


Win Hanverky Holdings Limited

(incorporated in the Cayman Islands with limited liability)

(Stock Code : 3322)

2017
ANNUAL REPORT

Win Hanverky Holdings Limited and its subsidiaries are an integrated sportswear manufacturer, distributor and retailer for international sports and fashion brands. We have three broad lines of business, namely Manufacturing Business, High-end Fashion Retailing Business and Sportswear Retailing Business, with geographical markets spanning over Europe, the United States, Mainland China and Hong Kong.

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

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-Executive Directors

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

COMPANY SECRETARY

Ms. LAM Choi Ha

AUTHORISED REPRESENTATIVES

Mr. LI Kwok Tung Roy
Mr. WONG Chi Keung

BOARD COMMITTEES

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

LEGAL ADVISOR

Deacons

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

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

INVESTOR RELATIONS CONTACT

Strategic Financial Relations Limited

SHARE INFORMATION

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

COMPANY WEBSITE

www.winhanverky.com

KEY FINANCIAL INFORMATION FOR THE LAST FIVE YEARS

	For the year ended/As at 31 December				
	2017	2016	2015	2014	2013
Financial Performance (HK$'000)					
Revenue	**3,724,328**	4,033,381	3,841,702	3,574,978	2,951,279
Operating profit	**37,311**	194,607	292,771	39,565	144,599
Profit before income tax	**39,273**	195,526	284,438	48,065	162,572
Profit from continuing operations	**24,900**	139,636	254,588	17,387	124,393
Loss from discontinued operations	—	—	—	—	(8,888)
Profit for the year	**24,900**	139,636	254,588	17,387	115,505
Profit attributable to equity holders	**21,045**	143,494	243,419	31,770	151,205
Financial Position (HK$'000)					
Non-current assets	**1,077,339**	1,100,270	1,156,015	1,099,680	1,140,428
Current assets	**1,877,919**	1,842,862	1,860,825	1,740,647	1,909,429
Current liabilities	**685,154**	693,184	701,304	676,149	782,890
Net current assets	**1,192,765**	1,149,678	1,159,521	1,064,498	1,126,539
Total assets	**2,955,258**	2,943,132	3,016,840	2,840,327	3,049,857
Total assets less current liabilities	**2,270,104**	2,249,948	2,315,536	2,164,178	2,266,967
Total equity	**2,264,587**	2,244,637	2,306,426	2,138,553	2,231,745
Cash and bank balances	**424,809**	414,210	676,080	711,175	871,998
Operation Indicators					
Gross profit margin (%)	**27.7**	28.5	30.2	28.2	25.2
Net profit margin from continuing operations (%)	**0.7**	3.5	6.6	0.5	4.2
Gearing ratio (%) *(Note)*	**8.0**	3.5	4.8	5.6	7.3
Current ratio (times)	**2.7**	2.7	2.7	2.6	2.4
Trade receivable turnover period (days)	**43**	41	36	37	42
Inventory turnover period (days)	**108**	93	84	81	86

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

Chairman's Statement

BUSINESS AND FINANCIAL HIGHLIGHTS

2017 was a challenging year for us. The Group has recorded a decline in revenue mainly due to the decrease in production output from Manufacturing Business, despite the remarkable growth of our High-end Fashion Retailing Business. The Group has recorded revenue of HK$3.7 billion for the year 2017 (2016: HK$4.0 billion), representing a decrease of 7.7% as compared to the year 2016.

In view of growing consumerism and improving living standards in Mainland China, we accelerated our pace to open stores selling high-end fashion products and obtained distribution rights of three more brands in Mainland China during the year, including "***Tara Jarmon***", "***Champion***" and "***DAKS***". At the end of 2017, the number of high-end fashion retail stores in Mainland China increased significantly to 95 (2016: 66). Owing to greater economies of scale, operating profit margin of High-end Fashion Retailing Business increased to 7.1% in 2017 (2016: 3.2%).

Overall production output of Manufacturing Business inevitably dropped because of management changes in our main Vietnam factory. Combined with rising manufacturing costs in Southeast Asia and Mainland China, and costs incurred for factory closure, operating profit margin of Manufacturing Business contracted to 1.2% in 2017 (2016: 7.3%). As a result, profit attributable to equity holders reduced significantly to HK$21.0 million in 2017 from HK$143.5 million in 2016.

FIVE-YEAR STRATEGIC PLAN

In response to the declining performance of Manufacturing Business in 2017, our management has promptly implemented a five-year strategic plan to tackle key challenges facing the business and set group targets for the years 2018 to 2022. According to the plan, Manufacturing Business is expected to make a recovery in the fourth quarter of 2018 and will begin to grow again in 2019. And our targets for the years 2020 to 2022 will not only focus on revenue growth in garment production, but also on vertical integration to expand the manufacturing business into material supplier.

Aiming at the targets of 2018 and 2019, firstly we have new management talents to improve and stabilise Vietnam factory operation in order to fulfill the expectation and requirements of existing customers. Secondly, we will enhance overall product development capability and enrich our product profile for our target new customers. Thirdly, we will endeavor to integrate the newly acquired business operated by the Sport Field Group to effectively leverage its know-how to expand our business into outdoor wear as well as more high-end complex garment products. For the targets of 2020 to 2022, we need to further expand our production capacity and we have already commenced a feasibility study for establishing new factories in Vietnam to meet the growing demand from customers in both sportswear and outdoor wear. Also, we plan to invest more on innovative textile technology aiming to become a vertical supplier and manufacturer of high-tech garments.

Another key focus of the strategic plan is driving down manufacturing costs. We are re-evaluating the cost components of our manufacturing process and tracing the key cost driver of each component. Management believes that employment of automation technology and advanced information technology with precise costing information can enhance and optimise overall production utilisation. Correspondingly, our factory management has established a center of excellence to drive innovative initiatives and application of automation.

OUTLOOK

Despite the underperformance of the Vietnam factory in 2017, resulting in drop in revenue of Manufacturing Business, we have confidence in new management team to stabilise overall output and improve the manufacturing operation in Vietnam. They have a detailed refinement plan and promptly implement various measures to strengthen the planning capability and production utilisation of the factory. We believe that overall utilisation of factory capacity would be back to planned level to fulfill customer's orders by the end of 2018, but the situation will remain hard and tough in the first half of 2018.

With the completion of acquisition of the Sport Field Group in February 2018, we have expanded our manufacturing business to include outdoor wear and supplemented our customer portfolio. The Sport Field Group possesses technologies and licensed facilities to produce high-end functional wear and outdoor wear for certain renowned international sports and fashion brands. We anticipate that the business of the Sport Field Group will grow at a faster pace going forward as its production capacity and financial position are enhanced instantly. By leveraging the know-how of the Sport Field Group, it is believed that we can improve overall product development capability and quality, thereby bringing more business opportunities in the future.

Regarding the retail business, the Hong Kong market remains highly competitive, especially the retailing of sportswear product. We expect that the high rental environment in Hong Kong will persist in the coming years. Our strategy will therefore be to scale down the retail network of sportswear products and maintain retail network of high-end fashion products in Hong Kong to retain a market presence for different brands.

Looking at the retail market in Mainland China, we expect solid demand for high-end fashion products in view of rising disposable income and growing trend for fashion and lifestyle products. Our strategy will therefore be to expand our retail network of high-end fashion products and work closely with brand owners to strengthen the product design and brand images.

DIVIDENDS

To thank our Shareholders for their long-term support, the Board recommends the payment of a final dividend of HK2.0 cents per Share. Together with an interim dividend of HK2.0 cents per Share paid during the year, total dividend for 2017 financial year amounts to HK4.0 cents per Share, representing a total payment of HK$51.4 million. The Group has always strived to deliver a steady return to its Shareholders. Considering the capital expenditure needs, future business opportunities and cash position of the Group, the Board may adjust the dividend payout in the future.

ACKNOWLEDGEMENT

On behalf of the Group, I would like to thank all our dedicated employees for their unwavering loyalty, diligence, professionalism and invaluable contributions throughout last year. Also, I wish to take this opportunity to express my sincere appreciation and gratitude to all our customers, suppliers and Shareholders for their continuous support and recognition of our aspirations and strategies.

LI Kwok Tung Roy
Chairman

Hong Kong, 22 March 2018

Management Discussion and Analysis

OVERALL REVIEW

For the year ended 31 December 2017, the Group has recorded revenue of HK$3,724.3 million (2016: HK$4,033.4 million), representing a decrease of 7.7%. The decrease was mainly due to the drop in revenue from Manufacturing Business which was partially compensated by the increase in revenue from High-end Fashion Retailing Business.

Gross profit margin of the Group reduced to 27.7% in 2017 (2016: 28.5%). The drop was mainly due to the significant decrease in production utilisation and output of the main Vietnam factory of Manufacturing Business. As a result, gross profit decreased by HK$118.5 million to HK$1,031.1 million (2016: HK$1,149.6 million), representing a decrease of 10.3%.

Operating profit of the Group decreased significantly by HK$157.3 million to HK$37.3 million (2016: HK$194.6 million). Such decrease was mainly due to the drop in gross profit as mentioned above and costs incurred from Manufacturing Business for a factory closure in Mainland China. Continued decreasing trend of store contributions from Sportwear Retailing Business also further reduced operating profit during the year.

As a result, profit attributable to equity holders for the year ended 31 December 2017 also decreased significantly by HK$122.5 million to HK$21.0 million (2016: HK$143.5 million). Excluding the impact of factory closure mentioned above, profit attributable to equity holders would have decreased by HK$102.0 million to HK$46.5 million (2016: HK$148.5 million).

The Board has declared and paid an interim dividend of HK2.0 cents per Share during the year. In consideration of the healthy cash position and continued cash inflow from operations, the Board has proposed the payment of a final dividend of HK2.0 cents per Share for the year ended 31 December 2017. The interim and final dividends represent a total payment of HK$51.4 million (2016: HK$89.9 million).

BUSINESS REVIEW

The Group is an integrated manufacturer, distributor and retailer for renowned sports and fashion brands. The financial performances of the three business segments, namely "**Manufacturing Business**", "**High-end Fashion Retailing Business**" and "**Sportswear Retailing Business**" are summarised below.

Manufacturing Business

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

During the year under review, we have been experiencing management changes of our main Vietnam factory which have in turn resulted in significant decrease in production utilisation and output of our main Vietnam factory. The Vietnam factory accounted for more than 40% of the Group's manufacturing capacity and therefore its underperformance has impacted the Group's revenue and profit margin significantly. As a result, revenue from Manufacturing Business decreased by 16.0% to HK$2,620.9 million for the year ended 31 December 2017 (2016: HK$3,121.4 million), accounting for 70.2% (2016: 77.2%) of the Group's total revenue.

With the continuing expansion of our factories and growing production capacity in Southeast Asia, a factory in Wuzhou, Guangxi province of Mainland China, has ceased operation during the year. As a result, costs and provision for factory closure amounting to HK$25.4 million (2016: HK$5.0 million), including redundancy expenses and impairment of assets, incurred during the year. Operating profit of the Manufacturing Business decreased by HK$195.1 million to HK$31.4 million (2016: HK$226.5 million). Excluding the impact of costs and provision for factory closure, operating profit would have decreased by HK$174.7 million to HK$56.8 million (2016: HK$231.5 million). The decrease was mainly due to drop in revenue and decreased profit margin resulting from decreased production utilisation and output of our main Vietnam factory.

High-end Fashion Retailing Business

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

As at 31 December 2017, the Shine Gold Group had 150 (2016: 116) high-end fashion retail stores, of which 95 stores were in Mainland China, 44 stores were in Hong Kong and Macau, 10 stores were in Taiwan and 1 store was in Singapore.

For the year ended 31 December 2017, revenue of the Shine Gold Group recorded a significant growth of 34.0% to HK$884.7 million (2016: HK$660.3 million). With our collection of existing and newly-obtained well-known brands, the Shine Gold Group has continued to expand its presence in the market by opening new stores and introducing new brands in the Greater China. During the year, 47 new stores were opened, including 19 Thomas Sabo stores, 14 Y-3 stores, 5 Champion stores, 5 Tara Jarmon stores and 4 other stores, which are mainly located in Mainland China. While newly opened stores brought additional revenue to the Group, the continuous growth of same-store sales, especially in the Mainland China market, also contributed a significant portion to the revenue growth.

The Shine Gold Group generated operating profit of HK$63.2 million (2016: HK$21.1 million) during the year. In addition to the aforementioned, the increase in operating profit was also contributed by the improving store efficiency due to greater economies of scale in 2017.

Sportswear Retailing Business

The retail of sportswear products is operated under the Win Sports Group. As at 31 December 2017, it had 20 (2016: 25) sportswear retail stores in Hong Kong, of which 2 stores were under the name of "***Futbol Trend***", 9 stores were under the name of "***Sports Corner***" or "***Little Corner***" and 9 stores were under the names of several international sports brands. In 2017, we had ceased all operation in Mainland China and closed all retail stores.

Revenue from the Win Sports Group for the year ended 31 December 2017 decreased by HK$35.1 million to HK$227.8 million (2016: HK$262.9 million), representing a decrease of 13.4%. Facing the intense competition of the sportswear retailing market, we have closed underperforming stores to streamline our retail network.

To alleviate the pressure from excess inventory, more discounts were offered through bargain sales and outlet stores, resulting in a decrease in gross profit margin and store contributions. The Win Sports Group's operating loss increased by HK$4.3 million to HK$57.3 million (2016: HK$53.0 million) for the year ended 31 December 2017.

PROSPECTS

Manufacturing Business

Facing with both market and internal challenges, we have refined our strategic plan. In our five-year strategic plan, Manufacturing Business is expected to make a recovery in the fourth quarter of 2018 and will return to the growth track from 2019. And our targets for 2020 to 2022 will not only focus on organic revenue growth in garment production, but also focus on vertical integration to expand the manufacturing business into material supplier. In the next five years, we aim to up-hold our manufacturing production utilisation level of existing facilities, maintain existing customer's relationship to achieve organic sales growth, develop new product types from internal resources and through collaboration with business partners, and further expand customer portfolio. According to the strategic plan, we expect that existing production capacity in Vietnam would be fully utilised in 2020. To secure future order growth from customers, we are conducting a feasibility study on the location of a new factory in Vietnam and establishment of facilities is planned to commence at the end of 2018.

Relocating our major production facility to Southeast Asia is one of our major directions on raising production capacity. We believe our strategy is correct, but there have been challenges in execution. The performance of our main Vietnam garment factory was not satisfactory in 2017. Overall production output and utilisation of factory capacity failed to meet targets set. The Vietnam issue was an experience and opportunity for the management to review ourselves and we will be better equipped to face the up-coming challenges. New management talents for the Vietnam factory have been recruited and they are on the track of improving production utilisation, however, rectification is expected to take time. Also, our Vietnam printing factory has commenced operation in 2018 to support garment production in Southeast Asia region, enabling us to produce high quality products in shorter production lead-time. We expect that it would remain difficult in the first half of 2018, production output and utilisation level are estimated to recover by the last quarter of 2018.

In September 2017, the Group entered into an agreement to dispose the entire interest of a wholly-owned PRC subsidiary which owns a piece of land in He Yuan city, Guangdong province of Mainland China, at a consideration of RMB178 million (approximately HK$206 million). A deposit of RMB20 million was received in September 2017 upon signing of the agreement and we expect to receive the balance payment of RMB158 million on or before 30 April 2018. Upon the completion of disposal, the Group will recognise a gain (before taxation) on disposal of approximately HK$115 million. The date of completion is subject to obtaining approvals from relevant government authorities in respect of the equity transfer after settling the balance payment.

