'000	HK\$'000
Within one year	3,642	2,665
In the second to fifth year inclusive	2,575	680
After five years	473	490
	<hr/>	<hr/>
	6,690	3,835
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The Group's investment properties are held for rental purposes. The properties held have committed tenants for periods of up to ten years (2015: ten years).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

33. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debts, which includes amount due to directors, finance leases and bank borrowings, disclosed in respective notes, pledged bank deposits, cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure on a regular basis. As part of this review, the directors consider the cost of capital and the risks associates with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and the issue of new debts.

34. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2016 HK\$'000	2015 HK\$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	462,998	426,654
Financial liabilities		
Amortised cost	539,300	570,861
Obligations under finance leases	9,086	2,288

Financial risk management objectives and policies

The Group's major financial instruments include deposit for a life insurance policy, trade and other receivables, pledged bank deposits, bank balances and cash, trade and other payables, amounts due to directors, bank borrowings and obligations under finance leases. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk, and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

34. FINANCIAL INSTRUMENTS – continued

Financial risk management objectives and policies – continued

Market risk

Currency risk

Several subsidiaries of the Company have foreign currency sales and purchases, which expose the Group to foreign currency risk. Approximately 29% (2015: 32%) and 53% (2015: 55%) of the Group's sales and purchases, respectively, are denominated in currencies other than the functional currencies of the group entities making the sale and the purchase.

Several subsidiaries of the Company have foreign currency bank balances, trade and other receivables, trade and other payables and bank borrowings that are denominated in currencies other than the functional currencies of the relevant group entities which expose the Group to foreign currency risk. The Group currently does not have a foreign currency hedging policy but the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at 31 December 2016 and 2015 are as follows:

	Assets		Liabilities	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
USD	87,217	98,216	80,884	95,622
HK\$	3,693	485	300	–
RMB	12	1,126	–	–
	90,922	99,827	81,184	95,622

In addition, the Group is also exposed to foreign currency risk arising from intra-group loans/trading transactions denominated in HK\$ involving PRC entities whose functional currency is RMB. The foreign currency denominated net monetary assets in relation to these intra-group balances amounted to approximately HK\$246,358,000 (2015: HK\$270,424,000). The Group has not formulated a policy to hedge the foreign currency risk.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

34. FINANCIAL INSTRUMENTS – continued

Financial risk management objectives and policies – continued

Market risk – continued

Currency risk – continued

The Group is mainly exposed to fluctuation in exchange rate of RMB against HK\$ and USD. Exposures on balances which are denominated in USD in group companies with HK\$ as functional currency, are not considered significant as HK\$ is pegged to USD. The following table details the Group's sensitivity to a reasonably possible change of 5% in exchange rate of RMB (functional currency of the relevant group companies) against HK\$ and USD while all other variables are held constant. The sensitivity analysis includes outstanding foreign currency denominated monetary items including external loans in USD as well as intra-group loans/trading transactions denomination in HK\$ involving PRC entities whose functional currency is RMB. A positive number below indicates a decrease in loss for the year where RMB weakens against HK\$ and USD. For a 5% strengthening of RMB against HK\$ and USD, there would be an equal and opposite impact on the loss for the year and the balances below would be negative.

	2016 HK\$'000	2015 HK\$'000
RMB against HK\$	9,238	10,159
RMB against USD	(709)	(1,199)

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

Interest rate risk

The Group's cash flow interest rate risk relates primarily to variable rate bank borrowings (see note 27). In relation to these variable rate bank borrowings, the Group currently does not have policy on cash flow hedges of interest rate risk. However, the management monitors interest rate exposure and will consider hedging significant interest rate risk should the need arise.

The Group's sensitivity to cash flow interest rate risk has been determined based on the exposure to interest rates for the variable rate bank borrowings at the end of the reporting period. A 100 basis points (2015: 100 basis points) increase or decrease in interest rates is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. A negative number below indicates an increase in loss for the year where interest rate is increased by 100 basis points. For decreasing interest rate of 100 basis points, there would be an equal and opposite impact on the loss for the year and the balances below would be positive.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

34. FINANCIAL INSTRUMENTS – continued

Financial risk management objectives and policies – continued

Market risk – continued

Interest rate risk – continued

	2016 HK\$'000	2015 HK\$'000
Interest rate of 100 basis points	<u>(2,596)</u>	<u>(2,755)</u>

In management's opinion, the sensitivity analysis is unrepresentative of the inherent interest rate risk as the year end exposure does not reflect the exposure during the year.