Alongside with the strategy of expanding our customer base to establish additional growth driver, we have started vertical integration through investment in new textile technology, which will be further detailed below. We are, in the meanwhile, seeking and investigating other business opportunities for expanding and widening our customer portfolio. Since 2016, we had started co-operation with the Sport Field Group on the high-end outdoor apparel manufacturing business. In February 2018, we have acquired the Sport Field Group. The acquisition is not merely to supplement our customer portfolio and market penetration, but also equip the Group with technologies and licensed facilities in producing high-end functional wear and outerwear. We will leverage the solid business relationship with certain renowned sports and fashion brands and know-how on the high-end outdoor apparel manufacturing of the Sport Field Group. We target to create synergy effect of the business operation and further accelerate the pace of our business growth.

Innovative Textile Technology — e.dye

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

A pilot factory has been established in Kunshan, Jiangsu province of Mainland China, to demonstrate this revolutionary production process. We have planned to establish production facilities in Vietnam for e.dye product manufacturing and will continue to expand our strategic partnership with international brands to create eco-friendly production of textiles that helps the world in various ways.

High-end Fashion Retailing Business

Multi-branding is one of the key strategies of the Group to tap the potential market in the Greater China. Over the past few years, the Group has endeavored to enhance and broaden our existing brand portfolio in the young and light luxury fashion segment, consequently obtaining distribution rights for several renowned international fashion brands, namely, "***Champion***", "***Tara Jarmon***", "***DAKS***", "***Thomas Sabo***", "***New Era***" and "***Marcelo Burlon***". Going forward, the Group will continue to approach and gain distribution rights for young and light luxury fashion brands to further strengthen our brand portfolio.

Seeing the strong demand for fashion and sportswear products from the rapidly expanding young affluent middle class segment in Mainland China, the country remains the Group's major target market. Correspondingly, the Group will further expand its retail network across the country to capture the fast-growing market. Apart from the abovementioned new brands, the Group also has existing "***Y-3***" and certain Japanese brands in its portfolio. Moreover, the Group will continue its efforts to promote the retail presence of its own brand stores "***J-01***". On the other hand, due to the persisting high level of operating costs which imposing pressures on the store contributions in Hong Kong, we will keep existing market presence while cautiously review our store plan. The Group will at the same time strive to enhance shopping experience for its customers, especially at the newly opened stores, by offering attractive product mix and enhancing shop efficiency and in-store customer services.

Last but not least, online shopping has become increasingly popular among consumers over the past several years. This trend is now accounting for a greater share of total retail sales in Mainland China. The Group will therefore continue to develop its e-commerce channel to tap this fast-growing market.

Sportswear Retailing Business

Due to the keen competition in the sportswear retailing market, the Group has closed all its retail stores in Mainland China and scaled down its retail network in Hong Kong. Although the Hong Kong retail market has improved during the year, it nonetheless faced a tough operating environment highlighted by high rental costs. The Group will therefore continue to closely monitor market developments and will prudently close non-performing stores and convert store channels to bargain and outlet stores. According to our plans, there will be only 4 regular stores in Hong Kong by the end of 2018.

FINANCIAL POSITION AND LIQUIDITY

The Group generally finances its operations with internally generated cashflow and banking facilities and has maintained a healthy financial position during the year under review. As at 31 December 2017, it had cash and bank balances amounting to HK$424.8 million (2016: HK$414.2 million). The net increase was mainly attributable to the cash generated from operating activities and bank borrowings, net with cash used in capital expenditures, repayment of bank loans and payment of dividends.

As at 31 December 2017, the Group had bank borrowings amounting to HK$177.1 million (2016: HK$75.5 million), which were on floating rates. The Group did not enter into any interest rate swap to hedge against risks associated with interest rates. As at 31 December 2017, the Group still had unutilised banking facilities amounting to HK$419.0 million (2016: HK$500.3 million). The gearing ratio, being total borrowings divided by total equity, as at 31 December 2017, was 8.0% (2016: 3.5%).

EMPLOYEE AND REMUNERATION POLICIES

As at 31 December 2017, the Group had approximately 16,000 employees (2016: approximately 17,000 employees). The Group remunerates employees based on their performance, working experience and prevailing market conditions. Other employee benefits include retirement benefits, insurance, medical coverage and share option schemes.

CHARGES ON THE GROUP'S ASSETS

As at 31 December 2017, bank deposit of HK$1.2 million was pledged as security deposit at Custom Department for a subsidiary of the Group. As at 31 December 2016, bank deposits of HK$7.2 million were pledged to secure certain banking facilities of the Group and as security deposits at Custom Department for certain subsidiaries of the Group.

FOREIGN CURRENCY EXPOSURE

The Group's revenue and purchases were mostly denominated in US Dollars, RMB and Hong Kong Dollars. During the year, approximately 58.6%, 22.8% and 15.5% of revenue were denominated in US Dollars, RMB and Hong Kong Dollars respectively, whereas approximately 75.2%, 13.3% and 7.2% of purchases were denominated in US Dollars, Hong Kong Dollars and RMB respectively.

As at 31 December 2017, approximately 49.1%, 33.6% and 6.8% of cash and bank balances were denominated in RMB, US Dollars and Hong Kong Dollars respectively, and approximately 68.9% and 31.1% of bank borrowings were denominated in Hong Kong Dollars and US Dollars respectively.

Hong Kong Dollar serves as the Company's functional currency and the Group's presentation currency. The Group considers its foreign currency exchange exposure arising from US Dollar transactions and US Dollar cash balances to be minimal during the year given that Hong Kong Dollar was pegged against US Dollar. The recent appreciation of RMB against US Dollars during the year was manageable. The Group will closely monitor its foreign currency position and fluctuation of RMB and, when necessary, will consider using derivative instruments to hedge against foreign currency exposure.

CONTINGENT LIABILITIES

The Group has no significant contingent liabilities, litigation or arbitration of material importance as at 31 December 2017.

MATERIAL ACQUISITIONS AND DISPOSALS

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

EXECUTIVE DIRECTORS

LI Kwok Tung Roy, aged 67, is our executive Director, co-founder and Chairman. He was appointed as an executive Director in December 2005. Mr. LI is the elder brother of Mr. LEE Kwok Leung and the father of Mr. LI Chun Ho Fredrick. Mr. LI is responsible for strategic planning and overall management of our Group. Mr. LI has over 40 years of experience in the apparel industry and handling client relationship.

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

LAI Ching Ping, aged 67, is our executive Director, co-founder and Deputy Chairman. He was appointed as an executive Director in December 2005. Mr. LAI assists the Chairman in board management and provides advice on the Group's direction and critical decision. Mr. LAI has over 40 years of experience in the apparel industry.

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

LEE Kwok Leung, aged 55, is our executive Director and Chief Executive Officer. He was appointed as an executive Director in February 2006 and is currently the director of certain subsidiaries of the Company. Mr. LEE is the younger brother of Mr. LI Kwok Tung Roy. Mr. LEE is responsible for overall management, strategic planning, execution and technology implementation of our Group. Mr. LEE has been with us for over 25 years after his graduation from the York University in 1987 with a Bachelor of Arts degree.

WONG Chi Keung, aged 51, is our executive Director, Chief Financial Officer and authorised representative. Mr. WONG joined us in March 2014 and is currently the director of certain subsidiaries of the Company. He has more than 25 years of experience in accounting, auditing and finance. Between 2006 and 2013, Mr. WONG served as the chief financial officer for a number of sino-foreign joint venture and Hong Kong and US listed companies, including China Dongxiang (Group) Co., Ltd. and Besunyen Holdings Company Limited, both companies are listed on the Stock Exchange. Between 2002 and 2006, Mr. WONG worked at various operating entities of China Netcom Group, including serving as a senior finance manager of China Netcom Group Corporation (Hong Kong) Limited, a company previously listed on the Main Board of the Stock Exchange. Between 1989 and 1999, Mr. WONG worked for PricewaterhouseCoopers, an international public accounting firm and lastly as an audit manager. Mr. WONG is currently an independent non-executive director of Sinomax Group Limited, a company listed on the Stock Exchange.

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

CHAN Kwong Fai, aged 71, is our independent non-executive Director. Dr. CHAN joined us in April 2006. Dr. CHAN has been in the academic field for over 40 years and is currently an Associate Professor at the Department of Management and Marketing of the Hong Kong Polytechnic University. Dr. CHAN is also an author of several publications in the business management area. Dr. CHAN graduated from the Chinese University of Hong Kong with a Bachelor degree in Social Science in 1971 and obtained his Master of Business Management from the University of Adelaide and Doctor of Philosophy from the University of South Australia in 1981 and 2004 respectively.

KWAN Kai Cheong, aged 68, is our independent non-executive Director. He joined us in April 2006. Mr. KWAN is currently the chairman of the board of Utopa Limited, a commercial property operating company in Mainland China, and the president of Morrison & Company Limited, a business consultancy firm. He is also an independent non-executive director of several listed companies in Hong Kong including Henderson Sunlight Asset Management Limited, Panda Green Energy Group Limited, Greenland Hong Kong Holdings Limited, HK Electric Investments Manager Limited and HK Electric Investments Limited and CK Life Sciences Int'l., (Holdings) Inc. He is also a non-executive director of China Properties Group Limited, shares of which are listed on the Stock Exchange.

Mr. KWAN previously worked for Merrill Lynch & Co. Inc. and was the president for its Asia Pacific region. He was an independent non-executive director of Dynagreen Environmental Protection Group Co., Limited until February 2018.

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

MA Ka Chun, aged 66, is our independent non-executive Director. Mr. MA joined us in June 2006. Mr. MA has been in the apparel industry for over 30 years and holds a Bachelor of Social Science degree from the University of Hong Kong.

CHAU Pui Lin, aged 56, is our independent non-executive Director. Ms. CHAU joined us in June 2015. She has been in the marketing and advertising industry in the Greater China for over 30 years. Ms. CHAU has been the group chief operating officer for the Greater China region of Cheil Worldwide Inc., a company whose shares are listed on the Korea Exchange (Stock Code: 030000), since October 2015. She was previously the chairman and chief executive officer of Draftfcb China and the chief executive officer of Saatchi & Saatchi Great Wall China.

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

SENIOR MANAGEMENT

LI Chun Ho Fredrick, aged 41, is the managing director of the Shine Gold Group and is the son of Mr. LI Kwok Tung Roy. Mr. LI is responsible for overall management, strategy planning and execution of the Shine Gold Group. Mr. LI joined us in 2004 and was the sales and marketing director of the Manufacturing Business. He then became the senior management of the Shine Gold Group in 2011 and was promoted to the managing director of the Shine Gold Group in 2016. Prior to joining us, Mr. LI worked in the finance industry in Canada. Mr. LI obtained a Bachelor degree in Commerce from the University of Toronto in 2000 and an Executive Master of Business Administration degree from the Chinese University of Hong Kong in 2011.

WONG Yiu Sun, aged 54, is the director in brand management of the Shine Gold Group and has over 20 years of experience in fashion retail industry. Mr. WONG is the founder of the Shine Gold Group and joined the Company after our Group subscribed Shine Gold's convertible bonds in 2011. He is jointly responsible for operation and brand management functions of the Shine Gold Group. He has successfully introduced various prestigious brands to Asia. Mr. WONG obtained a professional diploma in Fashion and Clothing Technology from Hong Kong Polytechnic University in 1989.

LAM Choi Ha, aged 39, is our Company Secretary responsible for handling the company secretarial and compliance affairs of the Group, as well as facilitating the Board process. Ms. LAM joined us in November 2005 and was promoted to be the Company Secretary in September 2010. Prior to joining us, Ms. LAM has worked in the accountancy profession with PricewaterhouseCoopers. Ms. LAM obtained a Bachelor degree in Business Administration from the Hong Kong Baptist University in 2001. Ms. LAM is a fellow member of the Hong Kong Institute of Certified Public Accountants.

Corporate Governance Report

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

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

BOARD OF DIRECTORS

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

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

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

Composition

The Board currently comprises four executive Directors and four independent non-executive Directors, whose biographical details and relationships among the Directors are set out in the section headed "Biographical Details of Directors and Senior Management" on pages 11 to 13.

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

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

Relationship Between the Board Members

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

Chairman and Chief Executive Officer

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

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

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

Responsibilities, Accountability and Contribution of the Board and Management

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

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

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

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

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

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

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

Model Code for Securities Transactions by Directors

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

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

Continuous Professional Development

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

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

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

Inside Information Policy

The Board has adopted the Inside Information Policy in 2013 which contains the guidelines to the Directors, officers and certain relevant employees of the Group to ensure that inside information of the Group can be promptly identified, assessed and disseminated to the public in equal and timely manner in accordance with the applicable laws and regulations. The Company must disclose inside information to the public as soon as reasonably practicable, unless the "safe harbor" provisions under the SFO apply. The Board shall take reasonable precautions for preserving the confidentiality of inside information and the relevant announcement (if applicable) before publication.

Appointment of Independent Non-Executive Directors

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

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

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

Board Committees

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

Audit Committee

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

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

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

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

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

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

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

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

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

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

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

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

The following is a summary of work performed by the Audit Committee in 2017:

(a) review of and recommendation for the Board's approval of the consolidated financial statements for the year ended 31 December 2016 and unaudited interim consolidated financial information for the six months ended 30 June 2017 with a focus on compliance with accounting standards, the Listing Rules and other requirements in relation to financial reporting;

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

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

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

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

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

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

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

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

Nomination Committee

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

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

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

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

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

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

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

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

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

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

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

The following is a summary of work performed by the Nomination Committee in 2017:

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

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

(c) review of the policy for the nomination of directors; and

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

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

Remuneration Committee

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

During the year under review, the Remuneration Committee has assessed performance of the executive Directors and reviewed and determined their remuneration packages. The remuneration of Directors comprises basic salary, pensions and discretionary bonus. Details of the amount of emoluments of Directors for the year ended 31 December 2017 are set out in Note 37 to the consolidated financial statements.

The remuneration of the members of the senior management by band for the year ended 31 December 2017 is set out below:

	Number of individuals	
	2017	2016
Remuneration band		
Nil – HK$1,000,000	**–**	1
HK$1,000,001 – HK$1,500,000	**3**	2

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

Attendance of Meetings

The Board holds regular Board meetings, Remuneration Committee meeting, Nomination Committee meeting and Audit Committee meetings to discuss the Group's businesses, operations, development and conduct. All important issues are discussed in a timely manner. The attendance record of each Director, who held office in 2017, at the aforesaid meetings held during the year ended 31 December 2017 is set out below:

	Number of meetings attended/eligible to attend for the year ended 31 December 2017				
Name of Director	Board Meeting	General Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	Audit Committee Meeting
Executive Directors					
Mr. LI Kwok Tung Roy[1, 3]	4/4	1/1	1/1	1/1	N/A
Mr. LAI Ching Ping	4/4	1/1	N/A	N/A	N/A
Mr. LEE Kwok Leung	4/4	1/1	N/A	N/A	N/A
Mr. WONG Chi Keung	4/4	1/1	N/A	N/A	N/A
Independent Non-Executive Directors					
Dr. CHAN Kwong Fai[2, 3, 5]	4/4	1/1	1/1	1/1	2/2
Mr. KWAN Kai Cheong[1, 6]	4/4	1/1	1/1	N/A	2/2
Mr. MA Ka Chun[4, 5]	3/4	0/1	N/A	1/1	2/2
Ms. CHAU Pui Lin[3, 5]	4/4	1/1	N/A	1/1	2/2

Notes:

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

COMPANY SECRETARY

Ms. LAM Choi Ha, the Company Secretary of the Company, is a full time employee of the Group and has day-to-day knowledge of the Group's affairs. During the year under review, Ms. LAM confirmed that she has complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules. Her biographical detail is set out in the section headed "Biographical Details of Directors and Senior Management" on page 13.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has the overall responsibility for establishing and maintaining the Group's internal control procedures and systems and for reviewing the effectiveness of the Group's internal control systems which include financial, operational and compliance controls and risk management functions.

Risk Management

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

In 2017, the Group appointed chief executives and key management to form the Risk Management Committee and it is responsible for setting risk strategy policies; design, implement and review risk management plan; ongoing process of risk identification, risk response and risk management. The Committee reviews and assesses the risk management on an annual basis and reports the status of risk management to the Audit Committee twice a year. The Committee conducts meetings to share knowledge in risk management, communicate specific business risks and eventually update the Group's risk appetite statements.

The processes used to identify, assess and manage significant risks by the Group are summarised as follows:

Risk Identification

- Identify risks that may potentially affect the Group's business and operations.

Risk Assessment

- Assess risks identified by using the assessment criteria developed by the management; and
- Consider impact on the business and the likelihood of their occurrence.

Risk Response

- Prioritise risks by comparing the results of risk assessment; and
- Determine risk management strategies and internal control processes to avoid, prevent, transfer and mitigate risks.

Risk Monitoring and Reporting

- Perform ongoing and periodic monitoring of risk and ensure that appropriate internal control processes are in place;
- Revise risk management strategies and internal control processes in case of any significant change of environment; and
- Report results of risk monitoring to the management and the Board on a regular basis.

Internal Control

The Group's internal control is designed to provide reasonable and not absolute assurance against material misstatement or loss and to mitigate rather than eliminate risks of failure in operational systems and fulfilment of business objectives. The Group has established internal control to help the business operations to achieve the Group's business objectives, to safeguard the Group's assets, to ensure business operations complying with applicable laws and regulations, and to ensure the maintenance of proper accounting records and the reliability of financial information reported by the business operations.

Internal Audit

In view of the requirements in the Listing Rules in relation to the new code provision on internal audit function which took effect in January 2016, the Board, through the Audit Committee, set up an internal audit department at the group level. The Group Internal Audit Department ("**Group Internal Audit**"), which is independent of daily operations, was set up at the end of 2015, to assist the Board in evaluating the various components of the internal control systems of the Group under the framework of control environment, risk assessment, control activities, information and communication, and monitoring in consistence with the "Committee of Sponsoring Organisations of the Treadway Commission" framework ("**COSO framework**"). The Group Internal Audit has unrestricted access to information that allows it to review all aspects of the Company's risk management, internal control and governance processes. The head of the Group Internal Audit Department reports directly to the Audit Committee. All the staff of the Group Internal Audit are fully competent in performing their duties, they are university graduates in accounting with either member of professional accounting bodies, certified internal auditor, certified information system auditor or quality management system auditor. Internal and external trainings were provided to staff to promote their continuous professional development.

As an ongoing process, the Group Internal Audit conducted selective reviews of the effectiveness and adequacy of the internal control systems putting key emphasis on retail operations, merchandising, purchasing and payment cycle, inventory management, payroll process and fixed assets management in all major business operations of the Group during the fiscal year 2017. All audit findings were reported and communicated to the Audit Committee, Directors and respective management. Appropriate recommendations for further enhancing the internal control systems were proposed to management and had been adopted as management thought fit. Audit issues were tracked and followed up for proper implementation, with progress reported to the Audit Committee, Directors and senior management in a regular basis.

The Audit Committee, which was delegated by the Board, reviews the Group's risk management and internal control procedures and systems at least once a year, and has reviewed and evaluated the Group's internal control systems putting in place by management covering all material controls, including financial, operational and compliance controls, risk management functions and the internal audit function of the Company and its subsidiaries for the year ended 31 December 2017. During the year under review, the Audit Committee is satisfied with the effectiveness and adequacy of the risk management and internal control systems of the Group.

FINANCIAL REPORTING

Responsibilities in respect of the Financial Statements

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

The reporting responsibility of the Company's external auditor on the financial statements of the Group is set out in the independent auditor's report on pages 35 to 40 of this annual report.

Auditor's Remuneration

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

Nature of services	**HK$'000**
Audit related services	3,898
Non-audit related services *(Note)*	3,787
	7,685

Note: Non-audit related services include certain advisory services and taxation related services.

COMMUNICATION WITH SHAREHOLDERS AND SHAREHOLDERS' RIGHTS

Communication with Shareholders

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

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

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

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

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

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

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

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

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

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

Voting by Poll

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

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

Enquiries from Shareholders

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

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

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

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

Changes to Constitutional Documents

During the year ended 31 December 2017, there was no amendment to the Company's constitutional documents, and these documents are published on the websites of the Company and the Stock Exchange.

The Directors have pleasure in presenting their annual report together with the audited financial statements of the Company and of the Group for the year ended 31 December 2017.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

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

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

BUSINESS REVIEW

General

A review of the business of the Group in 2017 and a discussion on the Group's future business development are set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" on pages 4 to 10 of this annual report.

Principal Risks and Uncertainties

A number of factors affecting the results and business operations of the Group is set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" on pages 4 to 10 of this annual report.

Post Year End Events

On 31 January 2018, the Group entered into a sale and purchase agreement to acquire 60% of the issued shares in Sport Field Limited from Sport Field Holding Limited at a consideration of HK$12 million (subject to upward or downward adjustments with a maximum cap of HK$50 million). The acquisition was completed in February 2018 and Sport Field Group became subsidiaries of the Group.

Save as above, there was no important event occurred since 31 December 2017, being the end of the financial year under review, affecting the Group.

Analysis of Key Financial Performance Indicators

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

Environmental Policies

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

Compliance with Laws and Regulations

The Group's operations are mainly carried out by the Company's subsidiaries in Mainland China, Vietnam, Cambodia and Hong Kong while the Company itself is listed on the Stock Exchange in Hong Kong. Our establishment and operations accordingly shall comply with relevant local laws and regulations. During the year ended 31 December 2017 and up to the date of this annual report, we have complied with relevant local laws and regulations applicable to it in all material respects.

Key Relationships

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

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

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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

SHARE CAPITAL

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

RESERVES

Details of movements in the reserves of the Company and of the Group during the year are set out in Note 36(b) and Note 21 to the consolidated financial statements and in the consolidated statement of changes in equity on pages 45 and 46 of this report.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 December 2017, the Company's reserves available for distributions to Shareholders amounted to HK$798.1 million (2016: HK$850.2 million). Details of movements in the reserves of the Company are set out in Note 36(b) to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2017 are set out in the consolidated income statement on page 43 of this report.

The Board recommended a payment of final dividend of HK2.0 cents per Share for the year ended 31 December 2017, subject to Shareholders' approval at the forthcoming annual general meeting to be held on Thursday, 14 June 2018, payable to the Shareholders whose names appear on the register of members of the Company on Thursday, 21 June 2018. The dividend will be paid on or about Friday, 29 June 2018.

The Board has also declared an interim dividend of HK2.0 cents per Share for the six months ended 30 June 2017.

CLOSURES OF REGISTER OF MEMBERS

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

The register of members of the Company will be closed from Friday, 8 June 2018 to Thursday, 14 June 2018 (both days inclusive), during which period no transfer of Shares of the Company will be registered. In order to qualify for attendance and voting at the forthcoming annual general meeting of the Company, all transfers of Shares of the Company accompanied by the relevant share certificates must be lodged with the Hong Kong share registrar and transfer office of the Company, Tricor Investor Services Limited of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Thursday, 7 June 2018.

(b) Entitlement to the proposed final dividend

The register of members of the Company will be closed on Thursday, 21 June 2018, during which no transfer of Shares of the Company will be registered. In order to qualify for the proposed final dividend, all transfers of Shares of the Company accompanied by the relevant share certificates must be lodged with the Hong Kong share registrar and transfer office of the Company, Tricor Investor Services Limited of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 20 June 2018.

PROPERTY, PLANT AND EQUIPMENT

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

DONATION

During the year under review, the Group made charitable and other donations totaling HK$81,000.

TAX RELIEF AND EXEMPTION

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

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

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

DIRECTORS' INTEREST IN COMPETING BUSINESS

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

DIRECTORS' INTEREST IN CONTRACTS

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

DIRECTORS

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

Executive Directors

Mr. LI Kwok Tung Roy
Mr. LAI Ching Ping
Mr. LEE Kwok Leung
Mr. WONG Chi Keung

Independent Non-Executive Directors

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

According to Articles 87(1) and 87(2) of the articles of association of the Company, Mr. LEE Kwok Leung, Mr. WONG Chi Keung and Dr. CHAN Kwong Fai shall retire at the forthcoming annual general meeting by rotation and be eligible to offer themselves for re-election as a Director.

PERMITTED INDEMNITY PROVISION

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

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

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 11 to 13.

DIRECTORS' SERVICE CONTRACTS

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

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

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

DIRECTORS' DISCLOSURE OF INTERESTS

As at 31 December 2017, the interests and short positions of the Directors and chief executive(s) of the Company (if any) in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("**SFO**")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such director or chief executive has taken or deemed to have under such provisions of the SFO) and were recorded in the register maintained by the Company pursuant to section 352 of the SFO, or which were notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

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

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

* The calculation of percentages is based on 1,284,400,000 Shares in issue as at 31 December 2017.

Notes:

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

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

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

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

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

Save as disclosed above, as at 31 December 2017, none of the Directors, chief executive(s) or any of their respective associates had any interest or short position, whether beneficial or non-beneficial, in the shares, the underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO).

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

As at 31 December 2017, as far as the Directors were aware, the following persons (other than the Directors or chief executive(s) of the Company) had interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or were recorded in the register required to be kept under Section 336 of the SFO.

Name	Capacity	Number of Shares Long position	Short position	Lending pool	Percentage of interest in the Company*
Quinta	Beneficial owner	743,769,967	—	—	57.91%
Templeton Asset Management Limited	Investment manager	115,393,279	—	—	8.98%
JPMorgan Chase & Co.	Custodian corporation/ approved lending agent	114,659,279	—	114,659,279	8.93%
Mr. Webb David Michael	Beneficial owner/ interests in a controlled corporation	65,632,000 *(Note)*	—	—	5.11%

* The calculation of percentages is based on 1,284,400,000 Shares in issue as at 31 December 2017.

Note: Mr. Webb David Michael was the beneficial owner of 23,076,669 Shares and was interested in 42,555,331 Shares through Preferable Situation Assets Limited which is 100% held by him.

Save as disclosed above, as at 31 December 2017, the Company had not been notified by any person (other than the Directors or chief executive(s) of the Company) who had interests or short position in the Shares and underlying shares of the Company which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register kept by the Company under section 336 of the SFO.

SHARE OPTION SCHEME AND NEW SHARE OPTION SCHEME

Pursuant to the written resolutions of the Shareholders passed on 8 August 2006, the Company has established a share option scheme ("**Share Option Scheme**") whereby the Board may, at their discretion, invite any directors, employees, consultants, professionals, customers, suppliers, agents, partners or advisers of or contractors to the Group (subject to the eligibility requirements as set out therein). The total number of Shares available for issue under the Share Option Scheme and any other schemes must not in aggregate exceed 10% of the issued share capital of the Company as at the listing date on 6 September 2006 unless further Shareholders' approval has been obtained. In addition, the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised at any time under the Share Option Scheme and any other schemes adopted by the Group shall not exceed 30% of the issued share capital of the Company from time to time. No options may be granted under the Share Option Scheme or any other schemes adopted by the Group if the grant of such option will result in the limit being exceeded. The total number of Shares issued and to be issued upon the exercise of the options granted and to be granted (including both exercised and outstanding options) in any 12 months' period up to the date of grant to a substantial Shareholder or an independent non-executive director or their associates would not exceed 0.1% of the shares in issue or an aggregate value of HK$5,000,000 unless further Shareholders' approval has been obtained; and to each other eligible person would not exceed 1% of the Shares in issue.

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

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

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

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

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

Movements of the options under the Share Option Scheme for the year ended 31 December 2017 are as follows:

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

During the year ended 31 December 2017, no option has been granted under the New Share Option Scheme.

RETIREMENT SCHEMES

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

MANAGEMENT CONTRACTS

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

CONNECTED TRANSACTIONS

None of the related party transactions of the Group for the year ended 31 December 2017 as set out in Note 35 to the consolidated financial statements constituted connected transactions or continuing connected transactions of the Company under Chapter 14A of the Listing Rules which are required to comply with any of the reporting, announcement or independent shareholders' approval requirements under the Listing Rules. The Directors confirmed that the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

MAJOR CUSTOMERS AND SUPPLIERS

Sales and purchases of the Group attributable to its major customers and suppliers respectively for the year ended 31 December 2017 were as follows:

	% of Sales	**% of Purchases**
The largest customer/supplier	61.5	16.4
Five largest customers/suppliers	67.2	36.5

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

CORPORATE GOVERNANCE CODE AND CORPORATE GOVERNANCE REPORT

The Company has applied the principles and complied with the code provisions in the CG Code as set out in Appendix 14 of the Listing Rules throughout the accounting period covered by this annual report. Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 14 to 24 of this report.

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITOR

The financial statements for the year ended 31 December 2017 have been audited by PricewaterhouseCoopers who will retire at the forthcoming annual general meeting. A resolution will be proposed at the forthcoming annual general meeting to re-appoint PricewaterhouseCoopers as the auditor of the Company for the year ending 31 December 2018.

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

Hong Kong, 22 March 2018

pwc

羅兵咸永道

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

OPINION

What we have audited

The consolidated financial statements of Win Hanverky Holdings Limited (the "**Company**") and its subsidiaries (the "**Group**") are set out on pages 41 to 115, which comprise:

- the consolidated statement of financial position as at 31 December 2017;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

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

Independence

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

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

KEY AUDIT MATTERS

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

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

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

Key Audit Matter / **How our audit addressed the Key Audit Matter**

Impairment assessment of intangible assets

Refer to notes 2.8, 2.9, 4(c), 4(d) and 8 to the consolidated financial statements

The Group carried HK$165 million intangible assets on the consolidated statement of financial position as at 31 December 2017, of which HK$91 million is attributable to the goodwill arose from acquisition of the high-end fashion retailing business under Shine Gold Group, HK$34 million is attributable to the goodwill arose from acquisition of the golf and high-end apparel manufacturing and trading business under Charmtech Group and HK$29 million is attributable to the know-how arose from the acquisition of the textiles manufacturing and trading business under Win Success Group. Shine Gold Group, Charmtech Group and Win Success Group are considered three separate group of cash generating units ("**CGUs**").

Goodwill is required to be assessed for impairment at least annually. Know-how is required to be assessed for impairment when an impairment indicator exists. For the impairment assessment of intangible assets, management has estimated the recoverable amount based on discounted cash flow projections using fair value less costs of disposal ("**FVLCD**") or value in use ("**VIU**") calculations.