Other price risk

The Group is engaged in the business activities of design, manufacture and marketing of PVC and fabric household products and PVC pipes and fittings. PVC resin is a by-product in the refinery of petroleum products from crude oil. The price of crude oil is affected by a wide range of global and domestic factors which are beyond the control of the Group. The fluctuations in such price may have favourable or unfavourable impacts to the Group. The Group historically has not used commodity derivative instruments to hedge against potential price fluctuations of crude oil and therefore the Group is exposed to general price fluctuations of crude oil.

No sensitivity analysis is presented as in management's opinion, a sensitivity analysis would be unrepresentative of the other price risk as the year end exposure does not reflect the exposure during the year.

Credit risk

The Group's credit risk is primarily attributable to trade receivables. The maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at 31 December 2016 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In additions, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on pledged bank deposits and bank balances is limited because the counterparties are banks with good reputation and high credit ratings assigned by international credit-rating agencies.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

34. FINANCIAL INSTRUMENTS – *continued*

Financial risk management objectives and policies – *continued*

Credit risk – *continued*

The Group's concentration of credit risk by geographical locations is mainly in the PRC, which accounted for 88% (2015: 84%) of the total trade receivables as at 31 December 2016. The Group has no significant concentration of credit risk in trade receivables with exposure spread over a number of counterparties.

Liquidity risk

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

The Group relies on bank borrowings as a significant source of liquidity. As at 31 December 2016, the Group has available unutilised bank loan facilities of approximately HK\$314,187,000 (2015: HK\$382,307,000).

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

34. FINANCIAL INSTRUMENTS – continued

Financial risk management objectives and policies – continued

Liquidity risk – continued

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

Liquidity and interest risk tables

	Weighted average effective interest rate per annum %	On demand or less than 1 month HK\$'000	1 – 3 months HK\$'000	3 months to 1 year HK\$'000	1 – 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at 31.12.2016 HK\$'000
Non-derivative financial liabilities							
As at 31 December 2016							
Trade and other payables	–	94,189	43,186	27,015	–	164,390	164,390
Amounts due to directors	2.90	49,623	–	–	–	49,623	49,623
Bank borrowings – variable rate	4.01	219,069	30,828	78,430	–	328,327	325,287
Obligations under finance leases	5.17	312	624	2,810	5,846	9,592	9,086
		363,193	74,638	108,255	5,846	551,932	548,386
As at 31 December 2015							
Trade and other payables	–	74,649	115,357	–	–	190,006	190,006
Amounts due to directors	2.90	34,192	–	–	–	34,192	34,192
Bank borrowings – variable rate	4.33	279,884	29,417	38,865	–	348,166	346,663
Obligations under finance leases	4.49	47	93	420	1,951	2,511	2,288
		388,772	144,867	39,285	1,951	574,875	573,149

Bank loans with a repayment on demand clause are included in the “on demand or less than 1 month” time band in the above maturity analysis. At 31 December 2016, the aggregate undiscounted principal amounts of these bank loans amounted to HK\$208,954,000 (2015: HK\$217,123,000). Taking into account the Group’s financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that such bank loans will be repaid from two to ten years (2015: two to eleven years) after the end of the reporting period in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows will amount to HK\$223,252,000 (2015: HK\$236,296,000).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

34. FINANCIAL INSTRUMENTS – continued

Financial risk management objectives and policies – continued

Liquidity risk – continued

Liquidity and interest risk tables – continued

For the purpose of managing liquidity risk, the management reviews the expected cash flow information of the Group's variable rate bank loans based on the scheduled repayment dates set out in the loan agreement as set out in the table below:

	Weighted average interest rate per annum %	Less than 1 month HK\$'000	1 – 3 months HK\$'000	3 months to 1 year HK\$'000	1 to 5 years HK\$'000	Over 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amounts HK\$'000
Variable rate bank loans								
As at 31 December 2016	2.81	38,088	68,338	26,842	79,824	10,160	223,252	208,954
As at 31 December 2015	3.11	63,984	14,663	40,933	93,819	22,897	236,296	217,123

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

Fair value measurements of financial instruments

The directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

35. PLEDGE OF ASSETS

At the end of the reporting period, the Group's secured borrowings were secured by the following assets:

	2016 HK\$'000	2015 HK\$'000
Investment properties	18,500	17,720
Leasehold land and buildings	174,009	179,172
Prepaid lease payments	29,734	32,511
Bank deposits	27,046	32,061
	249,289	261,464

In addition, the Group also pledged the life insurance policy to a bank to secure general banking facilities granted to the Group (see note 18).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

36. RELATED PARTY TRANSACTIONS

(a) Compensation of key management personnel:

The remuneration of directors and other members of key management during the year was as follows:

	2016 HK\$'000	2015 HK\$'000
Short-term benefits	19,631	27,569
Post-employment benefits	91	91
	<u>19,722</u>	<u>27,660</u>

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

- (b) During the year ended 31 December 2016, Joy Tower Limited, a related party of the Group, provided its residential property to secure one of the Group's banking facilities amounting to HK\$122,252,000 (2015: HK\$209,972,000). Approximately HK\$87,077,000 (2015: HK\$103,431,000) was utilised in respect of this banking facility as at 31 December 2016.