Management has concluded that there is no impairment in respect of the Group's intangible assets in the current year.

We focused on this area as the assessments made by management involved significant estimates and judgements, including the revenue growth, gross margins, and terminal growth rates used to estimate future cash flows and discount rates applied to these forecasted future cash flows of the underlying CGUs.

For the intangible assets impairment assessments, we evaluated management's valuation models by assessing the appropriateness of the valuation methodologies and the process by which the models were drawn up.

We obtained management's future cash flow forecasts, tested the mathematical accuracy of the underlying calculations and compared the underlying inputs to the latest approved one-year financial budget and future business plans. We also compared the current year actual results to those budgeted figures adopted in the cash flow forecasts used in the prior year impairment assessment to assess the quality of management's forecasts.

We assessed management's key assumptions used in the business plans, in particular the forecasted revenue growth and budgeted gross margins, by comparing against the historical performance of the CGUs and industry data such as actual gross margins of other market players.

We also assessed the reasonableness of other key assumptions used in the calculations. Our audit procedures included an assessment of:

— the terminal growth rates used by management and comparing them to the long term economic growth forecasts of the garment manufacturing, fabric manufacturing and retail industries; and

— the risk adjusted discount rates used by management by involving our internal valuation expert and comparing these discount rates used to entities with similar risk profile and market information.

In addition, we also reviewed the sensitivity analyses performed by management around the key assumptions to ascertain that the selected adverse changes of key assumptions would not cause the carrying amount of the intangible assets to exceed the recoverable amounts.

Based on the collective audit evidence obtained, we consider that the management's judgements and assumptions used in the intangible assets impairment assessments were supportable.

Key Audit Matter	How our audit addressed the Key Audit Matter

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

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

As at 31 December 2017, management assessed the Group's retail store assets mainly comprising leasehold improvements and furniture and equipment for indication of impairment. The economic and sector trends facing the Group may adversely impact the recoverable values of the assets used within the retail stores which is considered to be a triggering event for impairment review.

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

As a result of management's assessment, which is based on cash flow forecast of each retail store with indications of impairment, the Group recognised impairment loss of property, plant and equipment of HK$1.3 million and provision for onerous leases of HK$0.3 million in relation to its underperforming retail stores operating in Hong Kong and Mainland China in the consolidated income statement for the year ended 31 December 2017.

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

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

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

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

- compared the forecasted sales performance to the approved budget and business plan, and compared estimated running costs to the existing retail store's performance;
- discussed with management the business plan and evaluated the reasonableness of those plans with the historical performance of these retail stores and latest market trend;
- checked key inputs to the calculations such as the rental obligations to rental agreements;
- involved our internal valuation expert in assessing the reasonableness of the discount rates adopted by management and compared the discount rates used to entities with similar risk profile; and
- checked accuracy of the mathematical calculations of the impairment loss and the related provision for onerous leases made to the retail stores.

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

OTHER INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 22 March 2018

Consolidated Statement of Financial Position

As at 31 December 2017

	Note	2017 HK$'000	2016 HK$'000
Non-current assets			
Land use rights	6	**22,699**	108,668
Property, plant and equipment	7	**709,484**	679,012
Intangible assets	8	**164,793**	169,861
Investments in associates	10	**12,105**	9,438
Deferred tax assets	19	**62,816**	37,319
Deposits, prepayments and other receivables	14	**104,241**	94,856
Pledged bank deposits	15	**1,201**	1,116
Total non-current assets		**1,077,339**	1,100,270
Current assets			
Inventories	12	**802,867**	783,963
Trade and bills receivable	13	**382,908**	516,495
Current tax recoverables		**5,021**	3,998
Deposits, prepayments and other receivables	14	**169,579**	118,080
Pledged bank deposits	15	**—**	6,116
Cash and bank balances	15	**424,809**	414,210
		1,785,184	1,842,862
Non-current assets classified as held for sale	31	**92,735**	—
Total current assets		**1,877,919**	1,842,862
Current liabilities			
Trade and bills payable	16	**154,491**	251,516
Accruals and other payables	17	**277,517**	275,877
Current tax liabilities		**76,040**	90,261
Borrowings	18	**177,106**	75,530
Total current liabilities		**685,154**	693,184
Non-current liabilities			
Deferred tax liabilities	19	**5,517**	5,311
Net assets		**2,264,587**	2,244,637

The accompanying notes on pages 48 to 115 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2017

	Note	2017 HK$'000	2016 HK$'000
Equity			
Equity attributable to equity holders of the Company			
Share capital	20	**128,440**	128,440
Reserves	21	**2,097,977**	2,100,940
		2,226,417	2,229,380
Non-controlling interests		**38,170**	15,257
Total equity		**2,264,587**	2,244,637

The accompanying notes on pages 48 to 115 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 41 to 115 were approved by the Company's Board of Directors on 22 March 2018 and were signed on its behalf.

LI Kwok Tung Roy
Director

LAI Ching Ping
Director

Consolidated Income Statement

For the year ended 31 December 2017

	Note	2017 HK$'000	2016 HK$'000
Revenue	5	**3,724,328**	4,033,381
Cost of sales	24	**(2,693,234)**	(2,883,795)
Gross profit		**1,031,094**	1,149,586
Selling and distribution costs	24	**(579,925)**	(515,750)
General and administrative expenses	24	**(423,363)**	(444,360)
Other (expenses)/income — net	22	**(16,653)**	2,905
Other gains — net	23	**26,158**	2,226
Operating profit		**37,311**	194,607
Finance income	26	**3,924**	6,243
Finance costs	26	**(3,297)**	(2,485)
Finance income — net		**627**	3,758
Share of profits/(losses) of associates	10	**1,335**	(2,839)
Profit before income tax		**39,273**	195,526
Income tax expense	27	**(14,373)**	(55,890)
Profit for the year		**24,900**	139,636
Attributable to:			
Equity holders of the Company		**21,045**	143,494
Non-controlling interests		**3,855**	(3,858)
		24,900	139,636
Earnings per share attributable to equity holders of the Company (expressed in HK cents per share)	28		
Basic		**1.6**	11.2
Diluted		**1.6**	11.1

The accompanying notes on pages 48 to 115 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2017

	Note	2017 HK$'000	2016 HK$'000
Profit for the year		**24,900**	139,636
Other comprehensive income			
Items that may be reclassified to profit or loss			
Currency translation differences		**51,405**	(50,573)
Share of other comprehensive income of associates	21	**432**	(2,699)
Item that has been reclassified to profit or loss			
Realisation of accumulated exchange gain upon liquidation of a subsidiary	21	**(4,841)**	—
Total comprehensive income for the year		**71,896**	86,364
Total comprehensive income for the year attributable to:			
Equity holders of the Company		**59,011**	95,972
Non-controlling interests		**12,885**	(9,608)
		71,896	86,364

The accompanying notes on pages 48 to 115 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

	Attributable to equity holders of the Company				
	Share capital *(Note 20)* HK$'000	Reserves *(Note 21)* HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 January 2017	128,440	2,100,940	2,229,380	15,257	2,244,637
Comprehensive income					
Profit for the year	–	21,045	21,045	3,855	24,900
Other comprehensive income					
Currency translation differences	–	42,375	42,375	9,030	51,405
Share of other comprehensive income of associates	–	432	432	–	432
Realisation of accumulated exchange gain upon liquidation of a subsidiary	–	(4,841)	(4,841)	–	(4,841)
Total other comprehensive income for the year	–	37,966	37,966	9,030	46,996
Total comprehensive income for the year	–	59,011	59,011	12,885	71,896
Transactions with owners					
Employee share option scheme — value of services provided	–	2,246	2,246	–	2,246
Dividends paid					
— 2016 final	–	(38,532)	(38,532)	–	(38,532)
— 2017 interim	–	(25,688)	(25,688)	–	(25,688)
Capital contribution by non-controlling interest of a subsidiary	–	–	–	9,547	9,547
Others	–	–	–	481	481
Total transactions with owners	–	(61,974)	(61,974)	10,028	(51,946)
Balance at 31 December 2017	128,440	2,097,977	2,226,417	38,170	2,264,587

The accompanying notes on pages 48 to 115 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

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

The accompanying notes on pages 48 to 115 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2017

	Note	2017 HK$'000	2016 HK$'000
Cash flows from operating activities			
Cash generated from operations	30(a)	**144,349**	62,453
Interest paid		**(3,297)**	(2,485)
Hong Kong profits tax paid		**(33,159)**	(12,480)
Mainland China corporate income tax paid		**(18,864)**	(5,752)
Overseas income tax paid		**(4,463)**	(3,312)
Net cash generated from operating activities		**84,566**	38,424
Cash flows from investing activities			
Interest received		**2,608**	5,723
Purchase of property, plant and equipment		**(193,229)**	(120,970)
Payment for land use rights		**(8,891)**	(9,245)
Proceeds from disposal of property, plant and equipment	30(b)	**12,642**	4,180
Net cash received from disposal of a subsidiary	34	**8,095**	—
Repayment of receivables from a landlord		**16,717**	11,363
Release of pledged bank deposits		**6,201**	6,321
New pledged bank deposits		**—**	(7,232)
Decrease/(increase) in bank deposit with initial term over three months		**117,000**	(117,000)
Deposit paid for acquisition of interest in a subsidiary	38	**(2,000)**	—
Deposit received for land use rights classified as held for sale	31	**24,020**	—
Net cash used in investing activities		**(16,837)**	(226,860)
Cash flows from financing activities			
Increase/(decrease) in bank borrowings	30(c)	**101,576**	(35,150)
Increase in amounts due to non-controlling interests of subsidiaries	30(c)	**1,654**	2,055
Dividends paid to the Company's equity holders		**(64,220)**	(147,706)
Proceeds from exercise of share options		**—**	946
Capital contribution by non-controlling interest of a subsidiary		**9,547**	—
Net cash generated from/(used in) financing activities		**48,557**	(179,855)
Net increase/(decrease) in cash and cash equivalents		**116,286**	(368,291)
Cash and cash equivalents at beginning of the year		**297,210**	676,080
Exchange differences on cash and cash equivalents		**11,313**	(10,579)
Cash and cash equivalents at end of year	15	**424,809**	297,210

The accompanying notes on pages 48 to 115 are an integral part of these consolidated financial statements.

1 GENERAL INFORMATION

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

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

(a) New and amended standards have been issued and effective for the financial year beginning 1 January 2017

HKAS 7 (Amendment)	Statement of Cash Flows
HKAS 12 (Amendment)	Recognition of Deferred Tax Assets for Unrealised Losses
HKFRS 12 (Amendment)	Disclosure of Interest in Other Entities

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(b) New and amended standards have been issued but are not effective for the financial year beginning 1 January 2017 and have not been early adopted

		Effective for accounting period beginning on or after
Annual Improvements Projects	Annual Improvements 2014–2016 Cycle	1 January 2018
Annual Improvements Projects	Annual Improvements 2015–2017 Cycle	1 January 2019
HKFRS 2 (Amendment)	Classification and Measurement of Share-Based Payment Transactions	1 January 2018
HKFRS 4 (Amendment)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts	1 January 2018
HKFRS 9 *(Note i)*	Financial Instruments	1 January 2018
HKFRS 9 (Amendment)	Prepayment Features with Negative Compensation	1 January 2019
HKFRS 10 and HKAS 28 (Amendment)	Sale or Contribution of Assets Between an Investor and its Associate and Joint Venture	To be determined
HKFRS 15 *(Note ii)*	Revenue from Contracts with Customers	1 January 2018
HKFRS 15 (Amendment)	Clarifications to HKFRS 15	1 January 2018
HKFRS 16 *(Note iii)*	Leases	1 January 2019
HKFRS 17	Insurance Contracts	1 January 2021
HKAS 28 (Amendment)	Long-Term Interests in Associates and Joint Ventures	1 January 2019
HKAS 40 (Amendment)	Transfers of Investment Property	1 January 2018
HK (IFRIC) — Int 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
HK (IFRIC) — Int 23	Uncertainty over Income Tax Treatments Issued	1 January 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(b) New and amended standards have been issued but are not effective for the financial year beginning 1 January 2017 and have not been early adopted (Continued)

The adoption of these new standards, amendments and interpretations is not expected to have significant impact on the historical financial information of the Group, except for the following new standards:

(i) HKFRS 9, "Financial Instruments"

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

The Group's financial assets are mainly loans and receivables which the Group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 "Financial Instruments: Recognition and Measurement" and have not been changed.

The new impairment model requires the recognition of impairment provisions based on expected credit losses ("**ECL**") rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through other comprehensive income, contract assets under HKFRS 15 "Revenue from Contracts with Customers", lease receivables, loan commitments and certain financial guarantee contracts. While the Group is currently working on a detailed assessment of how its impairment provisions would be affected by the new model, the Group does not expect that the application of the new standard will have a material impact to the financial position of the Group but may result in an earlier recognition of credit losses.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

This new standard must be applied for financial years commencing on or after 1 January 2018.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(b) New and amended standards have been issued but are not effective for the financial year beginning 1 January 2017 and have not been early adopted (Continued)

(ii) HKFRS 15, "Revenue from Contracts with Customers"

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

Management is currently assessing the effects of applying the new standards on the Group's consolidated financial statements and anticipates that the application of HKFRS 15 may result in the identification of separate performance obligations which could affect the timing of the recognition of revenue going forward. However, the Group do not expect that the application of HKFRS 15 will have a material impact on the timing and amount of revenue recognised in the respective reporting periods.

This new standard is mandatory for financial years commencing on or after 1 January 2018. The Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated.

(iii) HKFRS 16, "Leases"

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of HK$453,244,000.

The Group has not yet determined to what extent these commitments will result in the recognition of an asset and liability for future payments and how this will affect the Group's profit and classification of cash flows.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Subsidiaries

2.2.1 Consolidation

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

(a) Business combinations

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

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

Acquisition-related costs are expensed as incurred.

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Subsidiaries (Continued)

2.2.1 Consolidation (Continued)

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

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

(c) Disposal of subsidiaries

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

2.2.2 Separate financial statements

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Associates

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Segment reporting

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

2.5 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

(c) Group companies

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Property, plant and equipment

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

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

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Land use rights

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

2.8 Intangible assets

(a) Goodwill

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

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

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

(b) Trademarks, licence rights and know-how

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Impairment of non-financial assets

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

2.10 Financial assets

Classification

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

Loans and receivables

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

Recognition and measurement

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

2.11 Offsetting financial instruments

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Impairment of financial assets

Assets carried at amortised cost

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

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

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

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

2.13 Inventories

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

2.14 Trade and other receivables

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.15 Cash and cash equivalents

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

2.16 Share capital

Ordinary shares are classified as equity.

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

2.17 Trade payables

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

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

2.18 Borrowings

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

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

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

2.19 Borrowing costs

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.20 Current and deferred tax

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

(a) Current tax

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

(b) Deferred tax

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

Deferred tax assets are recognised only if it is probable that future taxable profit will be available to utilise those temporary differences and losses.

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.21 Employee benefits

(a) Pension obligations

Group companies operate several defined contribution retirement schemes.

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

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

(b) Share-based compensation

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.21 Employee benefits (Continued)

(c) Bonus plans

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

(d) Employee leave entitlements

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

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

(e) Termination benefits

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

2.22 Provisions

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.23 Revenue recognition

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

(a) Sales of goods

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

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

(b) Service income

Service income is recognised when services are provided.

(c) Interest income

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

(d) Rental income

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

2.24 Government grants

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.25 Leases (as the lessee for operating leases)

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

2.26 Contingent liabilities

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

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

2.27 Financial guarantee

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

2.28 Dividend distributions

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

2.29 Non-current assets held for sale

Non-current assets are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. The non-current assets classified as held for sale are stated at the lower of carrying amount and fair value less costs to sell.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

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

(a) Foreign exchange risk

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

As at 31 December 2017, if Chinese Renminbi had strengthened/weakened by 5% (2016: 5%) against the Hong Kong Dollars with all other variables held constant, profit for the year would have been approximately HK$7,470,000 higher/lower (2016: HK$9,352,000 higher/lower) mainly as a result of foreign exchange gains/losses on translation of Chinese Renminbi denominated inter-company balances, trade and other payables, cash and bank balances, and trade and other receivables.

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

(b) Credit risk

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

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

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

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

As at 31 December 2017, the Group's trade receivables due from one single group of customer (2016: one single group of customer) represent approximately 59% (2016: 79%) of its total trade receivables from third parties.

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

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

(c) Liquidity risk

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

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

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. As at 31 December 2017 and 2016, all financial liabilities of the Company are due within one year. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year	
	2017 **HK$'000**	2016 HK$'000
Borrowings and interest payment	**177,606**	75,763
Trade and bills payable	**154,491**	251,516
Accruals and other payables	**212,556**	250,376
	544,653	577,655

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

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

As at 31 December 2017, the Group held interest-bearing assets including the pledged bank deposits, bank deposit with initial term over three months, short-term bank deposits and receivables from a landlord. Except for the receivables from a landlord which are at fixed rate, other interest bearing assets are at floating rates.

Except for the bank borrowings as at 31 December 2017, the Group has no other significant interest-bearing liabilities.

At the respective end of the reporting periods, if interest rates had increased/decreased by one percentage point and all other variables were held constant, the Group's profit before tax would increase/decrease by approximately HK$915,000 for the year ended 31 December 2017 (2016: HK$2,846,000). The fluctuation is attributable to interest income from pledged bank deposits, bank deposit with initial term over three months, short-term bank deposits and interest expense on bank borrowings.

3.2 Capital risk management

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

As at 31 December 2017, the Group was in a net cash position (total borrowings were less than cash and cash equivalents).

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

The gearing ratios at 31 December 2017 and 2016 were as follows:

	2017 HK$'000	2016 HK$'000
Bank borrowings *(Note 18)*	**177,106**	75,530
Loans from non-controlling interests of subsidiaries *(Note 17)*	**4,211**	2,557
	181,317	78,087
Total equity	**2,264,587**	2,244,637
Gearing ratio	**8.0%**	3.5%

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

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

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

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

Given the persistently weak consumer sentiment and competitive retail market which may adversely impact the recoverable values of the assets used within the retail stores, an asset impairment assessment was carried out against the underperforming retail stores and an impairment of property, plant and equipment of HK$1,269,000 was recognised for the year ended 31 December 2017. Each retail store was considered as a separate CGU and the respective recoverable amounts were assessed based on value-in-use calculations. Key assumptions used in the calculations included the forecasted sales performance and operating costs of each retail store as well as the discount rate applied to the forecasted future cash flows of these retail stores.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

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

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

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

(c) Estimated impairment of goodwill

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

The recoverable amounts of CGUs have been determined based on value-in-use or fair value less costs of disposal calculations. These calculations require significant judgment and estimates (Note 8). No impairment was recognised against these goodwill during the year ended 31 December 2017.

For the goodwill resulted from the acquisition of Charmtech Group, if the budgeted gross margin or the pre-tax discount rate used in the value-in-use calculation has been 1% lower and 1% higher than management's estimates respectively as at 31 December 2017, still no impairment against goodwill would be recognised by the Group.

For the goodwill resulted from the acquisition of Shine Gold Group, if the budgeted gross margin or the pre-tax discount rate used in the fair value less costs of disposal calculation has been 1% lower or 1% higher than management's estimates respectively as at 31 December 2017, still no impairment against goodwill would be recognised by the Group.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

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

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

The Group's know-how arose from the acquisition of the textiles manufacturing and trading business of Win Success Holding Limited ("**Win Success**") and its subsidiaries (together, "**Win Success Group**"). The Group assessed the impairment of the know-how based on the cash flow projection of the textiles manufacturing and trading business of Win Success Group. Key assumptions applied in the assessment included forecasted revenue growth, budgeted gross margin, terminal growth rate and discount rate. No impairment on know-how was recognised during the year ended 31 December 2017.

(e) Net realisable value of inventories

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

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

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

(g) Income taxes

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

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(h) Provision for onerous leases

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

5 SEGMENT INFORMATION

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

In prior years, the Group's reportable and operating segments were Manufacturing and Distribution and Retail. The management changed the strategy to cope with the rapid expansion in High-end Fashion Retailing and decided to separate Distribution and Retail into High-end Fashion Retailing and Sportswear Retailing to align with internal review process. The comparative segment information for the year ended 31 December 2016 has been restated to align with the presentation of the current year's segment information disclosure.

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

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

5 SEGMENT INFORMATION (Continued)

The segment results for the year ended 31 December 2017 are as follows:

	Manufacturing HK$'000	High-end Fashion Retailing HK$'000	Sportswear Retailing HK$'000	Total HK$'000
Total segment revenue	2,620,874	884,719	227,829	3,733,422
Inter-segment revenue	(7,813)	(1,281)	—	(9,094)
Revenue	**2,613,061**	**883,438**	**227,829**	**3,724,328**
Operating profit/(loss) and segment results	**31,351**	**63,216**	**(57,256)**	**37,311**
Finance income				3,924
Finance costs				(3,297)
Share of profits of associates	1,335	—	—	1,335
Profit before income tax				**39,273**
Income tax expense				(14,373)
Profit for the year				**24,900**

Other segment items included in the consolidated income statement for the year ended 31 December 2017 are as follows:

	Manufacturing HK$'000	High-end Fashion Retailing HK$'000	Sportswear Retailing HK$'000	Total HK$'000
Amortisation of land use rights	2,603	—	—	2,603
Depreciation of property, plant and equipment	79,105	31,143	2,742	112,990
Amortisation of intangible assets	3,801	698	—	4,499
Impairment of property, plant and equipment, net	—	—	1,269	1,269
Provision for/(write-back of) inventories, net	25,911	34,833	(10,770)	49,974
Provision for onerous leases	—	—	344	344
Reversal of impairment of trade receivables, net	(298)	—	—	(298)
(Gain)/loss on disposal of property, plant and equipment	(3,726)	84	1,172	(2,470)

5 SEGMENT INFORMATION (Continued)

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

	Manufacturing HK$'000	High-end Fashion Retailing HK$'000	Sportswear Retailing HK$'000	Total HK$'000
Total segment revenue	3,121,392	660,310	262,861	4,044,563
Inter-segment revenue	(11,182)	—	—	(11,182)
Revenue	3,110,210	660,310	262,861	4,033,381
Operating profit/(loss) and segment results	226,466	21,130	(52,989)	194,607
Finance income				6,243
Finance costs				(2,485)
Share of losses of associates	(2,839)	—	—	(2,839)
Profit before income tax				195,526
Income tax expense				(55,890)
Profit for the year				139,636

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

	Manufacturing HK$'000	High-end Fashion Retailing HK$'000	Sportswear Retailing HK$'000	Total HK$'000
Amortisation of land use rights	2,832	—	—	2,832
Depreciation of property, plant and equipment	117,892	22,855	6,021	146,768
Amortisation of intangible assets	3,801	698	—	4,499
Impairment of property, plant and equipment, net	—	5,346	7,594	12,940
(Write-back of)/provision for inventories, net	(2,354)	24,771	7,679	30,096
Provision for onerous leases	—	2,957	9,795	12,752
Impairment of trade receivables	76	—	—	76
(Gain)/loss on disposal of property, plant and equipment	(213)	—	3	(210)

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

5 SEGMENT INFORMATION (Continued)

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

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

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

The segment assets and liabilities as at 31 December 2017 and capital expenditure for the year ended are as follows:

	Manufacturing HK$'000	High-end Fashion Retailing HK$'000	Sportswear Retailing HK$'000	Unallocated HK$'000	Total HK$'000
Assets	2,122,965	641,479	110,872	67,837	2,943,153
Associates	12,105	—	—	—	12,105
Total assets	2,135,070	641,479	110,872	67,837	2,955,258
Total liabilities	359,676	214,199	35,239	81,557	690,671
Capital expenditure	89,341	52,832	982	—	143,155

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

	Manufacturing HK$'000	High-end Fashion Retailing HK$'000	Sportswear Retailing HK$'000	Unallocated HK$'000	Total HK$'000
Assets	2,265,495	461,143	165,739	41,317	2,933,694
Associates	9,438	—	—	—	9,438
Total assets	2,274,933	461,143	165,739	41,317	2,943,132
Total liabilities	432,456	143,803	26,664	95,572	698,495
Capital expenditure	118,654	32,681	6,322	—	157,657

5 SEGMENT INFORMATION (Continued)

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

	2017 HK$'000	2016 HK$'000
Revenue		
Europe	**928,099**	1,343,488
Mainland China	**881,502**	650,942
United States	**633,261**	641,875
Hong Kong	**616,549**	606,250
Other Asian countries	**454,826**	482,195
Canada	**53,884**	76,131
Others	**156,207**	232,500
	3,724,328	4,033,381

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

	2017 HK$'000	2016 HK$'000
Analysis of revenue by category		
Sales of goods	**3,715,851**	4,026,637
Provision of services	**8,477**	6,744
	3,724,328	4,033,381

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

	2017 HK$'000	2016 HK$'000
Hong Kong	**295,446**	307,299
Mainland China	**264,875**	317,477
Other countries	**454,202**	438,175
	1,014,523	1,062,951

For the year ended 31 December 2017, revenues of approximately HK$2,292,180,000 (2016: HK$2,796,633,000), representing 61.5% (2016: 69.3%) of the Group's total revenue, were derived from a single group of external customers. These revenues are attributable to the Manufacturing segment.

6 LAND USE RIGHTS

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

	2017 HK$'000	2016 HK$'000
Beginning of the year	**108,668**	103,975
Currency translation differences	**9,369**	(10,611)
Additions	**—**	18,136
Amortisation	**(2,603)**	(2,832)
Land use rights classified as non-current assets held for sale	**(92,735)**	—
End of the year	**22,699**	108,668

7 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK$'000	Leasehold improvements HK$'000	Freehold land HK$'000	Construction in progress HK$'000	Plant and machinery HK$'000	Furniture and equipment HK$'000	Motor vehicles and yacht HK$'000	Total HK$'000
Year ended 31 December 2016								
Opening net book amount	244,263	173,926	44,906	4,818	202,096	34,369	12,743	717,121
Currency translation differences	(3,414)	(3,842)	–	(334)	(5,233)	(921)	(208)	(13,952)
Additions	7,567	50,917	–	3,279	48,213	24,044	5,501	139,521
Transfers	–	4,503	–	(4,503)	–	–	–	–
Disposals	(745)	–	–	–	(3,060)	(68)	(97)	(3,970)
Impairment	–	(12,466)	–	–	(108)	(366)	–	(12,940)
Depreciation	(19,383)	(58,443)	–	–	(49,906)	(13,039)	(5,997)	(146,768)
Closing net book amount	228,288	154,595	44,906	3,260	192,002	44,019	11,942	679,012
At 31 December 2016								
Cost	323,660	432,024	44,906	3,260	576,884	143,304	49,912	1,573,950
Accumulated depreciation and impairment	(95,372)	(277,429)	–	–	(384,882)	(99,285)	(37,970)	(894,938)
Net book amount	228,288	154,595	44,906	3,260	192,002	44,019	11,942	679,012
Year ended 31 December 2017								
Opening net book amount	**228,288**	**154,595**	**44,906**	**3,260**	**192,002**	**44,019**	**11,942**	**679,012**
Currency translation differences	**3,489**	**5,518**	**–**	**(266)**	**2,834**	**165**	**79**	**11,819**
Additions	**–**	**56,136**	**–**	**35,524**	**25,012**	**23,270**	**3,213**	**143,155**
Transfers	**–**	**1,771**	**–**	**(2,755)**	**108**	**876**	**–**	**–**
Disposals	**–**	**(2,070)**	**–**	**–**	**(6,201)**	**(1,710)**	**(191)**	**(10,172)**
Disposal of interest in a subsidiary	**–**	**–**	**–**	**–**	**–**	**(71)**	**–**	**(71)**
Impairment	**–**	**(1,269)**	**–**	**–**	**–**	**–**	**–**	**(1,269)**
Depreciation	**(7,271)**	**(48,988)**	**–**	**–**	**(35,399)**	**(16,228)**	**(5,104)**	**(112,990)**
Closing net book amount	**224,506**	**165,693**	**44,906**	**35,763**	**178,356**	**50,321**	**9,939**	**709,484**
At 31 December 2017								
Cost	**328,919**	**439,411**	**44,906**	**35,763**	**549,488**	**162,919**	**48,429**	**1,609,835**
Accumulated depreciation and impairment	**(104,413)**	**(273,718)**	**–**	**–**	**(371,132)**	**(112,598)**	**(38,490)**	**(900,351)**
Net book amount	**224,506**	**165,693**	**44,906**	**35,763**	**178,356**	**50,321**	**9,939**	**709,484**

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

During the year ended 31 December 2017, impairment loss of HK$1,269,000 (2016: HK$12,940,000) had been included in selling and distribution costs.

8 INTANGIBLE ASSETS

	Goodwill	Know-how	Trademarks	Licence rights	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2016					
Cost	124,385	37,471	13,966	88,522	264,344
Accumulated amortisation and impairment	–	(625)	(1,513)	(87,846)	(89,984)
Net book amount	124,385	36,846	12,453	676	174,360
Year ended 31 December 2016					
Opening net book amount	124,385	36,846	12,453	676	174,360
Amortisation	–	(3,747)	(698)	(54)	(4,499)
Closing net book amount	124,385	33,099	11,755	622	169,861
At 31 December 2016					
Cost	124,385	37,471	13,966	88,522	264,344
Accumulated amortisation and impairment	–	(4,372)	(2,211)	(87,900)	(94,483)
Net book amount	124,385	33,099	11,755	622	169,861
Year ended 31 December 2017					
Opening net book amount	**124,385**	**33,099**	**11,755**	**622**	**169,861**
Disposal of interest in a subsidiary	**–**	**–**	**–**	**(569)**	**(569)**
Amortisation	**–**	**(3,748)**	**(698)**	**(53)**	**(4,499)**
Closing net book amount	**124,385**	**29,351**	**11,057**	**–**	**164,793**
At 31 December 2017					
Cost	**124,385**	**37,471**	**13,966**	**87,722**	**263,544**
Accumulated amortisation and impairment	**–**	**(8,120)**	**(2,909)**	**(87,722)**	**(98,751)**
Net book amount	**124,385**	**29,351**	**11,057**	**–**	**164,793**

8 INTANGIBLE ASSETS (Continued)

Impairment tests for goodwill

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

	High-end fashion retailing HK$'000	Golf and high-end apparel manufacturing and trading HK$'000	Total HK$'000
Net book amount			
At 1 January 2016, 31 December 2016, 1 January 2017 and 31 December 2017	90,635	33,750	124,385

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

	2017		2016	
	High-end fashion retailing	**Golf and high-end apparel manufacturing and trading**	High-end fashion retailing	Golf and high-end apparel manufacturing and trading
Revenue growth rate	**3% – 36%**	**6% – 18%**	5% – 25%	−7% – 6%
Budgeted gross margin	**59%**	**16% – 18%**	56% – 57%	18%
Growth rate used to extrapolate cash flows beyond the budget period	**3%**	**2%**	3%	2%
Pre-tax discount rate	**17%**	**12%**	16%	11%

Management determined revenue growth rate and budgeted gross margin based on past performance and its expectations of market development. No impairment was recognised in respect of the golf and high-end apparel manufacturing and trading business and high-end fashion retailing business CGUs during the year ended 31 December 2017.