Mr. Lee Tat Hing and his spouse, Ms. Fung Mei Po, the directors and controlling shareholders of the Company, are directors and controlling shareholders of Joy Tower Limited.

- (c) During the year ended 31 December 2016, the Group paid interest expenses on the amount due to a director of the Company, Ms. Fung Mei Po, amounted to HK\$1,106,000 (2015: HK\$1,027,000).

37. OTHER MATTERS

On 14 February 2011, one of the subsidiaries of the Company, Welidy Limited ("Welidy"), has entered into a cooperative development framework agreement with an independent third party property developer in relation to the redevelopment of land which is owned by Welidy and the factory situated on the piece of land which is currently in use as one of the production plants by one of the subsidiaries of the Company, World Plastic Mat (Baoan) Company Limited ("World (Baoan)").

On 11 August 2011, Welidy further entered into a provisional removal remedy agreement ("provisional removal remedy agreement") with the same independent third party. Under the provisional removal remedy agreement, the Group will hand over the above mentioned piece of land to the independent third party for development in exchange for certain residential or commercial properties (the "compensated properties") constructed after the redevelopment of land. However, the details of compensation have not been finalised between both parties and the official removal remedy agreement has not been entered into between Welidy, the property developer and the PRC government authorities by the end of the reporting period.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

37. OTHER MATTERS – *continued*

As at 31 December 2016, the carrying amounts of the related prepaid lease payments and the factory situated on the piece of land are HK\$6,403,000 (2015: HK\$6,885,000) and HK\$11,696,000 (2015: HK\$15,050,000), respectively. Deposit amounting to RMB30,000,000 (equivalent to approximately HK\$33,333,000 (2015: HK\$35,419,000)) was received by the Group during the year ended 31 December 2011. The deposits are refundable upon the receipt of all the compensated properties or acknowledgement from PRC government authorities on the termination of development project. During the year ended 31 December 2011, the Group also prepaid HK\$21,500,000 for legal consultancy services to be provided by a PRC lawyer in respect of this redevelopment project. The directors of the Company are of the opinion that the development project is still at preliminary stage and conditional upon the approval by the PRC government authorities for the change of usage of land use rights of the land with a plan to redevelop it from industrial properties into residential, communal facilities and other commercial properties. As at 31 December 2016, the official approval by the PRC government authorities for the change of usage of land use rights was not yet granted and the redevelopment plan of the residential, communal facilities and other commercial properties were not finalised. The Group has been negotiating with the property developer regarding the compensated properties and no conclusion has been reached as at the end of the reporting period. Taking into account the status of the project, both the prepayment and the deposit received were classified as non-current as at 31 December 2016 and 31 December 2015 as the directors of the Company believe that the redevelopment project will not be completed within one year from the end of the reporting period.

As at 31 December 2016, the directors of the opinion that the financial impact of the redevelopment project cannot be estimated reliably.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

38. PRINCIPAL SUBSIDIARIES

The details of principal subsidiaries at 31 December 2016 and 2015 are as follows:

Name of subsidiary	Place of incorporation/ registration	Nominal value of issued ordinary share/ registered capital	Percentage of equity interest held by the Company				Principal activities
			Directly		Indirectly		
			2016	2015	2016	2015	
Action Land Limited	Hong Kong – limited liability company	HK\$6,000,000	–	–	100%	100%	Provision of transportation services
Greatflow Investments Limited	British Virgin Islands (“BVI”) – limited liability company	US\$1	–	–	100%	100%	Property holding
Nam Sok Building Material & Plastic Products (Changshu) Co., Ltd.*	PRC – wholly foreign owned enterprise	US\$15,806,000 (2015: US\$10,000,000)	–	–	100%	100%	Manufacturing of PVC pipes and fittings and moulds
Nam Sok Building Material & Plastic Products (Shenzhen) Co., Ltd.*	PRC – wholly foreign owned enterprise	HK\$230,000,000	–	–	100%	100%	Manufacturing of PVC pipes and fittings and moulds
South China Plastic Building Material Manufacturing Limited	Hong Kong – limited liability company	HK\$2	–	–	100%	100%	Trading in building materials and supplies
South China Reborn Resources (Zhongshan) Company Limited	PRC – wholly foreign owned enterprise	US\$11,910,000	–	–	100%	100%	Manufacture and operate recycling and reborn resources related business
Welidy	Hong Kong – limited liability company	HK\$10,000	–	–	100%	100%	Property holding
World Home Linen Manufacturing Company Limited	Hong Kong – limited liability company	HK\$200 Deferred non-voting shares HK\$10,000 (Note a)	–	–	100%	100%	Property holding
World Houseware (B.V.I.) Limited	BVI – limited liability company	HK\$50,000	100%	100%	–	–	Investment holding
World Houseware Producing Company Limited	Hong Kong – limited liability company	HK\$200 Deferred non-voting shares HK\$160,500 (Note b)	–	–	100%	100%	Trading in household products
World (Baoan)*	PRC – wholly foreign owned enterprise	HK\$360,000,000	–	–	100%	100%	Manufacturing of household products
World Plastic-ware Manufacturing Limited	Hong Kong – limited liability company	HK\$32,500,000	–	–	100%	100%	Investment holding

* The English name is translated for identification purpose only.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

38. PRINCIPAL SUBSIDIARIES – *continued*

Notes:

- (a) None of the deferred non-voting shares are held by the Group.
- (b) The deferred non-voting shares are held by Welidy.

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

All the subsidiaries operate in their respective places of incorporation/registration except Welidy which holds properties in the PRC, Greatflow Investments Limited which holds properties in Hong Kong and World Houseware (B.V.I.) Limited operates in Hong Kong.

None of the subsidiaries had any debt securities outstanding at the end of the year or at any time during the year.

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2016 HK\$'000	2015 HK\$'000
Non-current assets		
Investments in subsidiaries	55,139	55,139
Amounts due from subsidiaries	50,000	50,000
	<u>105,139</u>	<u>105,139</u>
Current assets		
Amounts due from subsidiaries	319,214	316,850
Bank balances and cash	128	111
	<u>319,342</u>	<u>316,961</u>
Current liability		
Accrued expenses	2,442	2,454
	<u>2,442</u>	<u>2,454</u>
Net current assets	<u>316,900</u>	<u>314,507</u>
	<u>422,039</u>	<u>419,646</u>
Capital and reserves		
Share capital	75,712	74,662
Reserves	346,327	344,984
	<u>422,039</u>	<u>419,646</u>
	<u>422,039</u>	<u>419,646</u>

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY – *continued*

Movements in reserves:

	Share capital	Share premium	Special reserve	Share option reserve	Accumulated losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2015	67,642	313,127	8,917	13,022	(8,308)	394,400
Loss for the year	–	–	–	–	(3,845)	(3,845)
Recognition of equity-settled share-based payments	–	–	–	10,430	–	10,430
Exercise of share options	7,020	20,714	–	(9,073)	–	18,661
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2015	74,662	333,841	8,917	14,379	(12,153)	419,646
Loss for the year	–	–	–	–	(3,155)	(3,155)
Exercise of share options	1,050	7,410	–	(2,912)	–	5,548
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2016	75,712	341,251	8,917	11,467	(15,308)	422,039

Financial Summary

RESULTS

	For the year ended 31 December				
	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000	2015 HK\$'000	2016 HK\$'000
Turnover	1,074,970	995,434	991,514	993,965	855,195
Profit (loss) before taxation	17,577	(37,783)	(41,794)	(25,776)	(12,490)
Taxation	(6,844)	(9,180)	(7,094)	(15,788)	(14,060)
Profit (loss) for the year	10,733	(46,963)	(48,888)	(41,564)	(26,550)
Profit (loss) attributable to owners of the Company	10,956	(46,960)	(48,884)	(41,564)	(26,550)
Non-controlling interests	(223)	(3)	(4)	–	–
Profit (loss) for the year	10,733	(46,963)	(48,888)	(41,564)	(26,550)

ASSETS AND LIABILITIES

	At 31 December				
	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000	2015 HK\$'000	2016 HK\$'000
Total assets	1,428,924	1,487,552	1,507,447	1,481,687	1,365,495
Total liabilities	(450,103)	(522,380)	(620,730)	(662,492)	(630,541)
	978,821	965,172	886,717	819,195	734,954
Equity attributable to owners of the Company	978,836	965,190	886,739	819,195	734,954
Non-controlling interests	(15)	(18)	(22)	–	–
	978,821	965,172	886,717	819,195	734,954