9 SUBSIDIARIES

(i) Subsidiaries

The following are details of principal subsidiaries, all of which are unlisted, as at 31 December 2017:

Name	Place of incorporation and type of legal entity	Particulars of issued share capital	Percentage of equity interest attributable to the Group 2017	2016	Principal activities and place of operation
Bowker Asia Limited	British Virgin Islands ("**BVI**"), limited liability company	US$100	**100%**	100%	Trading of garment products/ Hong Kong
Bowker Garment Factory Company Limited	Hong Kong, limited liability company	HK$10,000 ordinary HK$200,000 non-voting deferred *(Note (a))*	**100%**	100%	Investment and property holding/ Hong Kong
Bowker Garment Factory (Cambodia) Company Limited	Cambodia, limited liability company	KHR4,000,000	**100%**	100%	Manufacturing of garment products/Cambodia
Bowker Garment Investment (Cambodia) Company Limited	Cambodia, limited liability company	KHR4,000,000	**100%**	100%	Property holding/Cambodia
Bowker Venture Garment (Yunfu) Company Limited	Mainland China, foreign equity joint venture	HK$84,279,000	**98.6%**	98.6%	Manufacturing of garment products/Mainland China
Bowker (Vietnam) Garment Factory Company Limited	Vietnam, limited liability company	US$10,500,000	**100%**	100%	Manufacturing of garment products/Vietnam
Bowker Yee Sing Garment Factory (Heyuan) Company Limited	Mainland China, wholly foreign owned enterprise	HK$120,000,000	**71%**	71%	Manufacturing of garment products/Mainland China
Charmtech Industrial Limited	Hong Kong, limited liability company	HK$50,000	**100%**	100%	Investment holding and trading of garment products/Hong Kong
Corus Investments Limited	Hong Kong, limited liability company	HK$10,000	***100%**	*100%	Property holding/Hong Kong
D-mop Limited	Hong Kong, limited liability company	HK$1,000,000	**70%**	70%	Retailing of fashion products/ Hong Kong
Kepac Trading (Hangzhou) Limited	Mainland China, wholly foreign owned enterprise	HK$5,000,000	**70%**	70%	Retailing of fashion products/ Mainland China
Premier Global (Vietnam) Garment Company Limited	Vietnam, limited liability company	US$10,000,000	**100%**	100%	Manufacturing of garment products/Vietnam
Provel Limited	Hong Kong, limited liability company	HK$1,000 ordinary HK$1,000,000 non-voting deferred *(Note (a))*	**100%**	100%	Trading of garment products and leasing of equipment/ Hong Kong
Shanghai Yinpac Trading Limited	Mainland China, wholly foreign owned enterprise	US$800,000	**70%**	70%	Retailing of fashion products/ Mainland China

9 SUBSIDIARIES (Continued)

(i) Subsidiaries (Continued)

Name	Place of incorporation and type of legal entity	Particulars of issued share capital	Percentage of equity interest attributable to the Group 2017	2016	Principal activities and place of operation
Shine Gold Limited	BVI, limited liability company	US$340	**70%**	70%	Investment holding/Hong Kong
Smartex Solution Company Limited	Mainland China, wholly foreign owned enterprise	RMB32,000,000	**51%**	51%	Manufacturing and trading of textile products/Mainland China
Sports Corner Limited	Hong Kong, limited liability company	HK$500,000	**94.2%**	94.2%	Retailing of garment products/ Hong Kong
Win Hanverky (China) Company Limited	Hong Kong, limited liability company	HK$10,000	**100%**	100%	Trading of garment products/ Hong Kong
Win Hanverky Limited	Hong Kong, limited liability company	HK$10,000 ordinary HK$1,000,000 non-voting deferred *(Note (a))*	**100%**	100%	Trading of garment products/ Hong Kong
Win Sports Limited	Hong Kong, limited liability company	HK$345,018,082	**94.2%**	94.2%	Investment holding/Hong Kong
Win Success Holding Limited	BVI, limited liability company	US$100	**51%**	51%	Investment holding/Hong Kong
Winning Best Limited	Hong Kong, limited liability company	HK$1	***100%**	*100%	Property holding/Hong Kong
Winning Castle Limited	Hong Kong, limited liability company	HK$1	***100%**	*100%	Property holding/Hong Kong

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

Notes:

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

(b) None of the subsidiaries had any loan capital in issue at any time during the year ended 31 December 2017 (2016: None).

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

9 SUBSIDIARIES (Continued)

(ii) Significant restrictions

Cash and bank deposits of HK$248,336,000 (2016: HK$163,772,000) held in Mainland China and Vietnam are subject to local exchange control regulations. These local exchange control regulations provide restrictions on remitting funds out of these countries, other than through normal dividends.

(iii) Material non-controlling interests

As at 31 December 2017, the total non-controlling interests amounted to HK$38,170,000 (2016: HK$15,257,000), of which accumulated profit of HK$19,566,000 (2016: accumulated loss of HK$5,898,000) is attributable to Shine Gold Group. The directors are of the opinion that the non-controlling interests in respect of other non-wholly owned subsidiaries are not material.

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

Summarised statement of financial position of Shine Gold Group

	2017 HK$'000	2016 HK$'000
Current		
Assets	**481,732**	291,926
Liabilities	**(392,111)**	(254,020)
Total current net assets	**89,621**	37,906
Non-current		
Assets	**117,227**	84,196
Liabilities	**(141,627)**	(141,762)
Total non-current net liabilities	**(24,400)**	(57,566)
Net assets/(liabilities)	**65,221**	(19,660)

9 SUBSIDIARIES (Continued)

(iii) Material non-controlling interests (Continued)

Summarised statement of comprehensive income of Shine Gold Group

	2017 HK$'000	2016 HK$'000
Revenue	**882,842**	651,697
Profit before income tax	**62,683**	24,542
Income tax credit/(expense)	**6,434**	(6,270)
Post-tax profit	**69,117**	18,272
Other comprehensive income	**15,764**	(4,391)
Total comprehensive income	**84,881**	13,881
Total comprehensive income allocated to non-controlling interests	**25,464**	4,164

Summarised cash flow statement of Shine Gold Group

	2017 HK$'000	2016 HK$'000
Cash flows from operating activities		
Cash generated from/(used in) operations	**2,517**	(4,827)
Interest paid	**(2,885)**	(2,330)
Income tax paid	**(9,780)**	(5,570)
Net cash used in operating activities	**(10,148)**	(12,727)
Net cash used in investing activities	**(46,480)**	(32,562)
Net cash generated from financing activities	**75,652**	49,905
Net increase in cash and cash equivalents	**19,024**	4,616
Cash and cash equivalents at beginning of the year	**46,242**	43,533
Exchange differences on cash and cash equivalents	**2,338**	(1,907)
Cash and cash equivalents at end of the year	**67,604**	46,242

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

10 INVESTMENTS IN ASSOCIATES

	2017 HK$'000	2016 HK$'000
Beginning of the year	**9,438**	17,315
Share of reserve movements for the year	**432**	(2,699)
Share of profits/(losses) for the year	**1,335**	(2,839)
Reduction of share capital	**—**	(2,339)
Fair value of 10% remaining interest of a former subsidiary *(Note 34)*	**900**	—
End of the year	**12,105**	9,438

Set out below are the major associates of the Group as at 31 December 2017. The associates as listed below have share capital consisting solely of ordinary shares, which are held indirectly by the Company.

Nature of investments in associates as at 31 December 2017 and 2016:

Name	**Place of incorporation and type of legal entity**	**Percentage of ownership interest**	**Nature of the relationship**	**Measurement method**
Fu Hsun Bowker Dyeing Factory (Heyuan) Company Limited ("**Fu Hsun Bowker**")	Mainland China, wholly foreign owned enterprise	30%	*Note (a)*	Equity
Fu Hsun Investment Company Limited ("**Fu Hsun Investment**")	BVI, limited liability company	30%	*Note (b)*	Equity
Fu Jin Bowker Company Limited ("**Fu Jin Bowker**")	BVI, limited liability company	30%	*Note (c)*	Equity
Winswin Limited ("**Winswin**")	Hong Kong, limited liability company	10%	*Note (d)*	Equity

Notes:

(a) Fu Hsun Bowker was inactive during the years ended 31 December 2016 and 2017.

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

(c) Fu Jin Bowker was inactive during the years ended 31 December 2016 and 2017.

(d) Winswin is engaged in developing and trading of i.Dummy products in Hong Kong.

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

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

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

11 FINANCIAL INSTRUMENTS

	Loans and receivables	
	2017	2016
	HK$'000	HK$'000
Assets		
Trade and bills receivable	**382,908**	516,495
Deposits and other receivables	**153,082**	168,460
Pledged bank deposits	**1,201**	7,232
Cash and bank balances	**424,809**	414,210

	Other financial liabilities at amortised cost	
	2017	2016
	HK$'000	HK$'000
Liabilities		
Trade and bills payable	**154,491**	251,516
Accruals and other payables	**212,557**	250,376
Borrowings	**177,106**	75,530

12 INVENTORIES

	2017	2016
	HK$'000	HK$'000
Raw materials	**257,984**	291,610
Work in progress	**93,159**	126,876
Finished goods	**451,724**	365,477
	802,867	783,963

The costs of inventories recognised as expense and included in cost of sales amounted to approximately HK$1,749,366,000 (2016: HK$1,943,119,000).

Provision for inventories amounting to approximately HK$49,974,000 (2016: HK$30,096,000) was included in cost of sales.

13 TRADE AND BILLS RECEIVABLE

	2017 HK$'000	2016 HK$'000
Trade receivables		
— from third parties	**372,165**	504,762
— from related parties *(Note 35(b))*	**8,275**	8,234
Bills receivable	**3,996**	5,383
	384,436	518,379
Less: impairment of trade receivables	**(1,528)**	(1,884)
	382,908	516,495

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

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

	2017 HK$'000	2016 HK$'000
0 – 90 days	**344,061**	511,901
91 – 180 days	**21,064**	4,454
181 – 365 days	**17,570**	207
Over 365 days	**1,741**	1,817
	384,436	518,379

Trade receivables that are less than 90 days past due are generally not considered impaired. As at 31 December 2017, trade receivables of HK$32,102,000 (2016: HK$164,000) were more than 90 days past due but considered not to be impaired. These relate to a number of customers for whom there is no recent history of default. The ageing of these trade receivables based on past due date is as follows:

	2017 HK$'000	2016 HK$'000
91 – 180 days	**23,119**	146
181 – 365 days	**8,890**	11
Over 365 days	**93**	7
	32,102	164

13 TRADE AND BILLS RECEIVABLE (Continued)

As at 31 December 2017, trade receivables of HK$1,528,000 (2016: HK$1,884,000) were impaired and had been fully provided for. These receivables relate to a number of customers, including customers in unexpected difficult economic situations. The ageing of these receivables based on past due date is as follows:

	2017 HK$'000	2016 HK$'000
181 – 365 days	–	76
Over 365 days	1,528	1,808
	1,528	1,884

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

	2017 HK$'000	2016 HK$'000
Beginning of the year	1,884	2,322
Currency translation differences	18	(30)
(Reversal of)/impairment of trade receivables, net	(298)	76
Receivables written off during the year as uncollectible	(76)	(484)
End of the year	1,528	1,884

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

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

	2017 HK$'000	2016 HK$'000
United States Dollars	231,915	383,936
Chinese Renminbi	129,406	120,742
Hong Kong Dollars	14,053	8,188
Others	9,062	5,513
	384,436	518,379

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

14 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2017 HK$'000	2016 HK$'000
Non-current		
Deposits for plant and equipment	**48,362**	5,407
Rental, utility and other deposits	**37,499**	57,469
Receivables from a landlord *(Note)*	**16,380**	31,980
Deposit for acquisition of interest in a subsidiary *(Note 38)*	**2,000**	—
	104,241	94,856
Current		
Rental, utility and other deposits	**59,279**	43,525
Value-added tax recoverable	**45,695**	22,581
Receivables from a landlord *(Note)*	**18,330**	19,447
Prepayments for inventories	**15,085**	10,230
Claims receivable from customers	**10,584**	5,046
Other receivables	**10,526**	10,063
Prepayments for operating expenses	**9,596**	6,258
Interest receivable from a landlord	**484**	930
	169,579	118,080
Total	**273,820**	212,936

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

Note: Amounts represented receivables from a landlord in Vietnam. Receivables from the landlord are unsecured, interest-bearing at 5% per annum and denominated in United States Dollars. Receivables of US$2,350,000, equivalent to approximately HK$18,330,000 (2016: US$2,493,000, equivalent to approximately HK$19,447,000), US$1,050,000, equivalent to approximately HK$8,190,000 (2016: US$2,000,000, equivalent to approximately HK$15,600,000) and US$1,050,000, equivalent to approximately HK$8,190,000 (2016: US$2,100,000, equivalent to approximately HK$16,380,000) are repayable semi-annually and will mature within one year, between one year to two years, and over two years, respectively. The Group recognised interest income of HK$2,162,000 (2016: HK$2,512,000) during the year ended 31 December 2017 from these receivables. The carrying amounts of these receivables approximate their fair values.

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

	2017 HK$'000	2016 HK$'000
Hong Kong Dollars	**65,064**	60,621
United States Dollars	**61,058**	74,007
Chinese Renminbi	**23,861**	29,345
Others	**3,099**	4,487
	153,082	168,460

15 PLEDGED BANK DEPOSITS AND CASH AND BANK BALANCES

	2017 HK$'000	2016 HK$'000
Pledged bank deposits		
Non-current	**1,201**	1,116
Current	**–**	6,116
	1,201	7,232
Cash and bank balances		
Short-term bank deposits	**267,444**	235,921
Cash at bank and on hand	**157,365**	61,289
Cash and cash equivalents	**424,809**	297,210
Bank deposit with initial term over three months	**–**	117,000
	424,809	414,210

The effective interest rate on pledged bank deposits was 2.75% (2016: 1.21%) per annum and the pledged bank deposits will mature in 2019 (2016: matured in 2017 to 2019). The effective interest rate on short-term bank deposits was 0.45% (2016: 0.31%) per annum, which have maturities of 3 months or less at inception.

As at 31 December 2016, the effective interest rate on bank deposit with initial term over three months was 1.51% per annum.

As at 31 December 2017, bank deposit of HK$1,201,000 was pledged as security deposit at Custom Department for a subsidiary of the Group. As at 31 December 2016, bank deposits of HK$7,232,000 were placed at certain banks as collaterals against certain banking facilities of the Group and were pledged as security deposits at Custom Department for certain subsidiaries of the Group.

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

	2017 HK$'000	2016 HK$'000
Chinese Renminbi	**209,981**	148,467
United States Dollars	**142,932**	207,553
Hong Kong Dollars	**29,048**	55,093
Others	**44,049**	10,329
	426,010	421,442

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

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

16 TRADE AND BILLS PAYABLE

	2017 HK$'000	2016 HK$'000
Trade payables		
— to third parties	**144,217**	238,210
— to related parties *(Note 35(b))*	**7,682**	13,164
Bills payable	**2,592**	142
	154,491	251,516

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

	2017 HK$'000	2016 HK$'000
0 – 90 days	**149,184**	245,576
91 – 180 days	**1,279**	3,793
181 – 365 days	**1,657**	181
Over 365 days	**2,371**	1,966
	154,491	251,516

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

	2017 HK$'000	2016 HK$'000
United States Dollars	**108,615**	198,275
Hong Kong Dollars	**32,738**	36,432
Chinese Renminbi	**10,007**	14,983
Others	**3,131**	1,826
	154,491	251,516

17 ACCRUALS AND OTHER PAYABLES

	2017	2016
	HK$'000	HK$'000
Accrual for employee benefit costs	**105,934**	130,000
Accrual for other operating expenses	**36,638**	41,653
Deposit received for land use rights classified as held for sale *(Note 31)*	**24,020**	—
Deferred income	**22,503**	9,811
Other taxes payable	**19,661**	17,442
Payable for purchases of property, plant and equipment and land use rights	**17,245**	31,338
Provision for onerous leases	**13,096**	12,752
Payables to non-controlling interests of subsidiaries *(Note 35(c))*	**7,907**	7,935
Deposits received from customers	**5,342**	2,938
Loans from non-controlling interests of subsidiaries *(Note 35(c))*	**4,211**	2,557
Payable to an associate of the Group *(Note 35(c))*	**1,219**	—
Others	**19,741**	19,451
	277,517	275,877

18 BORROWINGS

	2017 HK$'000	2016 HK$'000
Interest-bearing bank borrowings — secured	**177,106**	75,530

All of the Group's borrowings were repayable within one year and were secured by corporate guarantees given by the Company. The carrying amounts of the bank borrowings approximate their fair values as the impact of discounting is not significant.

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

	2017 HK$'000	2016 HK$'000
Hong Kong Dollars	**122,018**	54,528
United States Dollars	**55,088**	21,002
	177,106	75,530

The Group's borrowings were on floating rates and the weighted average interest rate (per annum) at the end of the reporting period was as follows:

	2017	2016
Interest-bearing bank borrowings	**2.2%**	1.9%

As at 31 December 2017, the Group had the following undrawn banking facilities:

	2017 HK$'000	2016 HK$'000
Floating rates — expiring within one year	**418,989**	500,290

The banking facilities expiring within one year are annual facilities subject to review at various dates in 2018.

19 DEFERRED TAX

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

	2017 HK$'000	2016 HK$'000
Deferred tax assets:		
— Deferred tax assets to be recovered after more than 12 months	**17,399**	33,911
— Deferred tax assets to be recovered within 12 months	**45,417**	3,408
	62,816	37,319
Deferred tax liabilities:		
— Deferred tax liabilities to be settled after more than 12 months	**(4,556)**	(4,788)
— Deferred tax liabilities to be settled within 12 months	**(961)**	(523)
	(5,517)	(5,311)
Deferred tax assets — net	**57,299**	32,008

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

	2017 HK$'000	2016 HK$'000
Beginning of the year	**32,008**	28,499
Exchange difference	**207**	(111)
Recognised in the income statement *(Note 27)*	**25,084**	3,620
End of the year	**57,299**	32,008

19 DEFERRED TAX (Continued)

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

Deferred tax assets:

	Tax depreciation HK$'000	Tax losses HK$'000	Unrealised profit HK$'000	Provision for inventories HK$'000	Total HK$'000
At 1 January 2016	—	188	31,937	5,156	37,281
Exchange difference	—	—	(85)	(26)	(111)
Recognised in the income statement	—	(36)	1,285	(752)	497
At 31 December 2016	**—**	**152**	**33,137**	**4,378**	**37,667**
Exchange difference	**—**	**—**	**180**	**27**	**207**
Recognised in the income statement	**4,077**	**13,170**	**2,705**	**5,578**	**25,530**
At 31 December 2017	**4,077**	**13,322**	**36,022**	**9,983**	**63,404**

Deferred tax liabilities:

	Tax depreciation HK$'000	Fair value gains HK$'000	Unrealised loss HK$'000	Withholding tax on undistributed earnings HK$'000	Total HK$'000
At 1 January 2016	(2,817)	(2,406)	(221)	(3,338)	(8,782)
Recognised in the income statement	1,196	135	221	1,571	3,123
At 31 December 2016	**(1,621)**	**(2,271)**	**—**	**(1,767)**	**(5,659)**
Recognised in the income statement	**(115)**	**136**	**—**	**(467)**	**(446)**
At 31 December 2017	**(1,736)**	**(2,135)**	**—**	**(2,234)**	**(6,105)**

Deferred tax assets are recognised for tax loss carry-forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. As at 31 December 2017, the Group did not recognise deferred tax assets of HK$138,758,000 (2016: HK$145,655,000) in respect of tax losses amounting to HK$730,121,000 (2016: HK$786,591,000) that can be carried forward against future taxable income. Total unrecognised tax losses of HK$432,468,000 (2016: HK$466,470,000) can be carried forward indefinitely; while cumulative tax losses of HK$297,653,000 (2016: HK$320,121,000) will expire from 2018 to 2027 (2016: 2017 to 2021).

Deferred tax liabilities of HK$44,155,000 (2016: HK$34,192,000) have not been recognised for the withholding tax that would be payable on the unremitted earnings of certain subsidiaries, as it is management's intention to reinvest such amounts in the foreseeable future. The said unremitted earnings totalled HK$220,773,000 as at 31 December 2017 (2016: HK$170,959,000).

20 SHARE CAPITAL

	As at 31 December	
	2017	2016
	HK$'000	HK$'000
Authorised		
3,000,000,000 ordinary shares of HK$0.1 each	**300,000**	300,000

	Number of ordinary shares	
	'000	HK$'000
Issued and fully paid up		
At 1 January 2016	1,283,400	128,340
Proceeds from shares issued under share option scheme	1,000	100
At 31 December 2016, 1 January 2017 and 31 December 2017	1,284,400	128,440

Share options

The Company operates a share option scheme as described below:

In August 2006, the Company established a share option scheme ("**Share Option Scheme**") which remained in force for 10 years and expired on 5 September 2016, no share option can be further granted thereunder, whereas outstanding share options under the Share Option Scheme remain valid.

Pursuant to the resolution of Shareholders at the annual general meeting of the Company on 16 June 2016, a new share option scheme ("**New Share Option Scheme**") has been adopted. Under the New Share Option Scheme, share options may be granted to any directors, employees, or partners of the Group. The exercise price is to be determined by the Board, and will not be less than the highest of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the Company's shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

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

20 SHARE CAPITAL (Continued)

Share options (Continued)

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

	2017		2016	
	Number of options '000	Weighted average exercise price per share HK$	Number of options '000	Weighted average exercise price per share HK$
At beginning of the year	**34,000**	**1.191**	49,000	1.206
Lapsed/forfeiture *(Note)*	**—**	**—**	(14,000)	1.261
Exercised	**—**	**—**	(1,000)	0.946
At end of the year	**34,000**	**1.191**	34,000	1.191

Out of the 34,000,000 (2016: 34,000,000) outstanding options, 17,400,000 (2016: 10,400,000) share options were exercisable as at 31 December 2017.

Note: Upon the expiry of the pre-IPO share option scheme, 6,000,000 options were lapsed on 9 May 2016. 8,000,000 options were forfeited under the Share Option Scheme during the year 2016.

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

Expiry date	**Exercise price per share** HK$	**Share options** **2017** '000	2016 '000
8 January 2024	1.010	**5,000**	5,000
15 July 2024	0.946	**16,000**	16,000
21 December 2025	1.562	**13,000**	13,000
		34,000	34,000

During the year ended 31 December 2017, share option expenses charged to the consolidated income statement were approximately HK$2,246,000 (2016: HK$4,159,000).

21 RESERVES

	Share premium HK$'000	Share-based payment reserve HK$'000	Statutory reserve HK$'000	Foreign currency translation reserve HK$'000	Other reserves HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 January 2016	691,094	7,618	12,326	76,042	172,619	1,187,970	2,147,669
Currency translation differences							
— Group	—	—	—	(44,823)	—	—	(44,823)
— Associates	—	—	—	(2,699)	—	—	(2,699)
Employee share option scheme							
— value of services provided	—	4,159	—	—	—	—	4,159
— exercise of share options	1,133	(287)	—	—	—	—	846
— lapse/forfeiture of share options	—	(3,970)	—	—	—	3,970	—
Dividends paid							
— 2015 final	—	—	—	—	—	(96,330)	(96,330)
— 2016 interim	—	—	—	—	—	(51,376)	(51,376)
Profit attributable to equity holders of the Company	—	—	—	—	—	143,494	143,494
Transfer to statutory reserve *(Note)*	—	—	816	—	—	(816)	—
At 31 December 2016	**692,227**	**7,520**	**13,142**	**28,520**	**172,619**	**1,186,912**	**2,100,940**
Currency translation differences							
— Group	**—**	**—**	**—**	**42,375**	**—**	**—**	**42,375**
— Associates	**—**	**—**	**—**	**432**	**—**	**—**	**432**
Employee share option scheme							
— value of services provided	**—**	**2,246**	**—**	**—**	**—**	**—**	**2,246**
Dividends paid							
— 2016 final	**—**	**—**	**—**	**—**	**—**	**(38,532)**	**(38,532)**
— 2017 interim	**—**	**—**	**—**	**—**	**—**	**(25,688)**	**(25,688)**
Profit attributable to equity holders of the Company	**—**	**—**	**—**	**—**	**—**	**21,045**	**21,045**
Transfer to statutory reserve *(Note)*	**—**	**—**	**2,763**	**—**	**—**	**(2,763)**	**—**
Realisation of accumulated exchange gain upon liquidation of a subsidiary	**—**	**—**	**—**	**(4,841)**	**—**	**—**	**(4,841)**
Liquidation of a subsidiary	**—**	**—**	**(2,522)**	**—**	**—**	**2,522**	**—**
At 31 December 2017	**692,227**	**9,766**	**13,383**	**66,486**	**172,619**	**1,143,496**	**2,097,977**
Representing:							
Proposed 2017 final dividend						25,688	
Others						1,117,808	
						1,143,496	

Note: As stipulated by regulations in Mainland China, the Company's subsidiaries established and operated in Mainland China are required to appropriate a portion of their after-tax profit (after offsetting prior years' losses) to the general reserve and the enterprise expansion fund, at rates determined by their respective boards of directors. The general reserve can be utilised to offset prior year losses or be utilised for the issuance of bonus shares, whilst the enterprise expansion fund can be utilised for the development of business operations. During the year ended 31 December 2017, HK$2,763,000 (2016: HK$816,000) was appropriated to the general reserve and the enterprise expansion fund.

22 OTHER (EXPENSES)/INCOME — NET

	2017 HK$'000	2016 HK$'000
Other income		
Rental income	**2,266**	2,930
Others	**6,512**	4,985
	8,778	7,915
Other expenses		
Factory closure costs *(Note)*	**(25,431)**	(5,010)
	(16,653)	2,905

Note: During the year ended 31 December 2017, the Group closed down a factory in Mainland China and recognised costs of approximately HK$25,431,000, including redundancy costs and impairment of assets (2016: redundancy costs of HK$5,010,000).

23 OTHER GAINS — NET

	2017 HK$'000	2016 HK$'000
Net exchange gains	**10,240**	2,016
Gain on disposal of interest in a subsidiary *(Note 34)*	**8,607**	—
Realisation of accumulated exchange gain upon liquidation of a subsidiary	**4,841**	—
Gain on disposal of property, plant and equipment	**2,470**	210
	26,158	2,226

24 EXPENSES BY NATURE

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

	2017 HK$'000	2016 HK$'000
Raw materials and consumables used	**1,173,457**	1,438,053
Purchases of finished goods	**652,502**	611,938
Processing and subcontracting charges	**78,762**	56,988
Manufacturing overheads	**33,708**	34,138
Sample expenses	**19,405**	24,810
Changes in inventories of finished goods and work in progress	**(76,593)**	(106,872)
Depreciation of property, plant and equipment	**112,990**	146,768
Impairment of property, plant and equipment, net	**1,269**	12,940
Amortisation of land use rights	**2,603**	2,832
Amortisation of intangible assets	**4,499**	4,499
Employment benefit expense	**1,011,133**	1,011,606
Freight, delivery and insurance expenses	**64,733**	63,768
Marketing, advertising and promotion expenses	**9,735**	7,612
Operating lease rental in respect of retail shops, office equipment and land and buildings		
— minimum lease payments	**253,939**	215,910
— contingent rent	**82,549**	68,535
Auditor's remuneration		
— audit related services	**3,898**	3,700
— non-audit related services	**3,787**	39
(Reversal of)/impairment of trade receivables, net	**(298)**	76
Provision for onerous leases	**344**	12,752
Provision for inventories, net	**49,974**	30,096
Other expenses	**214,126**	203,717
Total cost of sales, selling and distribution costs and general and administrative expenses	**3,696,522**	3,843,905

25 EMPLOYMENT BENEFIT EXPENSE

	2017 HK$'000	2016 HK$'000
Wages, salaries, commission, allowances, bonus and other termination payments	**907,774**	902,697
Share options granted to directors and employees	**2,246**	4,159
Retirement benefit and social insurance		
— retirement benefit — defined contribution schemes	**68,558**	71,233
— social insurance	**6,374**	4,653
Welfare and other benefits	**26,181**	28,864
	1,011,133	1,011,606

(a) Retirement benefit costs — defined contribution plans

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

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

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

25 EMPLOYMENT BENEFIT EXPENSE (Continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2017 include four (2016: four) directors whose emoluments are reflected in Note 37. The emoluments paid/payable to the remaining one individual (2016: one individual) during the year are as follows:

	2017 HK$'000	2016 HK$'000
Basic salaries, commission, share options and other allowances	**6,087**	5,783
Retirement benefit — defined contribution schemes	**18**	18
	6,105	5,801

The emoluments fell within the following bands:

	Number of individuals 2017	2016
Emolument bands		
HK$5,500,001 – HK$6,000,000	**–**	1
HK$6,000,001 – HK$6,500,000	**1**	–

(c) During the year ended 31 December 2017, no emoluments were paid by the Company to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2016: Nil).

26 FINANCE INCOME AND COSTS

	2017 HK$'000	2016 HK$'000
Finance income		
— Interest income from bank deposits and receivables from a landlord	**3,924**	6,243
Finance costs		
— Bank borrowings	**(3,297)**	(2,485)
Finance income — net	**627**	3,758

27 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profits which are subject to Hong Kong profits tax.

Mainland China Corporate Income Tax ("**CIT**") has been provided at the rate of 25% (2016: 25%) on the estimated assessable profits which are subject to CIT.

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

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

	2017 HK$'000	2016 HK$'000
Current tax		
— Hong Kong profits tax	**26,011**	27,090
— Mainland China taxes	**11,417**	25,027
— Overseas income tax	**2,447**	5,484
— (Over)/under provision in prior years	**(418)**	1,909
	39,457	59,510
Deferred tax *(Note 19)*	**(25,084)**	(3,620)
	14,373	55,890

27 INCOME TAX EXPENSE (Continued)

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

	2017 HK$'000	2016 HK$'000
Profit before income tax excluding share of profits/losses of associates	**37,938**	198,365
Tax calculated at domestic tax rates applicable to profits in the respective places/countries	**2,753**	44,456
Tax effects of:		
— Income not subject to tax	**(6,661)**	(640)
— Expenses not deductible for tax purposes	**7,156**	5,956
— Tax concession	**(9,809)**	(24,200)
— Tax losses for which no deferred tax was recognised	**40,091**	27,561
— Temporary differences not recognised	**1,662**	7,007
— Utilisation of previously unrecognised tax losses	**(4,420)**	(5,194)
— Recognition of previously unrecognised tax losses and temporary differences	**(16,474)**	—
— Withholding tax charged/(credited) on undistributed earnings of subsidiaries and associates	**467**	(1,216)
— (Over)/under provision in prior years	**(418)**	1,909
— Others	**26**	251
Tax charge	**14,373**	55,890

The weighted average applicable tax rate was approximately 7.3% (2016: 22.4%). The change is mainly caused by a change in mix of profits earned by different Group companies which are subject to different tax rates.

28 EARNINGS PER SHARE

(a) Basic

The calculation of basic earnings per share is based on the consolidated profit attributable to equity holders of the Company of approximately HK$21,045,000 (2016: HK$143,494,000) and on the weighted average number of approximately 1,284,400,000 (2016: 1,284,375,000) ordinary shares in issue during the year.

	2017	2016
Profit attributable to equity holders of the Company (HK$'000)	**21,045**	143,494
Weighted average number of ordinary shares in issue ('000)	**1,284,400**	1,284,375
Basic earnings per share (HK cents)	**1.6**	11.2

(b) Diluted

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

	2017	2016
Profit attributable to equity holders of the Company (HK$'000)	**21,045**	143,494
Weighted average number of ordinary shares in issue ('000)	**1,284,400**	1,284,375
Adjustment for:		
— Share options ('000)	**2,115**	4,768
Weighted average number of ordinary shares for diluted earnings per share ('000)	**1,286,515**	1,289,143
Diluted earnings per share (HK cents)	**1.6**	11.1

29 DIVIDENDS

	2017 HK$'000	2016 HK$'000
Interim dividend paid of HK2.0 cents (2016: HK4.0 cents) per ordinary share	**25,688**	51,376
Proposed final dividend of HK2.0 cents (2016: HK3.0 cents) per ordinary share	**25,688**	38,532
	51,376	89,908

The Board proposed a final dividend of HK2.0 cents (2016: HK3.0 cents) per ordinary share, amounting to a total dividend of HK$25,688,000 (2016: HK$38,532,000), and is to be proposed at the upcoming annual general meeting. These financial statements do not reflect this dividend payable.

30 NOTES TO CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of cash generated from operations

	2017 HK$'000	2016 HK$'000
Profit before income tax	**39,273**	195,526
Adjustments for:		
— Amortisation of intangible assets	**4,499**	4,499
— Amortisation of land use rights	**2,603**	2,832
— Gain on disposal of property, plant and equipment	**(2,470)**	(210)
— Gain on disposal of interest in a subsidiary	**(8,607)**	—
— Depreciation of property, plant and equipment	**112,990**	146,768
— Impairment of property, plant and equipment, net	**1,269**	12,940
— Provision for inventories, net	**49,974**	30,096
— Provision for onerous leases	**344**	12,752
— (Reversal of)/impairment of trade receivables, net	**(298)**	76
— Finance income — net	**(627)**	(3,758)
— Share of (profits)/losses of associates	**(1,335)**	2,839
— Share option expenses	**2,246**	4,159
— Realisation of accumulated exchange gain upon liquidation of a subsidiary	**(4,841)**	—
Changes in working capital:		
— Inventories	**(49,584)**	(150,532)
— Trade and bills receivable	**143,170**	(135,798)
— Deposits, prepayments and other receivables	**(29,255)**	(30,266)
— Trade and bills payable	**(99,800)**	(46,873)
— Accruals and other payables	**(15,202)**	17,403
Cash generated from operations	**144,349**	62,453

30 NOTES TO CONSOLIDATED CASH FLOW STATEMENT (Continued)

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

	2017 HK$'000	2016 HK$'000
Disposal of property, plant and equipment		
Net book amount	**10,172**	3,970
Gain on disposal of property, plant and equipment	**2,470**	210
Proceeds from disposal of property, plant and equipment	**12,642**	4,180

(c) Cash flow information — financing activities

This section sets out the reconciliation of liabilities arising from financing activities for the year ended 31 December 2017.

	Bank borrowings (exclude bank overdrafts) HK$'000	Amounts due to non-controlling interests of subsidiaries HK$'000	Total HK$'000
As at 1 January 2017	75,530	10,492	86,022
Cash flow	101,576	1,654	103,230
Exchange differences	—	(28)	(28)
As at 31 December 2017	**177,106**	**12,118**	**189,224**

31 NON-CURRENT ASSETS HELD FOR SALE

On 26 September 2017, the Group entered into an equity transfer agreement with a third party, Donguang Aochuang Property Co. Ltd ("**Aochuang**"), to transfer its entire equity interest in Bowker Property Development (Heyuan) Company Limited ("**Bowker Property**"), an indirectly wholly owned subsidiary of the Group, at a consideration of approximately RMB178 million (equivalent to approximately HK$206 million). Bowker Property mainly holds certain land use rights in Heyuan city, Guangdong province, Mainland China. A deposit of RMB20 million (approximately HK$24 million) had been received from Aochuang and was included in accrual and other payables. As at 31 December 2017, the transaction has not been completed and the land use rights with carrying amount approximately HK$92,735,000 is reclassified as non-current assets held for sale.

The transfer of the equity interest in Bowker Property will be obliged to complete upon (1) full payment of the consideration to be payable to a bank account designated by the Group on or before 30 April 2018; and (2) entering into a lease agreement among Bowker Property (as the lessor), Bowker Yee Sing Garment Factory (Heyuan) Company Limited (as the lessee) and Aochuang (as the guarantor). The Group expects the transaction to be completed in 2018.

32 CONTINGENT LIABILITIES

As at 31 December 2017, the Group had no material contingent liabilities (2016: Nil).

33 COMMITMENTS

(a) Capital commitments

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

	2017 HK$'000	2016 HK$'000
Property, plant and equipment — Contracted but not provided for	**10,688**	8,163

As at 31 December 2017, the Group had commitments to inject additional capital into certain subsidiaries, totalling approximately HK$18,280,000 (2016: HK$41,913,000).

(b) Operating lease commitments

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

	2017 HK$'000	2016 HK$'000
Within one year	**214,098**	213,766
Later than one year and not later than five years	**205,810**	265,927
Later than five years	**33,336**	43,819
	453,244	523,512

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

34 DISPOSAL OF A SUBSIDIARY

During the year ended 31 December 2017, the Group disposed 90% of its interest in Winswin at a consideration of HK$8,100,000. The remaining 10% equity interest in Winswin was re-measured to its fair value at the disposal date and was recognised as an associate.

Carrying amounts of assets and liabilities of Winswin at date of disposal are as follows:

	HK$'000
Property, plant and equipment	71
Intangible asset	569
Inventories	104
Trade and other receivables	176
Amount due from immediate holding company	1,219
Cash and cash equivalents	5
Amount due to a related company	(105)
Trade and other payables	(1,646)
	393
Consideration	8,100
Fair value of 10% remaining interest accounted for as an associate *(Note 10)*	900
Carrying amount of net assets disposed of	(393)
Gain on disposal of interest in a subsidiary recognised in income statement *(Note 23)*	8,607
Cash consideration received	8,100
Cash and cash equivalent in a subsidiary disposed of	(5)
Total net cash inflow	8,095

35 RELATED PARTY TRANSACTIONS

The Group is controlled by Quinta Asia Limited (the immediate holding company), a company incorporated in the British Virgins Islands, which owns approximately 57.91% of the Company's shares as at 31 December 2017. The Company's directors regard Quinta Asia Limited as being the ultimate holding company.

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

(a) Sales/purchases of goods and services

	2017 HK$'000	2016 HK$'000
Sales of goods:		
Entity controlled by non-controlling interest of a subsidiary	**13,550**	20,541
Purchases of goods and services:		
An associate of the Group	**–**	239
Major shareholder of an associate of the Group	**44,452**	90,417
Entities controlled by non-controlling interest of a subsidiary	**1,424**	4,114
	45,876	94,770

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

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

	2017 HK$'000	2016 HK$'000
Receivables from related parties (included in trade receivables):		
An associate of the Group	**105**	–
Entity controlled by non-controlling interest of a subsidiary	**8,170**	8,234
	8,275	8,234
Payables to related parties (included in trade payables):		
Major shareholder of an associate of the Group	**7,447**	13,058
Entities controlled by non-controlling interest of a subsidiary	**235**	106
	7,682	13,164

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

35 RELATED PARTY TRANSACTIONS (Continued)

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

	2017 HK$'000	2016 HK$'000
Loans from non-controlling interests of subsidiaries	**4,211**	2,557
Payables to non-controlling interests of subsidiaries	**7,907**	7,935
Payable to an associate of the Group	**1,219**	—

As at 31 December 2017, loans from and payables to non-controlling interests of subsidiaries and an associate of the Group were unsecured, interest-free and repayable on demand.

(d) Key management compensation

	2017 HK$'000	2016 HK$'000
Salaries, bonus and allowances	**18,910**	26,010
Share-based compensation in respect of share options	**1,591**	2,998
Retirement benefits — defined contribution schemes	**90**	98
	20,591	29,106

(e) As at 31 December 2017, the Company granted corporate guarantees of HK$680,504,000 (2016: HK$639,504,000) to certain banks in respect of the banking facilities granted of HK$650,604,000 (2016: HK$610,604,000) to its subsidiaries. As at 31 December 2017, the banking facilities utilised by the subsidiaries amounted to HK$232,215,000 (2016: HK$110,843,000).

As at 31 December 2017 and 31 December 2016, bank borrowings were secured by corporate guarantees given by the Company.

36 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

Statement of financial position of the Company

	Note	As at 31 December 2017 HK$'000	2016 HK$'000
Non-current assets			
Investments in subsidiaries	(a)	**1,767,774**	1,769,452
Deferred tax assets		**355**	250
		1,768,129	1,769,702
Current assets			
Deposits, prepayments and other receivables		**–**	62
Cash and cash equivalents		**474**	746
		474	808
Current liabilities			
Accruals and other payables		**4,162**	10,810
Current tax liabilities		**1,269**	2,050
Amounts due to subsidiaries		**298,551**	243,171
		303,982	256,031
Net assets		**1,464,621**	1,514,479
Equity			
Equity attributable to equity holders of the Company			
Share capital		**128,440**	128,440
Reserves	(b)	**1,336,181**	1,386,039
Total equity		**1,464,621**	1,514,479

The statement of financial position of the Company was approved by the Company's Board of Directors on 22 March 2018 and were signed on its behalf.

LI Kwok Tung Roy	**LAI Ching Ping**
Director	*Director*

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

Notes:

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

(b) Reserve movement of the Company

	Share premium HK$'000	Share-based payment reserve HK$'000	Contributed surplus HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 January 2016	691,094	7,618	528,331	299,859	1,526,902
Profit attributable to equity holders of the Company	—	—	—	1,838	1,838
Employee share option scheme					
— value of services provided	—	4,159	—	—	4,159
— exercise of share options	1,133	(287)	—	—	846
— lapse/forfeiture of share options	—	(3,970)	—	3,970	—
Dividends paid					
— 2015 final	—	—	—	(96,330)	(96,330)
— 2016 interim	—	—	—	(51,376)	(51,376)
At 31 December 2016	**692,227**	**7,520**	**528,331**	**157,961**	**1,386,039**
Profit attributable to equity holders of the Company	**—**	**—**	**—**	**12,116**	**12,116**
Employee share option scheme					
— value of services provided	**—**	**2,246**	**—**	**—**	**2,246**
Dividends paid					
— 2016 final	**—**	**—**	**—**	**(38,532)**	**(38,532)**
— 2017 interim	**—**	**—**	**—**	**(25,688)**	**(25,688)**
At 31 December 2017	**692,227**	**9,766**	**528,331**	**105,857**	**1,336,181**
Representing:					
Proposed 2017 final dividend				**25,688**	
Others				**80,169**	
				105,857	

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

The remuneration of every director and the chief executive for the year ended 31 December 2017 is set out below:

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking						
Name	**Fees HK$'000**	**Salaries HK$'000**	**Discretionary bonuses HK$'000**	**Housing allowances HK$'000**	**Employer's contribution to retirement schemes HK$'000**	**Share-based compensation in respect of share options HK$'000**	**Total HK$'000**
Executive directors							
Li Kwok Tung, Roy	**–**	**4,883**	**–**	**–**	**–**	**–**	**4,883**
Lai Ching Ping	**–**	**4,132**	**–**	**–**	**–**	**–**	**4,132**
Lee Kwok Leung *(chief executive)*	**–**	**3,360**	**–**	**–**	**18**	**399**	**3,777**
Wong Chi Keung	**–**	**2,660**	**–**	**–**	**18**	**1,192**	**3,870**
Independent non-executive directors							
Ma Ka Chun	**160**	**–**	**–**	**–**	**–**	**–**	**160**
Chan Kwong Fai	**160**	**–**	**–**	**–**	**–**	**–**	**160**
Kwan Kai Cheong	**240**	**–**	**–**	**–**	**–**	**–**	**240**
Chau Pui Lin	**160**	**–**	**–**	**–**	**–**	**–**	**160**
	720	**15,035**	**–**	**–**	**36**	**1,591**	**17,382**

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

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

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

No remunerations were paid or receivable in respect of accepting office as directors during the year ended 31 December 2017 (2016: Nil).

No directors waived any emoluments during the year ended 31 December 2017 (2016: Nil).

No emoluments were paid or receivable in respect of directors' other services in connection with the management of affairs of the Company or its subsidiary undertakings during the year ended 31 December 2017 (2016: Nil).

There are no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate and connected entities (2016: Nil).

Except disclosed above, no directors of the Company had a material interest, directly or indirectly, in any significant transactions, arrangements and contracts in relation to the Company's business to which the Company was or is a party that subsisted at the end of the year or at any time during the year (2016: Nil).

38 EVENTS AFTER THE REPORTING PERIOD

On 31 January 2018, the Group entered into a sale and purchase agreement ("**Agreement**") with a third party, Sport Field Holding Limited ("**SF Holding**"), which the Group conditionally agreed to purchase and SF Holding conditionally agreed to sell 60% of the issued shares of Sport Field Limited at a consideration of HK$12 million ("**Initial Consideration**"), subject to upward or downward adjustments with a maximum cap of HK$50 million). During the year ended 31 December 2017, an amount of HK$2 million was paid to SF Holding as a deposit for the acquisition. As of the date of this report, pursuant to the Agreement, another HK$2.8 million, in addition to the HK$2 million deposit paid before the year end, all together 40% of the Initial Consideration, was paid to SF Holding. Upon completion of the acquisition, Sport Field Limited and its subsidiaries ("**Sport Field Group**") became subsidiaries of the Group. The remaining balance of the consideration will be payable upon issuance of the financial results of Sport Field Group for the year ending 31 December 2018.

Glossary

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

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

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